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Challenging the myth of inclusivity in Special Economic Zones: unveiling equity gaps in local economic development in South Africa

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Introduction: Special Economic Zones (SEZs) are often praised as socially cohesive and inclusive economic development engines. However, this study argues that such assumptions overlook critical equity gaps.

Methods: The study analyzed data from 36 semi-structured interviews conducted across 10 South African municipalities. Two empirical questions guide this inquiry: What systemic barriers within SEZs' policy and operational frameworks hinder their ability to address the needs of marginalized populations and communities? How can targeted policy measures and stakeholder engagement mechanisms be designed and implemented to ensure SEZs promote sustainable and equitable local economic development?

Results: Findings reveal that SEZs have succeeded in creating jobs and improving infrastructure, but fail to adequately address the needs of local communities. Despite their potential, SEZs cannot inherently foster inclusivity without deliberate policy measures and robust stakeholder engagement. Key barriers include uneven distribution of resources, weak enforcement of inclusive policies, and inadequate community engagement.

Discussion: This study challenges the argument that SEZs inherently benefit local communities and that they risk perpetuating inequalities unless designed with equity at the forefront. Policymakers must implement targeted interventions, including transparent frameworks and participatory mechanisms, to ensure SEZs deliver equitable outcomes. By demystifying the perceived inclusivity of SEZs, this research highlights the critical need to rethink their implementation to promote sustainable and equitable development.

KEYWORDS

Special Economic Zones, equity gaps, inclusive development, stakeholder engagement, sustainable economic growth

1 Introduction

Special Economic Zones (SEZs) are created as geographically demarcated areas with unique economic legislation to draw investment, stimulate industrialization, and spur local economic development. Globally, SEZs should be drivers of inclusive economic growth. In South Africa, SEZs are perceived as drivers of local economic development, thus vehicles of economic inclusivity and social cohesion in line with the values inherent in the Constitution of the Republic of South Africa (1996), the National Development Plan (NDP) 2030, and the Industrial Policy Action Plan (IPAP). These legal frameworks focus on equitable economic participation, spatial justice, and sustainable development. SEZs,

in the process, should work as linkages that draw resources from the surrounding areas, generate employment, and empower marginalized communities in line with Section 195 of the Constitution, which calls for development-oriented public administration.

SEZs' role is instrumental in that they have been conceived as interventions to reverse spatial patterns, speed up industrialization, and drive socio-economic redress (Makgetla, 2021; Ezenwa et al., 2022). While theoretically promising, the South African SEZ space remains plagued by structural constraints. The functioning of SEZs is characterized by disproportionate benefit distribution, low levels of local engagement, and low levels of conformity to inclusive development norms (Balashov and Kravchenko, 2024; Dorożyński and Świerkocki, 2023a,b). This is compounded by the fragmentation of governance, the inconsistency of policies, and inadequate community engagement institutions, all of which compromise the potential of SEZs as drivers of inclusive economic development (Fukuda-Parr and Donald, 2023a,b).

This is due to a combination of policy misfits, top-down approaches, and investor-driven frameworks that fail to incorporate local development agendas (Oktaviana et al., 2024; Frogeri et al., 2022). As a result, the potential of SEZ-led equitable development is seldom realized, leading to the exclusion of marginalized groups from involvement in decision-making, employment, and value chain participation (Ezenwa et al., 2022). This leads to the broader issue of SEZs reinforcing the same socio-economic inequalities that they were intended to eradicate, outrunning constitutional expectations of equity, justice, and growth with inclusiveness.

Recent literature has placed greater emphasis on the inconsistencies of SEZ policy and their implications for inclusiveness. Studies like Makgetla (2021) identify a disconnection between the policy rhetoric and practice reality, particularly the failure of SEZs to mesh with industrial and social development objectives. Ezenwa et al. (2022) also note the exclusionary tendencies that mark SEZ engagements in South Africa, with specific reference to the marginalization of domestic stakeholders from governance frameworks. Similarly, a study by Chongsheng (2024) also criticizes the Coega SEZ for prioritizing the interests of investors over the development of the people. Meanwhile, Mokoena (2019) writes about how low institutional capacity constrains effective policy enforcement in SEZs, resulting in fractured and unequal outcomes. While these studies make significant contributions, a lack of empirically grounded analysis remains, investigating how marginalized communities perceive and interpret SEZ-led development. Therefore, there remains a lack of evidence about how community participation, governance relationships, and policy making interact to support or block inclusive growth in SEZ environments. It is unclear what drives or constrains fair participation, especially in rural and peri-urban SEZs where socio-economic frailties are most acute.

Drawing on Institutional Theory (Scott, 2014; North, 1990) and a multi-case study of SEZs in ten South African municipalities, this study challenges the equity implications of SEZ policy enforcement. This study critically examines the regulative and operating limitations hindering SEZs from promoting inclusive local development and examines how stakeholder engagement

mechanisms can address these gaps. Two empirical questions guided this inquiry.

- i What systemic barriers within SEZs' policy and operational frameworks hinder their ability to address the needs of marginalized populations and communities?
- ii How can targeted policy measures and stakeholder engagement mechanisms be designed and implemented to ensure SEZs promote sustainable and equitable local economic development?

This paper proceeds with a theoretical overview based on Institutional Theory, followed by a literature review on the inclusivity of SEZs. It then outlines the qualitative methodology and presents findings from selected South African municipalities. The discussion interprets these findings in light of the theoretical framework. The conclusion offers key insights and policy recommendations.

2 Theoretical framework: institutional theory

Institutional Theory provides a valuable framework for analyzing how regulatory structures, stakeholder dynamics and governance mechanisms influence SEZs. Institutions shape economic behavior by defining rules, norms and cognitive frameworks within economic activities (Scott, 2014). SEZs function within institutional settings that determine their effectiveness in fostering inclusive and sustainable development. The theory is particularly relevant as it helps explain why SEZs performance varies across regulatory and economic contexts. Research shows that institutional quality, policy consistency and effective governance are key to SEZ success (North, 1990; DiMaggio and Powell, 1983).

Institutional Theory consists of three key pillars: regulative, normative, and cultural-cognitive institutions (Scott, 2014). The regulative pillar encompasses formal rules, laws, and enforcement mechanisms that govern SEZ operations. Policies that provide clear legal frameworks and strong enforcement mechanisms enhance SEZ effectiveness (Fukuda-Parr and Donald, 2023a,b). The normative pillar refers to professional standards and stakeholder expectations, which shape interactions between governments, investors, and local communities. In China and Vietnam, structured stakeholder engagement has strengthened SEZ sustainability by ensuring long-term institutional support (Makgetla, 2021). The cultural-cognitive pillar involves shared beliefs and perceptions about SEZs as tools for economic growth. In some regions, SEZs are seen as opportunities for job creation, while in others, weak regulatory oversight has led to concerns about labor exploitation and environmental degradation (Dorożyński and Świerkocki, 2023a,b).

Alternative theoretical perspectives, such as Resource Dependency Theory and Public Choice Theory, have also been used to analyse SEZs. Resource Dependency Theory suggests that SEZs depend on external resources such as foreign direct investment and infrastructure support, but it does not fully address

how institutional frameworks influence these dependencies (Pfeffer and Salancik, 1978). Public Choice Theory, on the other hand, focuses on how government inefficiencies and bureaucratic interests shape SEZ policies but overlooks the role of social norms and cultural perceptions in shaping SEZ outcomes (Buchanan and Tullock, 1962). Institutional Theory provides a more comprehensive lens by incorporating regulatory, normative, and cognitive dimensions into the analysis of SEZ governance and effectiveness (Scott, 2014).

Institutional Theory is applied in this study to analyse how SEZ policies and stakeholder engagement influence economic inclusivity and sustainability. The theory helps assess the extent to which government regulations, business incentives and community participation contribute to SEZ success. The study evaluates how SEZ frameworks can foster inclusive growth by examining institutional quality and regulatory consistency. Despite its applicability, Institutional Theory has gaps that this study aims to address. Existing research often focuses on institutional stability but overlooks the effects of regulatory inconsistencies and weak enforcement on SEZ development. This study contributes to Institutional Theory by providing insights into how institutional weaknesses hinder SEZ sustainability and proposing mechanisms to strengthen regulatory oversight.

3 Literature review

3.1 Systematic barriers in SEZ policy and operational frameworks: implications for marginalized populations and communities

SEZs are promoted as catalysts for economic growth. However, they often fail to address systemic inequities. While they create jobs and enhance infrastructure, marginalized communities remain excluded from their benefits. This review examines systemic barriers in SEZs and their implications for equity and inclusivity. SEZ policies often prioritize investment attraction over social equity, resulting in regulatory gaps that marginalize local populations (Balašov and Kravchenko, 2024; Dorożyński and Świerkocki, 2023a,b). In many cases, legal ambiguities in SEZ regulations allow for corporate tax incentives and relaxed labor laws, often at the expense of worker protections and equitable resource distribution. In Africa, South Africa's SEZ framework has been criticized for weak enforcement mechanisms that fail to ensure benefits extend beyond investors to local communities (Ezenwa et al., 2022). Comparatively, Brazil's SEZs have faced similar challenges in Latin America, where regulatory loopholes have enabled land acquisition that displaces indigenous populations without adequate compensation (Frogeri et al., 2022). These patterns suggest that unless SEZ policies incorporate statutory protections that mandate inclusive growth, they risk exacerbating economic disparities rather than addressing them.

The distribution of resources in SEZs is highly uneven, often excluding marginalized communities from economic benefits (Makgetla, 2021; Dorożyński and Świerkocki, 2023a,b). Research on Poland's SEZs highlights that foreign investors dominate these zones, sidelining local businesses and limiting opportunities for

regional entrepreneurs (Frogeri et al., 2022). Similarly, in India, large multinational corporations benefit from tax exemptions and infrastructure investments, whereas smaller firms struggle to compete within SEZ frameworks (Oktaviana et al., 2024). In Southern Africa, SEZs have failed to integrate with broader industrial strategies, limiting their capacity to address regional economic disparities. Without targeted policies ensuring equitable investment distribution, SEZs will continue to deepen existing inequalities rather than alleviating them.

SEZ development frequently overlooks community engagement, reducing their potential for sustainable development (Storonyanska and Patytska, 2022; Balašov and Kravchenko, 2024). In South Africa, SEZs operate with limited public involvement, leading to policies that do not reflect local needs (Ezenwa et al., 2022). In contrast, China has incorporated participatory mechanisms into its SEZ strategies, ensuring that labor unions and local governments play an active role in decision-making processes. However, in Indonesia, inadequate participation mechanisms continue to hinder the alignment of SEZ strategies with cultural and socio-economic realities (Oktaviana et al., 2024). Strengthening stakeholder engagement is crucial to ensuring SEZs contribute to inclusive and sustainable economic development.

SEZs often lack the institutional capacity to integrate marginalized populations into economic development (Fukuda-Parr and Donald, 2023a,b; Makgetla, 2021). Policy frameworks across multiple regions emphasize business incentives at the expense of social inclusion, exacerbating disparities (Balašov and Kravchenko, 2024). In South America, weak inter-agency collaboration has led to bureaucratic inefficiencies that prevent marginalized groups from accessing SEZ benefits. Studies indicate that systemic barriers such as institutional silos and ideological biases further limit SEZ effectiveness in fostering inclusive growth (Storonyanska and Patytska, 2022). Addressing these issues requires stronger institutional coordination and a shift toward equity-focused SEZ governance, where local governments and community representatives actively shape policy decisions.

Despite their economic potential, SEZs often reinforce social inequalities by failing to integrate disadvantaged groups into their development plans (Frogeri et al., 2022; Oktaviana et al., 2024). Research on SEZs in Brazil and Indonesia highlights how regulatory weaknesses prevent equitable benefit distribution, disproportionately favoring corporate stakeholders (Makgetla, 2021). Similarly, SEZs have struggled to create employment opportunities for local populations in Africa, often importing labor from outside regions instead (Ezenwa et al., 2022). The exclusion of marginalized groups from economic gains underscores the need for policy interventions that ensure SEZs contribute to socio-economic empowerment rather than exacerbate existing inequalities.

To promote inclusivity, SEZ policies must integrate transparent legal frameworks and participatory governance mechanisms (Balašov and Kravchenko, 2024; Dorożyński and Świerkocki, 2023a,b). Countries such as China and Vietnam provide examples where SEZ strategies align with broader national development plans, reducing regional disparities (Makgetla, 2021). Institutional reforms should address policy silos and encourage stakeholder collaboration to foster sustainable and equitable economic development (Fukuda-Parr and Donald, 2023a,b). Strong

monitoring frameworks and fair resource allocation measures can help SEZs serve as practical tools for inclusive growth. SEZs possess the potential for economic development, but systemic barriers hinder their inclusivity. Without targeted reforms, they risk perpetuating inequalities rather than alleviating them.

3.2 Targeted policy measures and stakeholder engagement: pathways to sustainable and equitable local economic development in SEZs

SEZs drive economic growth and industrialization. However, their success in fostering sustainable and equitable local economic development depends largely on targeted policy measures and active stakeholder engagement. This literature review explores the role of policy interventions and multi-stakeholder collaborations in ensuring that SEZs benefit local communities while promoting long-term sustainability. It examines global SEZ models, highlighting both successful and struggling cases, to provide a balanced perspective on the complexities of equitable SEZ development.

Effective SEZ policies must balance investor incentives with social and economic inclusivity. Research indicates that tax incentives and regulatory relaxations, while beneficial for attracting foreign direct investment (FDI), often sideline local businesses and workers. Policies must, therefore, incorporate social impact assessments, local content requirements, and workforce development programs (Makgetla, 2021). Comparative studies highlight that in China and Vietnam, targeted policies integrating SEZs with national development goals have contributed to sustained economic expansion (Fukuda-Parr and Donald, 2023a,b). SEZs like Shenzhen have transformed into global industrial hubs in China by aligning their strategies with national economic plans. Vietnam's SEZs have also succeeded due to policies encouraging technology transfer and local employment. Meanwhile, SEZs in Africa and South America have struggled due to weak policy frameworks that fail to address regional economic disparities (Dorożyński and Świerkocki, 2023a,b). In Nigeria, for example, SEZs have faced challenges in securing infrastructure investments, limiting their capacity to support small-scale enterprises.

The inclusion of diverse stakeholders government agencies, private investors, local businesses, and community organizations is crucial for the success of SEZs. Research highlights that participatory governance models, as observed in Malaysia and South Korea, enhance transparency and ensure that SEZ benefits extend to marginalized communities (Storonyanska and Patytska, 2022). In Malaysia, SEZs such as Iskandar Malaysia have successfully leveraged public-private partnerships to align industrial growth with social development. Conversely, weak stakeholder engagement, as seen in many African and Latin American SEZs, has led to social unrest and economic exclusion (Ezenwa et al., 2022). In South Africa, the Coega SEZ has faced resistance from local communities due to a lack of consultation on land-use decisions. Policymakers must adopt structured consultation frameworks and foster public-private partnerships to align SEZ development with community priorities. Additionally, in India's SEZs, the displacement of indigenous communities

without adequate compensation has led to prolonged legal battles, highlighting the need for structured social impact assessments before project implementation. Despite their potential, SEZs often face challenges in enforcing equitable policies. Bureaucratic inefficiencies, corruption, and regulatory inconsistencies hinder the implementation of social inclusion policies (Balašov and Kravchenko, 2024).

In India and Indonesia, policy misalignment between central and regional governments has led to uneven performance of SEZs (Oktaviana et al., 2024). In Indonesia, SEZs such as the Sorong SEZ have struggled due to a lack of coordination between national and local authorities, leading to stalled projects. Similarly, in Latin America, SEZs in Brazil have faced challenges in maintaining long-term investor confidence due to sudden policy reversals. Addressing these challenges requires stronger institutional frameworks and legal mechanisms to hold stakeholders accountable. The success of SEZs in Dubai, where government institutions provide consistent regulatory support, contrasts sharply with such struggles, demonstrating the importance of policy stability in SEZ development.

Examining global best practices reveals that SEZs in China, Vietnam, and the UAE have successfully integrated economic and social policies to promote sustainable development. China's SEZs, particularly Shenzhen, are prime examples of how combining government support, strategic investment incentives, and strong local participation can drive industrial success. Vietnam's SEZ model incorporates extensive training programs to upskill local workers, ensuring they benefit from industrial expansion. In contrast, SEZs in Africa and Latin America face implementation gaps due to fragmented governance and inadequate community participation (Makgetla, 2021). For example, Mexico's SEZ experiment in the south was discontinued due to a failure to attract investors and weak local integration. Lessons from successful SEZs highlight the importance of adaptive policy frameworks that can evolve based on regional economic conditions and stakeholder feedback.

4 Methods and materials

This study employed a qualitative case study design to analyse the institutional and stakeholder forces shaping inclusivity in South Africa's SEZs. A case study was selected because it is most suitable for highlighting the complexity of policy environments and producing rich, contextualized data (Yin, 2018). Considering the study's goal to explore systematic gaps in equity in SEZs, the qualitative approach enabled the researchers to gain rich information from different stakeholders in different institutional, policy, and community contexts. Such research, applying similar methodologies, has previously been conducted in economic governance and regional development research (Makgetla, 2021; Ezenwa et al., 2022).

4.1 Population, sampling and participants

The population of interest was stakeholders in or affected by SEZ operations. Purposeful and expert sampling strategies were employed to obtain variation in opinion and to ensure

that there were well-informed opinions concerning SEZ practices. Interviews were conducted with 36 participants across ten municipalities in South Africa. The sample included 4 SEZ investors, 5 national and provincial policymakers, 7 local government officials, 7 members of SEZ boards and sub-committees, 4 community members, 4 academics (including 2 from Zimbabwe and Botswana respectively), and 5 individual representatives comprising SEZ management, business leadership, a skills development practitioner, and a SALGA official. The diversity of participants enriched the data through enabling triangulation between institutional and grassroots voices.

Participants were sampled from municipalities in all nine provinces, including eThekweni, Buffalo City, City of Tshwane, Polokwane, iLembe, Ulundi, Mandeni, KwaDukuza, Umzumbe, Matatiele, Sarah Baartman, Collins Chabane, and Namakwa. The municipalities were purposively selected according to the presence or effect of SEZs, region diversity, and to measure policy implementation in urban and rural areas. This created a structured picture of SEZ inclusiveness, portraying dynamics on institutional, operational, and community levels.

4.2 Data collection procedures and instruments

Primary data were collected through 151 semi-structured interviews, conducted via Microsoft Teams remotely across 10 SEZ sites and their host municipalities. The interview guide highlighted experiences with the implementation of SEZ policy, inclusivity outcomes, institutional alignment, and community participation. The interview structure allowed participants to elaborate on themes organically while ensuring consistency across cases. Analysis of municipal SEZ plans, national policy reports, and institutional documents was used to cross-validate interview findings and track policy-practice gaps.

4.3 Data analysis

All the interview transcripts were coded thematically using Braun and Clarke's (2019) six-phase approach. Recurring patterns related to equity, governance, stakeholder engagement, and regulatory environments were identified through both inductive and deductive coding. Municipalities were coded using provincial abbreviations (e.g., Gauteng, GP; KwaZulu-Natal, KZN), and participants were assigned numerical codes (e.g., GP1 = respondent from Gauteng 1). Such an anonymising strategy ensured confidentiality while promoting analytical rigor. Thematic trends were analyzed province by province to find out regional variations and dominant institutional constraints.

4.4 Ethical considerations

Ethical clearance was sought from the University of KwaZulu-Natal. All municipalities and other institutions provided permission to conduct the interviews with their

personnel. Informed consent was obtained from all participants, with assurances of anonymity, confidentiality, and voluntary participation. Written informed consent was obtained from the participants for the publication of any potentially identifiable images or data included in this article. Data were treated confidentially and utilized for purposes of academic study only. Opportunities were provided to participants to review and approve their transcribed interviews, thereby ensuring the transparency and ethical integrity of data handling.

5 Findings

This section presents findings drawn from in-depth interviews with key stakeholders involved in planning, executing, and assessing SEZs within the focus South African municipalities. Guided by the two broader research questions in this study, the analysis aims to identify systemic barriers inherent in SEZ models that hinder inclusivity and suggest policy and stakeholder outreach interventions aimed at promoting sustainable and equitable local economic development. Within thematic analysis, six general themes were identified—three structurally and institutionally restrictive and three solution-focused, looking toward the future. All the themes are supported by extensive verbatim evidence to illuminate the lived reality, institutional politics, and policy constraints defining the SEZ reality.

5.1 Systemic barriers undermining inclusivity in SEZ policy and operational frameworks

The first research question aimed to identify constraints in SEZ policies that restrict assistance to marginalized groups. It examined how exclusionary practices and governance issues restrict the local development contribution of SEZs. The following section discusses the themes that emerged in relation to research question one.

5.1.1 Exclusionary policy design and lack of community participation

The theme emphasizes the disempowerment of local communities in SEZ planning. Stakeholders noted that SEZs are developed with little contribution from marginalized actors. Locals reported being consulted too late or never consulted at all. This is perceived as imposing economic enclaves, rather than promoting local initiatives. The lack of participatory planning undermines both the legitimacy and developmental impact of SEZs, as the policies and benefits often bypass local realities and priorities.

Participant 1 (WC2), a local businesswoman in Cape Town, described the disconnect starkly:

They don't know about me, I don't know about them. And finding each other, that makes it difficult for us to find each other. Business like here in my local economy they don't know me and I don't know them but we both need each other.

This quote illustrates the mutual isolation between SEZ administrators and local entrepreneurs. Despite existing in close physical proximity, there is no deliberate effort to bridge the information and engagement gap. This leaves small businesses unable to access SEZ-linked opportunities, contributing to their marginalization.

A municipal official (WC1) in the Western Cape emphasized the importance of local ownership in correcting this gap:

The owners of the company or organizations are not necessarily locals. Then you will realize the high paying jobs go to people from outside the community. Even if the business succeeds, the economy is not circulating in that community. People come, collect profits, and leave. The locals are left with nothing but hope.

This insight reveals the extractive logic embedded in the current SEZ model, where investment inflows are not matched by community benefit. The call for establishing trust funds or direct community ownership arrangements highlights the growing demand for inclusive economic participation.

In the Northern Cape, Participant 2 (NC2) pointed to the top-down nature of SEZ rollouts:

The SEZ was gazetted, and Kaima now needs to fit into it. Municipalities are not normally part of that whole process... They were not prepared for the influx of people, the infrastructure demand, nothing. It was just decided from above.

This quote demonstrates the reactive role municipalities are forced to play when excluded from early-stage SEZ planning. The exclusion not only marginalizes local government but also sets the SEZs up for infrastructural and logistical failure due to poor alignment with on-the-ground capacities.

Participant 3 (LI4) from Limpopo described how SEZs often treat community voices as secondary:

They held one meeting with a few traditional leaders and assumed that was enough. Meanwhile, most of us didn't even know what the SEZ meant until construction started. People feel they are being done a favor instead of being involved from the beginning.

This perspective reflects frustration with tokenistic consultation practices, where procedural engagement replaces substantive inclusion. The lack of awareness and transparency deepens distrust among residents and increases the likelihood of resistance or apathy.

From KwaZulu-Natal, Participant 4 (KZN4) shared similar sentiments:

The local LED unit wasn't even part of the initial stakeholder meeting. By the time we were informed, plans had already been finalized. We had to adjust our IDP retroactively to fit the SEZ, instead of shaping it together.

This experience reflects the breakdown of coordinated, participatory planning at the municipal level. Excluding LED

departments from early consultation contradicts the developmental objectives of SEZs and weakens municipal ownership.

An expert from Zimbabwe (SZW1) also echoed this pattern of exclusion:

Community members also lack information on the role of SEZs and as such they cannot tap the opportunities they offer. There needs to be a deliberate awareness strategy to educate them and allow meaningful engagement.

This observation underscores the importance of consistent and inclusive information dissemination as a foundation for local participation and benefit.

Across municipalities, participants also called attention to the regulatory and procedural barriers that prevent local businesses and citizens from engaging SEZ opportunities. Participant 5 (FS2) noted:

The procurement systems and registration processes are too complicated for many local SMMEs. It ends up being outsiders who know how to navigate the red tape that win contracts, not the locals.

This highlights a broader structural exclusion where bureaucratic barriers disproportionately affect those with less capacity, further distancing SEZs from local developmental outcomes.

5.1.2 Centralized implementation and municipal marginalization

This theme highlights the lack of inclusion of municipalities in the planning of SEZs, which leads to fragmented implementation and weak local ownership. Participants noted that SEZ decisions, like land allocation and investor selection, are often made at higher levels without proper consultation with local authorities. Municipalities are pushed into reactive roles, requested to deliver fundamental services and infrastructure without planning, funding, or coordination with their IDPs.

Participant 1 (NC3), from the Northern Cape Economic Development Agency, emphasized this top-down approach:

The SEZ was declared long before we came in. As the district, we were only asked to 'support the implementation'—but what does that mean when the fundamentals were decided already? It becomes difficult to align infrastructure and LED strategies retroactively.

This quote reflects the disconnect between policy initiation and operational responsibility. Municipalities are often asked to deliver on decisions they did not help shape, creating a governance gap.

In the Free State, Participant 2 (FS2), an academic expert, further elaborated on this fragmentation:

Local government is often caught off-guard. SEZ projects land in their laps, but they're not equipped—financially or administratively—to absorb the burden. They don't have the technical staff, the budget lines, or the policy backing to take full ownership.

This highlights not only the structural exclusion of municipalities but also the misalignment of resource capacities and institutional mandates, reinforcing the perception that SEZs are externally imposed.

From Mpumalanga, Participant 3 (MP1), a local business representative in Nkomazi, shared:

The municipality didn't know the full extent of what the SEZ would require. Roads, water, zoning issues—they were informed in bits and pieces. So even the local business community couldn't prepare. It was confusion from the start.

This disjointed flow of information underscores the consequences of bypassing local governance systems, particularly when SEZs are rolled out in infrastructure-poor areas.

Participant 4 (LIM3), from Polokwane Local Municipality, described a similar dynamic:

The planning came from above. We had no prior consultation, yet we're expected to mobilize resources, change land-use plans, and provide services. It's not that we don't want to support SEZs—it's that we are not treated as equal partners.

This statement captures the frustration of local authorities who feel their developmental knowledge and contextual understanding are overlooked in favor of centralized agendas.

A voice from the Western Cape (Participant 5, WC2), representing the local private sector, reinforced this marginalization:

It's as if the SEZ exists in a bubble. The municipality didn't drive it, and so there's no sense of coherence. We don't know who to speak to—local or national—because roles were never clarified.

This illustrates the practical confusion resulting from fragmented authority and the absence of clear, multi-level governance frameworks.

Finally, Participant 6 (KZN3), from Msunduzi Municipality in KwaZulu-Natal, made a critical point on local developmental misalignment:

We had our own LED strategy, focused on agro-processing and township economies. Then suddenly, the SEZ priorities came in—focused on logistics and heavy industry. There was no synergy, no attempt to integrate our plans.

This illustrates the loss of strategic coherence when national or provincial SEZ priorities override locally defined development agendas.

5.1.3 Weak institutional capacities and fragmented coordination

This theme addresses internal municipal and public institution issues that act as obstacles to SEZ coordination and implementation. Participants referred to issues such as under-capacity staff, mismatched mandates, and interdepartmental fragmentation that diminish the potential of SEZs. These institutional weaknesses result in poor integration of SEZs into municipal plans, thereby delaying the local benefits. It is not the incompetence of individual politicians, but rather systematic disunity and a lack of strategy.

Participant 1 (SZW1), an academic expert based in Zimbabwe, pointed out the skills gap among municipal officials:

Some municipal staff members lack knowledge on the operations of SEZs. There is a need for awareness programmes to acquaint them with such knowledge.

This observation highlights how municipal actors often on the frontlines of service delivery and LED, are poorly equipped to engage with the complex demands of SEZs. The lack of capacity not only affects planning but also the ability to engage investors, monitor compliance, or mobilize community support.

Participant 2 (NC1), Joe Legadimane from the National Union of Mineworkers (NUM), underscored the inefficiencies caused by institutional silos:

We seem to be doing whatever we do in silos... departments are not speaking to each other. We are delaying to actually reach the community.

This quotation highlights a governance failure, where LED, infrastructure, investment, and land-use departments operate in isolation from one another, resulting in duplications or missed synergies. In SEZs, this coordination gap reduces effectiveness and slows down implementation.

In Gauteng, Participant 3 (GP2), a CSIR policy expert, shared a similar concern:

What I've observed is that there is no unified strategy at the local level. Each unit is trying to figure it out for themselves. There's no central node or mechanism for coordinating SEZ activities across departments or even with provincial actors.

This quote highlights a leadership and coordination vacuum that affects consistency and clarity in execution, undermining investor confidence and slowing down developmental outcomes.

Participant 4 (LIM1), from Capricorn District Municipality, described the operational consequences of poor coordination:

We sometimes receive SEZ mandates through provincial circulars, but there's no operational follow-up. You don't know who is leading the process, who's monitoring, or how your department fits into the picture. It's confusing.

This lack of clear roles and accountability lines erodes institutional effectiveness and leads to stalled or misaligned initiatives.

From KwaZulu-Natal, Participant 5 (KZN2), a senior municipal official, offered a pointed critique:

We have overlapping plans—our IDP says one thing, the SEZ framework says another, and the province says something else. At the end of the day, there's no integration, and that makes implementation very weak.

This highlights the consequence of multiple, uncoordinated frameworks operating in parallel. It suggests that the failure is not just technical but strategic, reflecting a lack of horizontal and vertical alignment in governance structures.

Participant 6 (WC2), from the Western Cape private sector, further reflected on how this confusion undermines trust:

As a business, I don't know who to talk to. The municipality says one thing, the SEZ office another, and then there's a national agency too. It feels chaotic.

This statement captures the external impact of fragmented institutional arrangements on stakeholders who should be beneficiaries of SEZ-led development.

These responses collectively reveal a pervasive institutional fragility that weakens the potential of SEZs to drive inclusive economic development. Inadequate coordination, poorly defined roles, lack of skills, and communication result in a chaotic SEZ implementation environment. This internal chaos hinders private sector involvement and public backing, the keys to long-term success.

5.1.4 Information asymmetry and limited public awareness

Stakeholders from various municipalities reported a significant obstacle: a vast information gap between SEZ authorities and local communities. Small and medium enterprises, civil society, and local government members stressed that citizens are not well informed about SEZs, their functioning, and how citizens can engage or benefit from them. The absence of accessible, persistent, localized dialogue prevents communities from economic planning as well as fostering mistrust or apathy regarding SEZ-led development.

Participant 1 (WC2), a local businesswoman in Cape Town, described the mutual invisibility between SEZ actors and small enterprises:

They don't know about me, I don't know about them... that makes it difficult for us to find each other. Business like here in my local economy—they don't know me and I don't know them—but we both need each other.

This statement illustrates the lost potential for mutually beneficial relationships when there is no interface between SEZ investors and local enterprises. It also reflects how SEZs can become disembedded from the local economy if information sharing is not intentional and inclusive.

From Limpopo, Participant 2 (LI3), a municipal official from Polokwane, echoed this frustration:

People in the community hear about SEZs on the news or during sod-turning ceremonies, but they don't know what's going on. There is no plan to actually educate or involve them on the ground.

This demonstrates how high-level publicity around SEZs does not translate into grassroots awareness or ownership. Without structured information dissemination strategies, local communities remain spectators rather than participants.

Participant 3 (SZW1), an academic expert from Zimbabwe, reinforced this theme:

Community members lack information on the role of SEZs and as such they cannot tap into the opportunities they offer. There needs to be a deliberate awareness strategy to educate them and allow meaningful engagement.

This observation confirms that without foundational knowledge and regular updates, marginalized groups are structurally excluded—not by formal prohibition but by practical invisibility.

In KwaZulu-Natal, Participant 4 (KZN5), from Ulundi Municipality's LED unit, provided a grounded example:

Even councilors were not fully informed. We got invited to a workshop only after the implementation had started. How do we go and explain to our people something we ourselves don't understand?

This statement reflects the cascading nature of information asymmetry, from national to local governments and then to communities. It also reveals a missed opportunity to use existing governance structures, such as ward committees and councilors, to localize SEZ knowledge.

Participant 5 (FS1), an academic from the Free State, also criticized the ad-hoc nature of SEZ communications:

There is no ongoing engagement platform. One community meeting or workshop is not enough. These things require persistent, culturally relevant education campaigns—otherwise, only elites understand how to participate.

This highlights the need for participatory, iterative communication strategies that take into account literacy levels, language diversity, and community media ecosystems.

A voice from the Northern Cape (Participant 6, NC4) added a stark reflection on consequence:

People don't trust these projects anymore. They think it's another 'government investor thing' that won't benefit them. And who can blame them? They're always the last to know.

This reveals the reputational risks SEZs face when transparency and inclusion are not prioritized. Lack of information breeds suspicion and disengagement.

5.2 Policy and engagement strategies for advancing equitable and sustainable SEZ outcomes

Research question two examined policy interventions and stakeholder engagement for making SEZs drive sustainable local economic development. It aimed to identify inclusive governance models, participatory planning processes, and mechanisms to enhance community ownership and influence. The sections below discuss the themes that emerged in response to research question two.

5.2.1 Embedding local ownership and direct community benefits

The theme emphasizes that SEZ models ought to be community-owned, co-governed, and characterized by equitable benefit-sharing. Across provinces, participants stated that in the absence of local investments, collaborations and community trusts, SEZs would become extractive and not developmental. The participants emphasized that ownership is not just material equity but power, voice, and legitimacy in the eyes of the population served.

Participant 1 (WC1), a municipal official in Cape Town, framed the issue of ownership as central to local empowerment:

Make sure there is a fund or a trust where the community can participate in direct ownership... ownership affects decision making, affects who gets appointed to the board, who manages operations. When people have a stake, they care more—and they benefit more.

This insight reflects a broader understanding of ownership beyond profit-sharing. It connects legal and financial inclusion to governance inclusion, where community members can influence strategic and operational decisions within SEZs.

Participant 2 (NC3), from the Northern Cape Economic Development Agency (NCEDA), offered a similar view:

SEZs must be based with the people and belong to the people of the Northern Cape. If we don't embed that from the start, we're just setting up another structure that benefits others and not our communities.

This quote underscores the regional sentiment of dispossession and the desire for SEZs to serve as restitutionary development tools, particularly in historically marginalized areas.

In Mpumalanga, Participant 3 (MP1), a local community activist, raised concerns about alienation:

We see the buildings, we hear the announcements, but we don't see ourselves in it. There's nothing for the youth, no shareholding, no local boards. It feels like it's happening to us, not with us.

This perception illustrates how lack of embedded ownership erodes the legitimacy of SEZs, especially among unemployed youth and informal workers.

Participant 4 (LIM4), from Collins Chabane Municipality, offered a suggestion:

We should have local cooperatives involved—let them own shares, let them provide services. It shouldn't be outsiders doing everything. If we build it here, we should benefit here.

This comment pushes for a cooperative-based ownership model that integrates local enterprise into SEZ supply chains and investment schemes.

In KwaZulu-Natal, Participant 5 (KZN1) noted a missed opportunity:

When Dube TradePort was launched, there were no community equity models explored. That was a mistake. Now people feel excluded, and it's hard to win back that trust.

This retrospective critique emphasizes how early design choices around ownership have long-term implications for public perception and community engagement.

Participant 6 (FS2), an academic expert from the Free State, also addressed the issue from a governance standpoint:

Ownership creates accountability. If communities are shareholders—even through a trust—they can ask questions, demand transparency, and guide decisions that align with local development.

This reveals how embedding ownership enhances governance, transforming beneficiaries into watchdogs and co-decision makers.

5.2.2 Strengthening multi-level governance and consultative planning

The theme focuses on the need for improved coordination among local, provincial, and national governments in the planning of SEZs. Participants stressed that SEZs require an integrated governance system that respects municipalities' mandates while drawing on provincial and national resources for inclusive and sustainable objectives. Coordination gaps lead to policy fragmentation, duplication of effort, and implementation paralysis. Intergovernmental planning must be improved, and synchronized frameworks must be designed to ensure local ownership, effective delivery of services, and strategic alignment.

Participant 1 (NC3), from the Northern Cape Economic Development Agency (NCEDA), clearly articulated this vision:

The local municipality must also be part owner of the SEZ together with the province and national government. You can't have a situation where locals are only implementers—they must be partners. That's the only way the SEZ becomes part of a shared development vision.

This view highlights that shared governance is not merely administrative, it is about institutionalizing joint accountability, shared investment, and co-creation of strategy.

Participant 2 (SZW1), an academic expert from Zimbabwe, emphasized the importance of integrating SEZs into district-level planning through the District Development Model (DDM):

There is need to strengthen inter-governmental frameworks that allow SEZs to provide the pivot for local economic development. Effective and consultative district-level strategic planning is necessary for harnessing the opportunities that SEZs can offer.

This quote reinforces the need for structured, formalized planning channels at the district level. Without such alignment, SEZs risk floating above existing development frameworks, failing to embed themselves in local economic ecosystems.

From KwaZulu-Natal, Participant 3 (KZN4), a municipal official in Ulundi, pointed to the absence of horizontal integration:

The provincial office was driving the SEZ agenda, but we as the municipality only heard about it in the middle of the process. Even departments within our own structure weren't aligned. Everyone was moving on their own track.

This illustrates the double fragmentation often faced between levels of government and within the same municipality leading to inefficiencies and missed developmental synergies.

Participant 4 (LI2), from the Limpopo Provincial Legislature, offered a broader perspective:

We need a governance model that isn't top-down. Right now, national gives instructions, province tries to interpret them, and local governments scramble to comply. There must be a space for co-design, not just compliance.

This highlights the hierarchical nature of current SEZ governance, which undermines the principles of cooperative governance enshrined in South Africa's Constitution.

In the Western Cape, Participant 5 (WC1), a municipal respondent, offered a concrete example of failed consultation:

When land was allocated for the SEZ, we weren't consulted. The site selected didn't fit into our spatial plan. Now we're dealing with zoning issues and community pushback that could've been avoided if there was proper planning with us.

This quote reveals the practical and political risks of ignoring local expertise and spatial planning frameworks. Without early and genuine consultation, SEZs encounter resistance and logistical delays.

From the Free State, Participant 6 (FS2), an academic expert, summarized the challenge as one of misaligned development priorities:

LED units and SEZ technical teams often operate in silos. They report to different departments, use different indicators, and sometimes pursue conflicting goals. We need to build a shared language and a unified vision.

This underscores that multi-level governance is not only about structure but also about cultivating shared developmental narratives and technical alignment.

6 Discussion

This study explored constraints to inclusivity and equity in the SEZs of South Africa. Using Institutional Theory, it revealed exclusionary tactics, top-down planning, and fragmented arrangements that marginalize local communities. SEZs are considered drivers of inclusive growth, but evidence here shows that their governance and operations entrench structural inequality, a contradiction highlighted in recent literature (Makgetla, 2021; Ezenwa et al., 2022; Dorożyński and Świerkocki, 2023a,b).

The findings reveal that SEZs exclude marginalized groups from planning and decision-making. This aligns with (Ezenwa et al., 2022), who explain that the South African SEZ policy does not adequately involve domestic stakeholders. Failing to include people makes SEZs economic enclaves rather than inclusive development platforms. This exclusion was not inadvertent but seemed structurally inherent in the SEZ lifecycle, between design and implementation, and thus contradicted the participatory spirit that informs the Constitution and the National Development Plan (NDP) 2030. Comparative international examples of stakeholder-driven SEZ models in China and Vietnam (Fukuda-Parr and Donald, 2023a,b) further accentuate South Africa's democratic shortfall in this regard.

The study found a pattern of top-down SEZ implementation with centralized tendencies that marginalize the local governments. The outcome is planning mismatch, duplication of efforts, and delays. Balashov and Kravchenko (2024) noted that fragmentation results in poorer regulatory outcomes and limited local returns. SEZs, which national or provincial governments administer, are imposed on ill-prepared municipalities with no resources. This concurs with experiences in Indonesia and Brazil (Oktaviana et al., 2024; Frogeri et al., 2022), where the exclusion of locals resulted in failed projects and suboptimal development outcomes.

Third, the study confirmed the presence of institutional capacity weaknesses and siloed governance practices that erode SEZ implementation. Poor interdepartmental coordination, undefined institutional roles, and a lack of specialized knowledge within local governments render them incapable of shaping or contesting SEZ trajectories. These findings extend the work of Mokoena (2019), who argued that South Africa's SEZs suffer from low institutional absorption capacity. As noted in the literature, fragmented institutional environments reduce efficiency and hinder the potential of SEZs (Storonyanska and Patytska, 2022).

Information asymmetry and breakdown in communication was one of the recurring issues. Community members and small business owners had limited knowledge of SEZ procedures and opportunities, as observed by Ezenwa et al. (2022). The gap, heightened by poor communications strategy, entrenches exclusion. Vietnam and Malaysia have incorporated extensive information sharing and capacity building into their SEZs (Makgetla, 2021), which allows for wider inclusion. In South Africa,

the lack of such planning limits benefits to only those individuals who are connected.

The study suggested strong interest in community-owned SEZ models. Participants suggested trusts, cooperatives, and shareholding to include local communities in SEZ value chains. This supports Makgetla (2021) argument that equity participation is essential for preventing elite capture. The demand for co-ownership is not only economically attractive but also for agency, legitimacy, and a shift in SEZ governance. The study revealed poor multi-level governance, characterized by a lack of alignment among provincial, national, and local stakeholders. Fukuda-Parr and Donald (2023a,b) argue that vertical integration and policy coherence are central to development. South African SEZs lack full integration into municipal IDPS or LED strategies, leading to inefficiencies and tensions in developmental agendas.

Unexpectedly, the study found profound internal fragmentation within municipalities, alongside external exclusion by national or provincial SEZ governments. While literature has a tendency to focus on vertical misalignment between levels of government, this study uncovered that intra-municipal silos among LED units, planning departments, and political offices also hinder SEZ implementation. Observers commented that municipal government departments operate in silos, unaware of what is taking place with SEZ developments and in the absence of coordination. This shortfall implies that enhancing SEZ inclusivity demands intergovernmental reform and greater integration and capacity building in municipalities, a frequently overlooked dimension in SEZ research.

This study has a profound impact on theory and practice. It contributes to Institutional Theory by demonstrating how deficits in the regulative, normative, and cultural-cognitive pillars can compromise SEZ inclusivity and sustainability. Scott (2014) and North (1990) focus on the formal rules and norms within institutions. Still, this study demonstrates that a lack of alignment between regulatory power, stakeholder expectations, and community beliefs leads to fragmentation, exclusion, and distrust. The lack of local stakeholders in SEZ management indicates institutional failure since stakeholder participation, as expected, does not occur. Inadequate communication and transparency also imply cultural gaps, and centralized planning and lax enforcement reveal regulatory weaknesses. The study contributes to Institutional Theory by demonstrating that institutional fragmentation, more than absence, hinders SEZ performance.

The study highlights the need for policymakers to transition to co-governance frameworks with citizens and local governments in SEZs from compliance-based approaches. This necessitates reforms that promote ownership and participation in rules, align the agendas of SEZs with local development plans, and strengthen transparency and accountability. The study is critical of current SEZ practice and argues that well-designed SEZs need investment, infrastructure, and strong, participatory institutions.

This study demonstrates that South Africa's SEZs do not facilitate inclusive development due to exclusionary policies, top-down implementation, institutional fragmentation, and poor community participation. Consequently, local communities are excluded from SEZ planning and benefits, deepening existing inequalities. These findings suggest that in the absence of reforms

aimed at co-governance, regulatory clarity, and participatory planning, SEZs would turn into elite enclaves instead of boosting local economic growth.

7 Conclusion

This study investigated the role played by South African Special Economic Zones (SEZs) in promoting local economic development. It established that SEZs are elitist, investor-driven zones that overlook impoverished communities. The investigation discussed challenges undermining the prospects of SEZs to emerge.

This study finds that SEZ regimes routinely exclude local stakeholders from planning and implementation. Municipalities are relegated to the role of peripheral implementers, resulting in fragmentation, logistical issues, and misalignment in development. Research shows that poor institutions, information deficits, and top-down structures reinforce the disempowerment of communities. These results suggest that current SEZs must be dramatically transformed to achieve development goals. The study shows that new SEZ models must emphasize equity, participatory governance, and community ownership. Lastly, cooperative governance-specific SEZs must focus on collaborative governance specific to community needs.

These findings are of concern to policymakers, urban authorities, development practitioners, and scholars focusing on spatial justice, governance, and economic restructuring. The study sheds light on institutional design and stakeholder involvement effects on SEZs' effectiveness and legitimacy. The study findings can be used toward creating more accountable and community-focused economic development zones.

One key limitation is that no longitudinal data exist to measure the long-term effects of SEZs. The study was also limited in its scope to particular municipalities, which decreased regional generalizability. The study demonstrates that inclusive SEZ governance is a prerequisite for long-term success. Despite limitations, it enhances understanding of economic zones in South Africa. The logical approach is to study SEZ models in the Global South and identify best practices in equity and local governance. This will help in formulating specific interventions to render South Africa's SEZ policy sustainable and inclusive.

Data availability statement

The raw data supporting the conclusions of this article will be made available by the authors, without undue reservation.

Ethics statement

Ethical clearance was sought from the University of KwaZulu-Natal. All municipalities and other institutions provided permission to conduct the interviews with their personnel. Informed consent was obtained from all participants, with assurances of anonymity, confidentiality, and voluntary participation. Written informed consent was obtained from the

participants for the publication of any potentially identifiable images or data included in this article. Data were treated confidentially and utilized for purposes of academic study only. Opportunities were provided to participants to review and approve their transcribed interviews, thereby ensuring the transparency and ethical integrity of data handling.

Author contributions

TM: Investigation, Data curation, Validation, Project administration, Conceptualization, Methodology, Supervision, Writing – review & editing, Funding acquisition, Resources, Writing – original draft, Software, Formal analysis, Visualization. OO: Methodology, Writing – review & editing, Writing – original draft. ES: Writing – review & editing, Funding acquisition, Resources, Software, Formal analysis, Methodology.

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Conflict of interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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