



## Special economic arrangements/zones, can Nigeria become the economic pathway to AfCFTA? An appraisal of Nigeria's legal framework for special economic zones

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### Abstract

Special Economic Zones are becoming a popular tool for attracting investment to increase manufacturing, spur industrialisation, and attain economic growth. For some countries with tough investment climates, the zones are used to create enabling environments for attracting investment. In this circumstance, they are used for two important purposes. First, as a tool to derisk investment, and second, as a tool to support export manufacturing and its direct benefits of job creation, skills development, etc. While these are mostly the objectives behind establishing special economic zones, research shows that a significant number of them underperformed for several reasons, including weak regulation and weak linkages with national economic growth and development. Nigeria seeks to deploy its special economic zones as a conduit for investors to access the African Continental Free Trade Area. Like many countries, it also grapples with a tough investment climate characterised by weak regulation, policy inconsistency, poor coordination, financing gaps, and infrastructure deficit. Adopting a doctrinal approach, this paper analyses Nigeria's special economic zones regime with a view to identifying the gaps that could impede its effort to attract foreign investment and proffering solutions. The paper observed that research indicates that besides incentives, effective industrial policy, clear and effective legal and regulatory framework, and the ability to adapt to international changes have been crucial to the success of some of the most viable special economic zones. Although Nigeria made a National Industrial Revolution Plan in 2014 and other initiatives to spur industrialisation, stimulate export manufacturing, diversify the economy and create jobs, international developments warrant a review that will attract the kind of investments needed to strategically realise the potentials of special economic zones to stimulate sustainable economic growth, increase export manufacturing, and provide access to the single market. The paper recommends way to enhance the national industrial policy to guide the development special economic zones policy, establishment of specialised zone, and amendment or repeal of the NEPZA Act to enable it control and regulate evolve and new generation special economic zones.

**Keywords:** AfCFTA, exports, exports manufacturing, FDI, financing, investment, de-risking, SEZs, sustainable development

### Introduction

Nigeria is situating itself as an economic gateway to Africa through the African Continental Free Trade Area (AfCFTA), is seeking to attract foreign direct investments in minerals exploration, refining and processing, agriculture, energy, textile, financial systems, manufacturing, infrastructure, etc. It adopts an export-led development approach and seeks to utilise Special Economic Zones (SEZ) as a strategy to attract Foreign Direct Investment (FDI) and increase exports-oriented manufacturing and exports, especially onto the continent. This ambition and strategy are realisable. Furthermore, Article 23 of the AfCFTA Agreement envisages special economic arrangements/zones to be utilised to accelerate development zones. However, Nigeria is struggling with several challenges that hampered the ability of SEZs to succeed. These include weak regulation, poor coordination, infrastructure deficit, financing gap, etc.

Developmental exigencies and competition for scarce resources are pushing the SEZ industry to evolve and adapt. The global Foreign Direct Investment (FDI) landscape is currently characterised by dwindling finance. UNCTAD World Investment Report (WIR) 2025 noted that SEZs were among the drivers of growth in International Project Finance (IPF). It also observed that it is a sector that witnessed a steep decline in 2024 with an estimated drop of close to 50% in both volume and value. The decline was attributed to two factors: reassessment of strategic locations by investors in supply-chain intensive sectors, and cautious

approach adopted by industrial zones sponsors <sup>[2]</sup>. What this means is that the pool of FDI to establish, develop, or manage SEZs is slim and Nigeria, like many African countries, will be competing this scarce resource, indicating that the FDI ecosystem is highly competitive.

For Nigeria to successfully compete for the scarce FDI to develop its SEZs and attract investors to such zones, it should be innovative about its value proposition to attract sponsors. It should also ensure it has a responsive legal and regulatory framework in place to inspire confidence and attract the kind of investment that will make it a formidable conduit to the AfCFTA for investors. This paper commences with a section giving a conceptual description. The next section gives an overview of the global FDI landscape and its implications for SEZs. An analysis of the Nigerian SEZ story is done to give insight into the status and prospects of the country's SEZs. Next, challenges, observations, and recommendations are made to support Nigeria to realise its objective of becoming a pathway to the AfCFTA before concluding.

### Conceptual and contextual description

**Special Economic Zones:** SEZs generally describe a geographically designated area within the territory of a country that has peculiar legal and fiscal frameworks designed to create incentives to attract FDI for industrial activities <sup>[3]</sup>. They are mostly used to attract FDI, enhance production capacity, and increase exports with the overall aim of increasing jobs and other developmental gains <sup>[4]</sup>.

Article 23 of the AfCFTA Agreement encourages State Parties to support the establishment and operations of SEZs to accelerate development and boost intra-African trade through compliance with the Rules of Origin provisions of the Agreement and its Protocols, and annexes<sup>[5]</sup>. It is within the context of the role of SEZs in accelerating development by increasing intra-African trade that SEZs are analysed in this paper.

**Foreign Direct Investment:** Abbreviated as (FDI), refers to the commitment of funds and other resources in the territory of a country that creates a long-term relationship between a Host State and an Investor. The relationship establishes lasting interest and control over entities or by an individual in the host state.<sup>[6]</sup> The enterprises become the conduit through which foreign capital comes into a host state and gets invested. The SEZs create special incentives to attract foreign capital that will invest in the zones within the Host State. By doing so, Investors establish long-term relationships with the host states. Appropriately designed SEZ and industrial policies could attract the desired FDI to achieve defined objectives.

**African Continental Free Trade Area:** The African Continental Free Trade Area (AfCFTA) is a flagship project of the African Union (AU) designed to transform Africa through economic integration by creating a single market for goods and services that will boost intra-Africa trade, productivity, and development as envisaged by Agenda 2063. The Agreement establishing the AfCFTA is a regional trade agreement that offers preferential treatment for products and services that meet the prescribed origin criteria. This requires products or services destined for the single market to be produced in a member state. Article 23 of the AfCFTA Agreement expects goods produced in the SEZs of State Parties to comply with Rules of Origin (RoO). Therefore, there is a need for State Parties seeking to leverage SEZs to ensure that they promote investments that align with the priorities of the AfCFTA on one hand, and to strategically ensure their national investment, industrial, and SEZ policies support investment in products and services destined for the AfCFTA.

### Foreign Direct Investment Landscape and its Implication for SEZs

Operationalising the AfCFTA is drawing attention to SEZs and the role that they can play in realising the AfCFTA objectives, and the African Union (AU) Agenda 2063. SEZs are expected to play a significant role in the successful implementation of the AfCFTA through value addition and by increasing intra-African trade. However, research, reports, and surveys indicate that while there is a proliferation in the establishment of SEZs, a significant number of which either underperform<sup>[7]</sup>, are not operational, or do not contribute to national economic development, making their bankability questionable. The capital-intensive nature of establishing or developing SEZs requires extensive effort by State Parties to the AfCFTA to attract the highly competitive investment needed to support industrialisation through SEZs.

WIR 2019 observed that a significant number of industrial policies of both developing and developed countries are dependent on FDI. The reliance on FDI for industrialisation is happening at a time when the world is experiencing a

decline in FDI. It dropped 13% in 2018 and stood at \$1.3 trillion [8 WIR, 2019], 40% in 2020 and fell below \$1 trillion [9 WIR, 2020], 35% and stood at \$1 trillion in 2021 [10 WIR, 2021], rose 64% to \$1 trillion in 2022 [11 WIR 2022], fell by 2% to \$1.3 trillion [12 WIR 2023].

Global FDI is reported to have fallen by 11% in 2024 and stood at \$1.5 trillion (13 WIR, 2025). Africa was reported to have gained 12% increase in FDI within the same period. Despite this gain, FDI in Africa is said to be stuck at an estimated \$40-\$50 FDI range for years. Divergence was observed between industrial investment and infrastructure development dynamics in the current global environment. It reflects the disparity between trends in greenfield projects and International Project Finance (IPF) deals, and the significant decline experienced.<sup>[14]</sup> It indicates that returning capital prioritises reinvestment and smaller-scale investment, while large-scale and future-oriented projects remain fragile<sup>[15]</sup>.

Overall, the WIR 2025 paints a picture a global FDI ecosystem with an increasingly fragmented investment flow pattern delineated by geopolitical considerations, industrial policies, and supply chain realignment. It is also characterised by tightening controls and stringent conditions for some countries, including those in Africa<sup>[16]</sup>. However, low ratings and downgrading by rating agencies increase the cost of borrowing and restrict African countries' access to financing, including development finance that the continent needs due to high interest rates<sup>[17]</sup>. It reflects the tight financing conditions and growing geopolitical uncertainty that influence FDI decision-making<sup>[18]</sup>.

This is not surprising for a continent grappling with myriad challenges, such as macroeconomic volatility, market fragmentation, and weak local supply chains, unclear policy, abrupt policy changes,<sup>[19]</sup> political instability, and insecurity that weigh on the attractiveness of some destinations and their ability to access financing. The tightening of financing conditions further imposes a higher risk premium on African countries.

Therefore, the FDI ecosystem presents a significant challenge for countries seeking to attract investment. It is even tougher for African countries grappling with challenges and limitations that place accessing financing beyond their reach. This makes innovation and creativity crucial to becoming competitive and able to attract the dwindling FDI for industrialisation purposes, as envisaged by many countries. Special Economic Zones (SEZs) are increasingly used by countries to attract this highly competitive FDI<sup>[20]</sup>.

While SEZs are deployed to attract FDI to increase export manufacturing, participation in the Global Value Chain (GVC), and boost industrialisation, in many instances, SEZs have not achieved their anticipated potential<sup>[21]</sup>. With the operationalisation of the AfCFTA, and the agreement encouraging State Parties to promote the creation and development of SEZs and arrangements to foster development<sup>[22]</sup>, State Parties are given the impetus to leverage SEZs. This support comes at a time when Africa is experiencing a proliferation of SEZs. Although establishing SEZs is not a new phenomenon across Africa, the renewed focus on such zones makes it pertinent to take another look at the role of SEZs as tools for industrialisation and development.

### Special Economic Zones: the Nigeria Story

While adopting an export-led growth and development approach, Nigeria is positioning itself to strategically utilise SEZs to attract FDIs, increase export manufacturing and increase its share of the AfCFTA market. However, like the WIR 2019 observed, it is also grappling with underperforming zones, weak regulation and other factors that could stall its ability to standout in the competitive industrial FDI environment. As SEZs are evolving in Africa, and as Nigeria seeks to leverage them, this section analyses SEZs in Nigeria and highlights their prospects and the challenges they face with a view to developing sustainable solutions that could result in the kind of structural transformation and enablers for development envisaged by the AfCFTA and Agenda 2063.

Nigeria has around 30 years of experience with SEZs with mixed success. It has about 42 Free Zones which it categorises into 9: Special Economic Zones, Export

Processing, Free Trade, Oil and Gas, Border, Industrial Parks, Logistics, ICT, Tourism <sup>[23]</sup>. This categorisation largely reflects Free Trade Zones (FTZ)/Free Zones (FZs) where inputs are imported, processed and re-exported, Specialised SEZs which are industry-specific zones, Export Processing Zones (EPZs) which focus on export manufacturing and production, and Industrial Parks which are large-scale areas that provide shared infrastructure, logistics, and utility services <sup>[24]</sup>.

According to the Nigeria Export Processing Zones Authority, <sup>[25]</sup> 28 out of the 42 Free Zones are operational, 12 are under construction, while 19 are inoperative. The inoperative zones include inactive ones, those under construction, those where physical development is yet to commence in the area, one with a suspended licence, one sponsor is yet to commit, and some where development is yet to commence. The operational status of the zones, their locations, and their specialities are illustrated in the tables below:

### Operational Free Zones in Nigeria

S/N	Name	Location	Sponsor/Developer	Land Size (Hectares)	Year of Designation	Specialty
1	Calabar Free Trade Zone	Cross River	Federal Government		1992	Federal Government
2	Kano Free Trade Zone	Kano	Federal Government		1998	Federal Government
3	Sebore Farms Export Processing Zone	Adamawa	Private	14,000.00	2001	Private
4	Lagos Free Trade Zone	Lagos	State Government & Private		2002	State Government & Private
5	Newrest Airline Services & Logistics Free Zone	Lagos	Private	10,092.00	2003	Private
6	ALSCON Export Processing Zone	Akwa Ibom	Public Private Partnership		2004	Public Private Partnership
7	Snake Island Integrated Free Zone	Lagos	Private	252	2005	Private
8	Ladol Free Trade Zone	Lagos	Private		2006	Private
9	Lekki Free Trade Zone	Lagos	State Government & Private	3,000.00	2008	State Government & Private
10	Ogun Guangdong Free Trade Zone	Ogun	Public Private Partnership		2008	Public Private Partnership
11	Nigeria Aviation Handling Company (NAHCO) Free Trade Zone	Lagos	Private		2014	Private
12	Nigeria International Commerce City (Eko Atlantic)	Lagos	Private	1,107.00	2014	Private
13	Enugu Industrial Park Free Zone	Enugu	Public Private Partnership	76	2015	Public Private Partnership
14	Newrest Airline Services & Logistics Free Zone	Abuja	Private		2015	Private
15	Quits Aviation Services	Lagos	Private		2017	Private
16	Dangote Industries Free Zone Development Company	Lagos	Private		2018	Private
17	AHL Energy Free Trade Zone	Delta	Private		2020	Private
18	Bundu Free Zone	Rivers	Private	2.4	2020	Private
19	Celplas Industries Free Zone	Ogun	Private		2020	Private
20	Green Economic Zone	Kaduna	Private	717.9	2022	Light Industry, Warehousing, Hospital, Commercial
21	Flour Mills of Nigeria Free Trade Zone	Lagos State and Ogun State	African Foremost Food Business Development Company	52.35	2023	Food Production & Packaging
22	GC Export Industrial Park	Kogi State	GC Export Ltd.	14.46	2023	Agro-allied Industries
23	Hydropolis FTZ	Niger State	Hydropolis Investment Ltd.	842.7	2022	Manufacturing, Oil & Gas and Commercial related activities
24	Alaro City Development Free Zone Company	Lagos State	Rendeavour	1,000.00	2018	Real Estate, Manufacturing, Assembling, Construction and Trading
25	Nasco Town Free Trade Zone	Lagos	Private	292.43	2017	Manufacturing, Warehousing, Trading
26	Tinapa Free Zone & Resort	Calabar	Public	265	2006	Trading & Tourism
27	Indorama Free Zone	River State	Indorama Cooperation PTE Singapore	140	2024	Heavy duty Manufacturing Petrochemicals
28	Itana Free Zone Management Company	Lagos State	Talent City Inc.	3.1	2023	Speciality: digital technology and services-based; virtual activities

Source: NEPZA, <https://nepza.gov.ng/free-zones/operational-zones/>

**Free Zones Under Construction in Nigeria**

S/N	Name	Location	Sponsor/Developer	Land Size (Hectares)	Year of Designation	Specialty	Status
1	Abuja Technological Village Free Zone	FCT			2007		
2	Centenary Economic City	FCT	Centenary City PLC.	1,262.72	2014	Economic City	Under Construction
3	Nasco Town Free Trade Zone	Lagos	Private	292.43	2017	Manufacturing, Warehouseing, Trading	Under Construction
4	Tomaro Industrial Park	Lagos			2017		
5	Green Economic Zone	Kaduna	KK Kingdom Nig. Ltd	717.9	2022	Light Industry, Warehousing, Hospital. Commercial	Under Construction
6	Delta Special Economic Zone	Delta	State Govt.	2,327.29	2009	Oil and Gas	Under Construction
7	Koko Beach & Wellness Value Chain Resort FZ	Lagos State	Koko Beach Hotel Resort Ltd.	19.26	2023	Wellness & Health Care Services	
8	Premier Industrial FTZ	Rivers State	Premier Industrial Estate Ltd.	187.52	2023	Manufacturing & Logistic Base.	Under Construction
9	Deep Blue Industrial Park FTZ	Lagos State	Deep Blue Industrial Park Limited	115.5	2023	Estate development, commercial & manufacturing	Under Construction
10	Ekiti Knowledge Zone FTZ	Ekiti State	Ekiti State Govt.	208.95	2023	Education & ICT	Under Construction
11	Delta Special Economic Zone	Delta State	Delta State Govt.	2,327.29	2009	Manufacturing	Under Construction
12	Bonny Kingdom FTZ	Rivers State	Bonny Chamber of Commerce		2022	Tourism & Resort, Light Manufacturing	Under Construction

Source: NEPZA, <https://nepza.gov.ng/free-zones/zones-under-construction/>

**Inoperative Free Zones in Nigeria**

S/N	Name	Location	Sponsor/Developer	Land Size (Hectares)	Year of Designation	Specialty	Status
1	Maigatari Border Free Zone	Jigawa	Public	214	2000	Manufacturing, Warehousing	Inactive
2	Oluyole Free Zone	Oyo	State Govt.	1,374.50	2000	Manufacturing	Physical Dev yet to Commence
3	Oils Integrated Logistics Services Free Zone	Lagos	Private Oil Field Industry Support Service Ltd	1,000.00	2004	Marine, Logistics, Support Services for offshore Oil Repairs	Operational License Suspended
4	Olokola Free Trade Zone	Ondo & Ogun	State Govts./Private	10,000.00	2004	Oil & Gas Manufacturing	Under Construction
5	Ibom Science & Tech. FZ	Akwa Ibom	State Govt.	122.14	2006	Science & Technology	Under Construction
6	Omoluabi Fre Zone	Osun			2006		
7	Brass LNG Free Zone	Bayelsa	Fed. Govt./Private	304.25	2007	Liquified Natural Gas	Dev. yet to commence
8	Imo Guangdong FTZ	Imo	State Govt.	1,399.27	2007	Manufacturing	Dev. yet to commence
9	Specialized Ogun Railway Industrial FTZ	Ogun	State Govt.	14,037.00	2007	Rail Cargo Transport	Dev. yet to commence
10	Kwara Free Zone	Kwara	State Govt.	355.59	2009	Trading, Warehousing	Physical Dev. Yet to commence
11	Ibom Industrial Free Zone	Akwa Ibom	State Govt.		2012	Manufacturing, Oil & Gas, Trading Services	Physical Dev. yet to commence
12	Badagry Creek Integrated Park	Lagos	Kaztec Engineering	531	2014	Fabrication	Under Construction
13	Nigeria Navy Industrial Park (Ogogoro)	Lagos	Digisteel	52	2014	Oil & Gas, Fabrication, Oil & Gas Vessels, Logistics	Under Construction
14	Ogindigbe Gas Revolution Industrial Park (GRIP)	Delta	Alpha GRIP Dev. Co.	2,506.03	2014	Petrochemical, Fertilizer, Manufacturing and Gas Processing related activities	Under Construction
15	African Maritime Economic City	Lagos			2015		
16	Ondo Industrial City	Ondo	Ondo State Govt	2,771.20	2015	Petro-Chemical & Manufacturing	Under Construction
17	Eyimba Special Economic Zone	Abia			2018		
18	Banki Border Free Zone	Borno	State Govt.	500		Manufacturing, Warehousing, Trading	The Sponsor yet to be committed
19	Living Spring Free Zone	Osun	State Govt.	1,607.86	2006	Manufacturing, Trading and Warehouse	Under Construction

Source: NEPZA, <https://nepza.gov.ng/free-zones/inoperative-zones/>

Permissible activities within the zones include construction and light manufacturing, solid minerals and metals, oil and gas, and agribusiness and agro allied [26]. The permissible industries in the zones include electrical and electronic products, textile products and garments, wood products and handicrafts, leather products, petroleum products, rubber and plastic products, cosmetics and other chemical products, metal and machinery, educational materials, printing materials, communication and office equipment, medical kits, optical instruments and alliances, biscuits, pastries and food processing business, pharmaceutical products, shipbuilding and repairs, oil and gas logistics, and sport equipment [27].

2021 key performance indicators show there were 584 Free Zone Enterprises out of which 244 are operational, 30 are under construction, and 307 are yet to commence operation [28]. A significant chunk of investments in these Free Zones are in manufacturing which held 45%, services held 30%, oil and gas 11%, trading 10%, logistics 3%, and agriculture 1% [29].

The Free Zones offer economic incentives including duty-free imports, 100% repatriation of funds, tax holiday, immigration waive, market access that allow businesses to sell 100% of the goods they produce in the domestic market, 100% foreign ownership, ease of doing business through one-stop approval and licencing regime, 6 months rent-free during construction phase [30]. Employment in the zone is said to be made up of 90% locals, while expatriates account for the remaining 10%. Overall, the zones were reported to have employed over 25,000 locals [31].

## Challenges, Observations and Recommendations

### a. Challenges

1. The Economic Report on Africa 2025 observed that Africa is facing some developmental, geopolitical, and credit risk challenges that hamper African countries' ability to access financing. Given the number of countries exposed to these challenges, this perhaps portrays Africa as a high-risk investment environment. for instance, macroeconomic volatility, market fragmentation, and weak local supply chains, policy inconsistency/volatility, and credit risk have been identified as factors impacting ability to access financing. Resolving these challenges requires strategically developing solutions that address the problems in a way that derisks investment. SEZs are considered a potential tool for derisking investments through incentives and regulatory support
2. Although 100% sale of products from the zones into the domestic market is one of the incentives that NEPZA intends to attract investors with, conflict between S. 17 of the NEPZA Act and the regulation empowering investors to do so presents implementation difficulty as customs give priority to S. 17 which places for goods beyond the 25% allowable limit imposed by S.18(1)(e). S.18(1)(e) allows businesses in the zones to sell 25% of their products in the customs area without permit upon payment of appropriate duty, while S.11 requires export to the customs area to be subject to customs and licensing requirements as applied to goods imported from other countries. If the intention of government is to provide the domestic market with access to such goods, the law is hampering its ability to do so.

3. Another challenge although some of the zones are sponsored or developed by State government. This could also be a concern for investors in terms of their ability to fund the development and the political will to see it through. It could also impact the ability of such states to integrate their local economies to the SEZs. This is critical to the success of these projects. It also raises question about the priority given to the projects by states, and their ability to be innovative in terms of sourcing financing for the projects.
4. Lack of infrastructure and funds to provide same to link the areas with other parts of the states and the distance between the zone and surrounding communities could be an issue with the inactive zone in Maigatari in Jigwa State. Extra effort is required to activate it and prevent other setbacks.
5. Overall, Nigeria SEZs profile paints a picture of a sector that is yet to realise and harness the immense potentials of SEZs. This is reflected in the number of zones under construction and the sponsor profile of the zones. There is a need for states to reorient and restructure to enable them establish and develop the kind of new generation SEZs that could ensure structural transformation.

### b. Observations

1. Successful SEZs have been reported to have focused on using the tool both as an investment promotion and industrialisation tool thereby strategically industry or activity zones that leverages factors (WIR 2019). of production, skills, technologies and market linkages with sights on contribution to national economy.
2. Research has shown a positive correlation between SEZs and job creation. This has also been observed in Nigeria's Free Zones Key Performance Indicators which shows that the zones employed over 25,000 locals in 2021. This is an indication that SEZs could be leveraged to achieve the government's job creation objectives. Particularly, it could be used to develop and increase trade-related skills and jobs in export-oriented sectors.
3. The incentives offered by NEPZA is blanket, applicable to all industries, sectors and enterprises within the free zones. This is not necessarily efficient given that the peculiarities of some industries suggest they could require different set of incentives. This could perhaps explain the low representation of agriculture. The performance indicator on agriculture shows a disconnect between government's focus on agriculture at the domestic level and its prioritising of agriculture for export within the SEZs.
4. The NEPZA Act was decreed in 1992, it is a 30-year-old instrument that is unable to address some important changes that are required to enable SEZs reach their potential. For instance, the law restricts the ability of investors to enjoy one of the incentives they were promised which is to sell into the domestic market. Furthermore, it provides general incentives, which does not allow for customised incentives that could be leveraged to attract FDI into certain industries such as agriculture and agro processing.
5. From the Industrial Policy of Nigeria 1988 to the National Development Plan 2021-2025 clearly show that Nigeria has been making efforts towards

industrialisation albeit hiccups resulting from a protectionist approach at some point. It validated its New Industrial Policy in September 2025 and is currently preparing to unveil it.<sup>[32]</sup> Initiatives such as the National Industrial Revolution Plan (NIRP).2014, National Enterprise Development Programme (NEDEP), Automotive Industry Development Plan (NAIDP), etc all demonstrate efforts in that direction. The new policy will do well to incorporate the sustainable changes pursued by the initiatives and other global developments. These changes anchor the success of new generation SEZs and could help Nigeria achieve its goal. Having fragmented initiative could derail any anticipated success of an export and industry driven development. it could also hamper coordination and implementation. There is a need to streamline these initiatives along the industrial and SEZ policy objectives.

6. Lack of infrastructure including power and road has been reported as challenges faced by almost all the zones. It has also been observed that various zone faced these challenges to varied degrees.
7. The incentive offered to create a favourable environment in the SEZs has also been a bane for some developmental priorities. Relaxed labour and environmental and other laws pave the way for tradeoff between workers' rights protection, environmental protection.
8. It has been indicated that the SEZs positively does not affect the economic performance of surrounding areas beyond 20 kilometres, or at best 50 kilometres. Given that poor nexus between SEZs and domestic economy has been reported, it could impact the integration of domestic enterprises into the supply value chain and enhancing the contribution of the zones to the economy.

### c. Recommendations

1. To realise the jobs-creating potential of SEZs for industrialisation and development, the Nigerian government could include export-skills and knowledge-sharing incentives in its SEZs policy to create highly skilled pools of human resources.
2. If indeed Nigeria expects its SEZs to live up to expectation, it could consider tailored and customised approach to incentives for the targeted and prioritised industries and move away from the one-size fits-all approach to incentives. This could assist the country to attract FDI using innovative financing instruments such as risk-sharing and guarantees, and financing schemes such as Public-Private-Partnerships (PPP) for supply-chain financing to crowd-n financing into strategic facilities such as warehousing.<sup>[33]</sup>
3. The NEPZA Act should be amended or repealed and replaced to provide adequate legal and institutional framework that would enable the Authority offer incentives that align with international developments and increase the chances of the country attracting FDI to its SEZs to support export manufacturing, industrialisation and economic development.
4. Nigeria has adopted an export-led growth and development model using SEZs. Given that the success of this approach hinges on efficient linkages between the zones and national economic development, Nigeria should adopt a new and forward-looking approach to

industrial policymaking. It should consider international developments such as digitalisation, Artificial intelligence, environmental protection-ESG, inclusivity, climate change, and innovation in industrial policymaking. If these are captured in the industrial policy, it will provide an efficient and coherent catalyst for strategically developing a sustainable SEZ policy for the country that could allow the government to continuously prioritise incentives, industries and sectors in a way that aligns with the AfCFTA Protocol on Investment.

5. As Nigeria transitions to renewable energy from fossil fuel, the industrial policy and specific SEZ policy as proposed in this paper should leverage abundant energy resource with each zone to address power issues and develop strategic incentives to attract FDI into power infrastructure development to the zones. For instance, it could leverage solar for the zones in the north, and gas for those in the south-south and parts of the west and east, which remaining open to hybrid solutions.
6. Nigeria should be intentional about using its SEZs for industrial and developmental purposes by integrating labour rights and environmental protection incentives into its industrial and SEZ policies. This could indicate that key indirect impact of SEZs to the economy are not reflected in the legal and institutional framework of the SEZs.

In addition to the direct benefits of the SEZs to the economy, the government should efficiently integrate the domestic economy into the incentives that could attract and retain FDI into SEZ. These could include integrating domestic small and medium businesses into the supply chain and incentivise investment into logistics and transportation to support them.

### Conclusion

Recent literature and reports have demonstrated the immense positive impacts of SEZs and their ability to support structural transformation of the economy. Nigeria signalled its intention to leverage its economy for structural transformation that could enhance export manufacturing, spur industrialisation, and develop its economy by using them as gateway to the AfCFTA for foreign investor. While it is possible to succeed, the country needs to avoid some pitfalls and address some inadequacies. The legal, policy and institutional framework for SEZs should be overhauled to better integrate the domestic economy into the process, address regulatory weakness, and strengthen labour rights and environmental protection. International developments and changes that could support the exploration for the country's comparative advantage should be considered. If these and other pertinent changes are made, Nigeria could indeed benefit from positioning itself as a conduit to the AfCFTA

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