



Zone-based policies as tools for regional development

April 22, 2026

Yugo Kimura, Policy Analyst
Michael Flood, Policy Analyst

OECD Centre for Entrepreneurship, SMEs, Regions and Cities

 @OECD_local

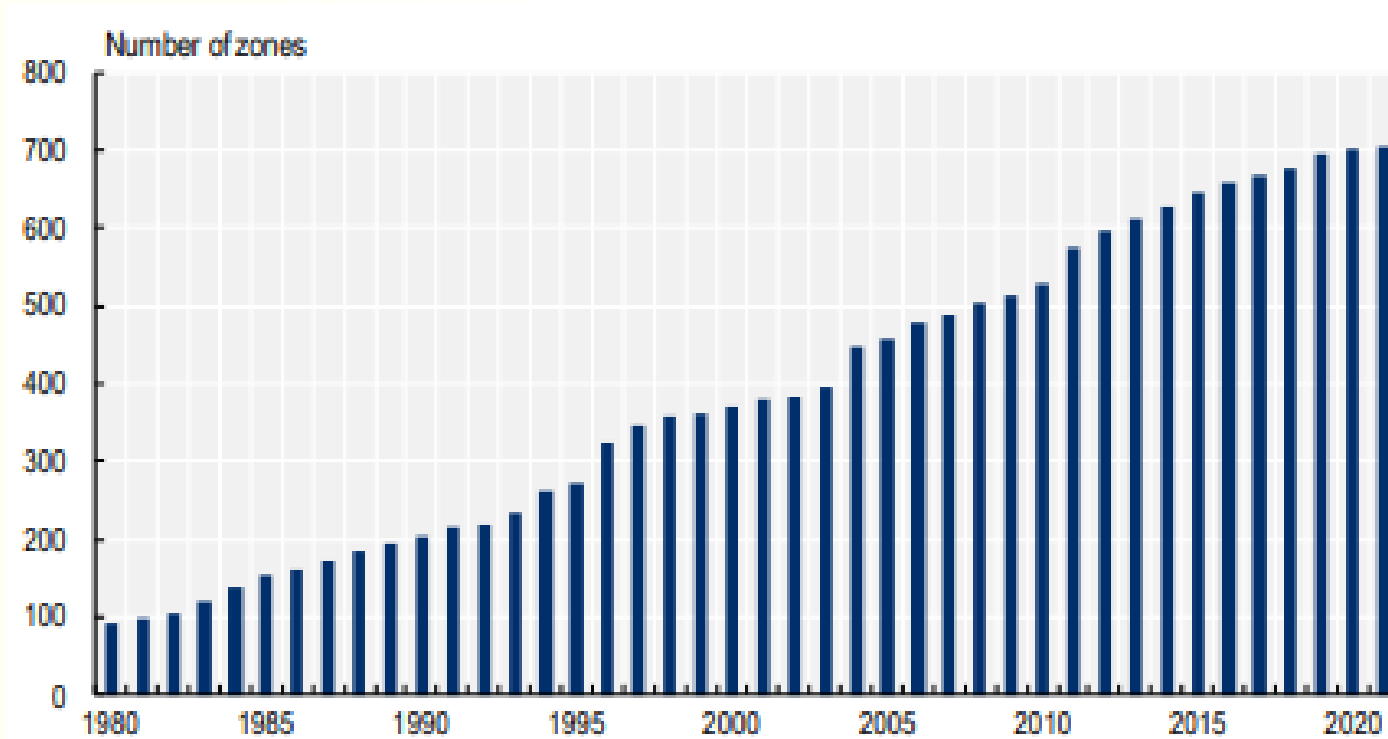
 www.linkedin.com/company/oecd-local

 www.oecd.org/cfe



Increasing deployment of zone-based policies...

Indicative number of zones in OECD member countries, by year

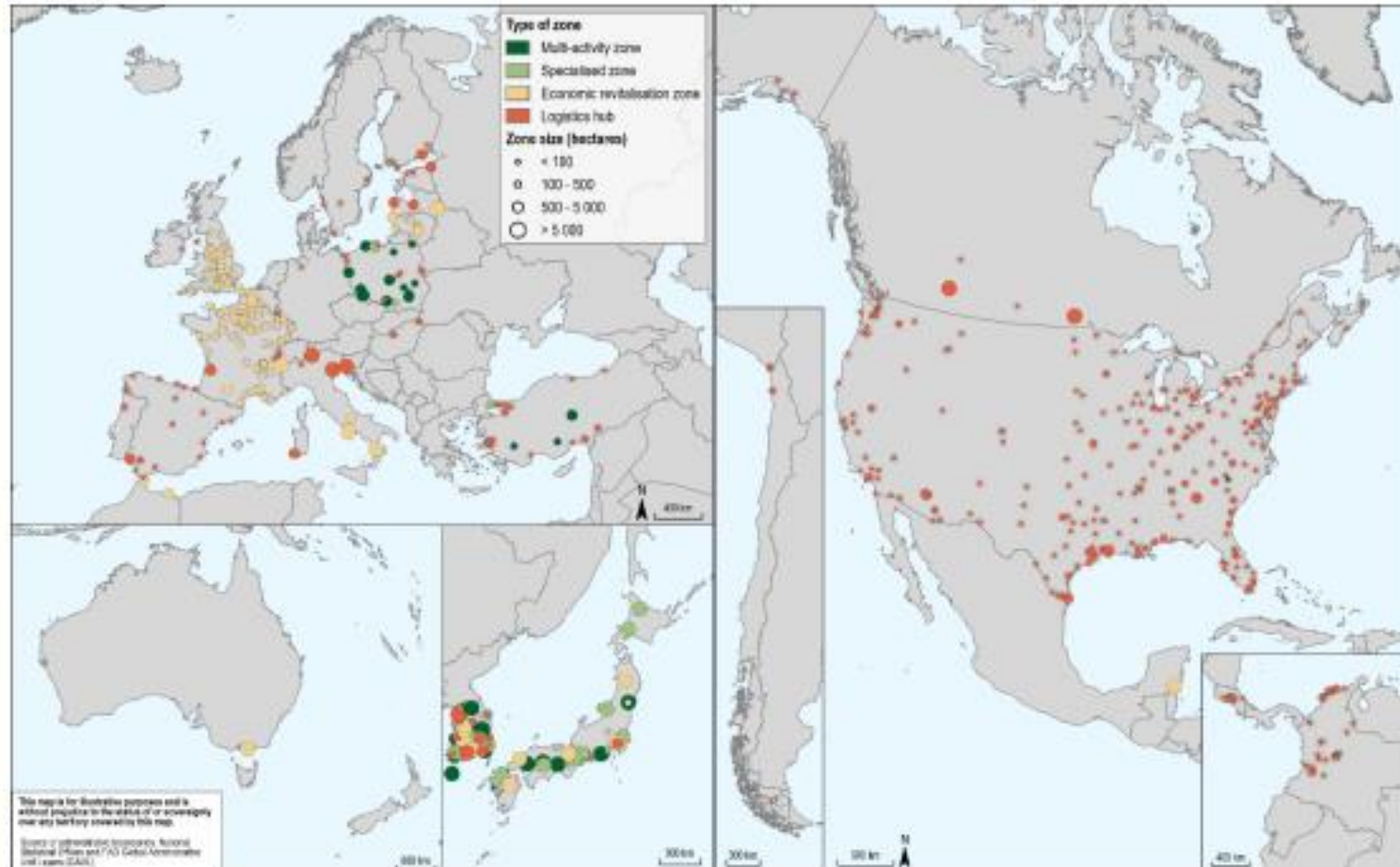


Note: The trend is indicative only, as the list of zones is non-exhaustive. In some cases, the year of commencement could not be determined, and the analysis only includes zones identified as active as of June 2025, excluding those that have been terminated.

Source: Based on findings from Adrianople Group (2025)

...of different kinds, across the OECD

The geography of zone-based policies in OECD Countries



Note: Multi-activity zone refers to “Diversified Zone”, specialised zone refers to “Specialized Economic Zone”, economic revitalisation zone refers to “Economic Revitalization Project” and “Charter City”, logistics hub refers to “Export Processing Zone”, “Free Trade Zone” and “Foreign Trade Zone” in the Open Zone Map. The map is indicative only, as the list of zones is non-exhaustive and only includes those identified in 2021 and remain active as of June 2025.

Source: Adrianople Group (2025), [Open Zone Map](#)



Yet, limited understanding of how to effectively deploy them

- Synthesising findings from the literature is difficult, given the varying quality and mixed results
 - Polish zones have been successful in boosting inward investment and capital formation in less developed counties hosting zones (Ambroziak and Hartwell, 2017), higher employment in zone-hosting municipalities (Jensen, 2017) and significant positive employment effects outside the zone (Ciżkowicz et al., 2016).
 - Employment gains in UK Enterprise zones are often attributed to relocation of existing businesses rather than net job creation, and jobs created tend to be predominantly low-skilled (Ward, 2024).
- Questions remain regarding how to alleviate the key criticisms of zones, such as displacement, additionality and land value capitalisation



With careful design, zones can promote regional development.

Policy considerations for a successful zone-based policy

- Utilise zones as a part of a broader package of regional transformation to strengthen fundamental sources of competitiveness, such as skills development and infrastructure investment.
- Align zone strategy with economic and structural regional characteristics.
- Fiscal incentives should not be the central value proposition of zones.
- Fiscal incentives should be carefully designed to minimise displacement and maximise spillover effects.
- Enhance non-fiscal attractiveness measures such as infrastructure and land provision, investor servicing, access to skilled labour and regulatory incentives.
- Foster business interactions within and beyond the zone.
- Ensure co-ordinated governance, both among public and private actors and across levels of government, underpinned by robust monitoring and evaluation to track progress and outcomes.



With careful design, zones can promote regional development.

Policy considerations for a successful zone-based policy

- Utilise zones as a part of a broader package of regional transformation to strengthen fundamental sources of competitiveness, such as skills development and infrastructure investment.
- Align zone strategy with economic and structural regional characteristics.
- Fiscal incentives should not be the central value proposition of zones.
- Fiscal incentives should be carefully designed to minimise displacement and maximise spillover effects.
- Enhance non-fiscal attractiveness measures such as infrastructure and land provision, investor servicing, access to skilled labour and regulatory incentives.
- Foster business interactions within and beyond the zone.
- Ensure co-ordinated governance, both among public and private actors and across levels of government, underpinned by robust monitoring and evaluation to track progress and outcomes.



Align zone strategy with economic and structural characteristics

- Assess regional economic and structural characteristics
 - Assess industry specialisation, technological sophistication, availability of dedicated infrastructure and specific factor endowments
 - Assessment should guide the identification of high-potential sectors, inform the design of fiscal and non-fiscal incentives and support the promotion strategy
- Identify sectors, value-chain segments or firms to prioritise in investment promotion
 - Targeted promotion enables limited resources to be focused on selected investors and allows support services to be tailored to their specific needs
 - Firms operating in technologically advanced industries tend to rely on pre-existing global suppliers and may source less from local firms



Assess regional investment potential through relevant indicators

The enabling factors for regional investment are **multidimensional**.

Ensuring regional investments translates into broad-based development requires:

- Understanding **territorial strengths and weaknesses**
- Connecting **investment to set, place-based priorities**
- Designing **coherent interventions across policy domains**
- Monitoring progress through **clear indicators**

The **OECD's Regional Attractiveness Framework** helps territories analyse and act on these imperatives.





Enhance non-fiscal attractiveness measures

- Infrastructure and land provision
 - Infrastructure and skills development in Costa Rica's Free Trade Zones
- Investor servicing
- Regulatory incentives
- Access to skilled labour
 - Vocational training in Łódź Special Economic Zone, Poland



Enhance non-fiscal attractiveness measures



Infra & skills upgrade in Costa Rica

- Zone administrators required to provide community-oriented infrastructure.
- Firms in zones outside metropolitan area incentivized to invest in infrastructure and human capital.
- Export promotion agency offers human talent development programme that co-finances training and upskilling activities for employees in zone companies.



Vocational training in Łódź

- Technical School of Automation and Robotics built in partnership with zone authority, local university and zone-based companies.
- Curriculum aligns closely with the needs of businesses in the region.
- Students benefit from hands-on learning opportunities while zone-based companies benefit from talent pool.



Foster business interactions within and beyond the zone

- Without deliberate action, zones can easily become enclaves
- Spillover channels include business linkages, labour mobility, competition and imitation
- Active measures to promote spillovers include:
 - Business matchmaking events (e.g. Costa Rica Free Trade Zones)
 - Supplier development programmes (e.g. Kyushu, Japan)
 - Investor networking forums



Foster business interactions within and beyond the zone



Business matching in Costa Rica

- Procomer, the investment and export promotion agency, plays a proactive role in fostering linkages between MNEs and domestic suppliers.
- Suppliers are registered in a catalogue that is used when MNEs submit procurement requests.
- Procomer also hosts annual business conferences. Most recent event joined by 450 MNEs and 1500 domestic suppliers.



Supplier development in Kyushu

- Region-wide consortium set up in 2022 to bring together businesses, academia and government to match firms and foster education in the sector.
- Multiple prefectural initiatives, such as Fukuoka's re-skilling centre, launched to help SMEs develop skills to supply semiconductor MNEs.



Advancing Zone-based Policies in Egypt

Looking Ahead

- Integrating comparative evidence on zone-based policies into the OECD's programme of work on Regional Development Policy, with tailored recommendations Zones in member and partner countries
- Developing a policy framework on how zones can anchor broader regional development strategies – linking investment attraction, SME development and territorial cohesion
- Open to engagement with the SCZone Authority and Egyptian counterparts to ground findings in local context and institutional realities

Key questions for discussion and further research

- Beyond fiscal incentives, what are the most effective levers for making the SCZone a durable magnet for investment and talent? What role can connectivity, services and quality of place play?
- How can zone activity generate broader economic benefits for surrounding regions – through supplier linkages, labour market effects, and infrastructure spillovers?
- What would it take to move Egyptian SMEs from the periphery to active participants in zone-based value chains?

Thank you for your attention

For further details, please scan the QR code



Yugo.kimura@oecd.org

Michael.flood@oecd.org

Twitter: [@OECD_local](https://twitter.com/OECD_local)

LinkedIn: www.linkedin.com/company/oecd-local

Website: www.oecd.org/cfe

