

SPECIAL ECONOMIC ZONES IN THE OIC MEMBER COUNTRIES: LEARNING FROM EXPERIENCE



PRESENTATION 2: SEZ PERFORMANCE WITHIN OIC MEMBER COUNTRIES

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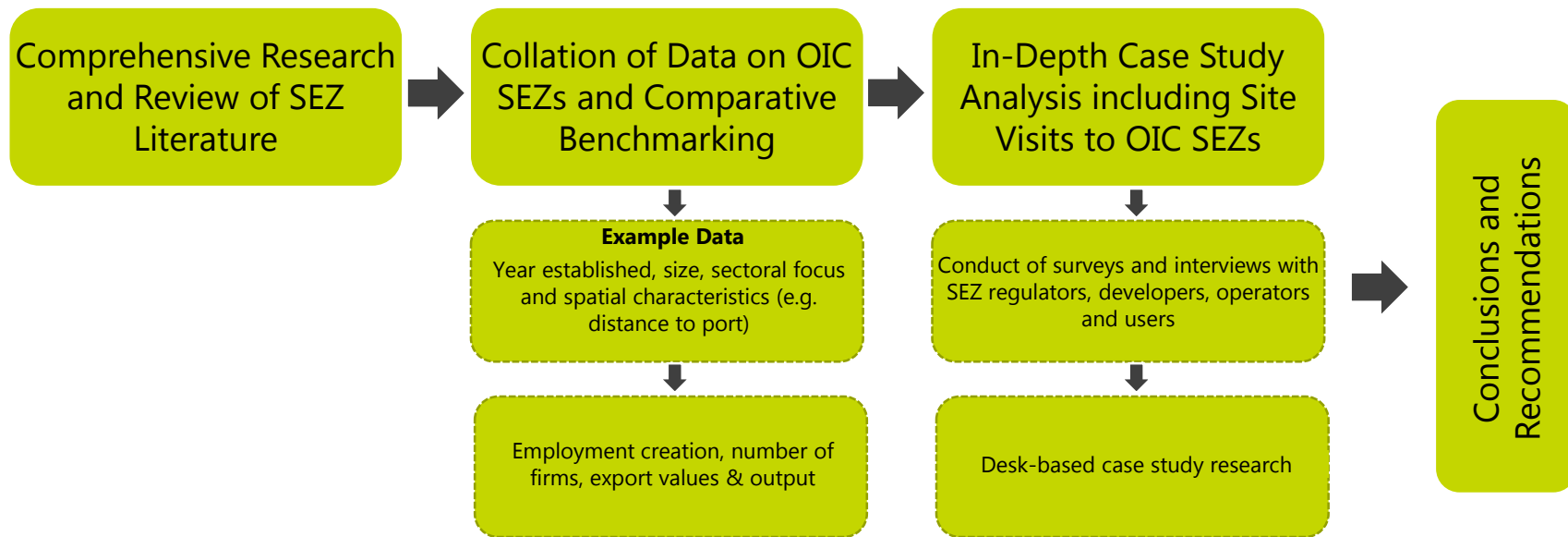
PRESENTATION STRUCTURE

1. OIC Member Countries - Overview
2. Successful OIC SEZ Programmes
3. Key Challenges within OIC SEZ Programmes
4. OIC Detailed Case Studies
5. Non-OIC Detailed Case Studies
6. OIC Policy Recommendations



Source: Locus Economica (2015)

SPECIAL ECONOMIC ZONES IN THE OIC REGION: LEARNING FROM EXPERIENCE - STUDY METHODOLOGY

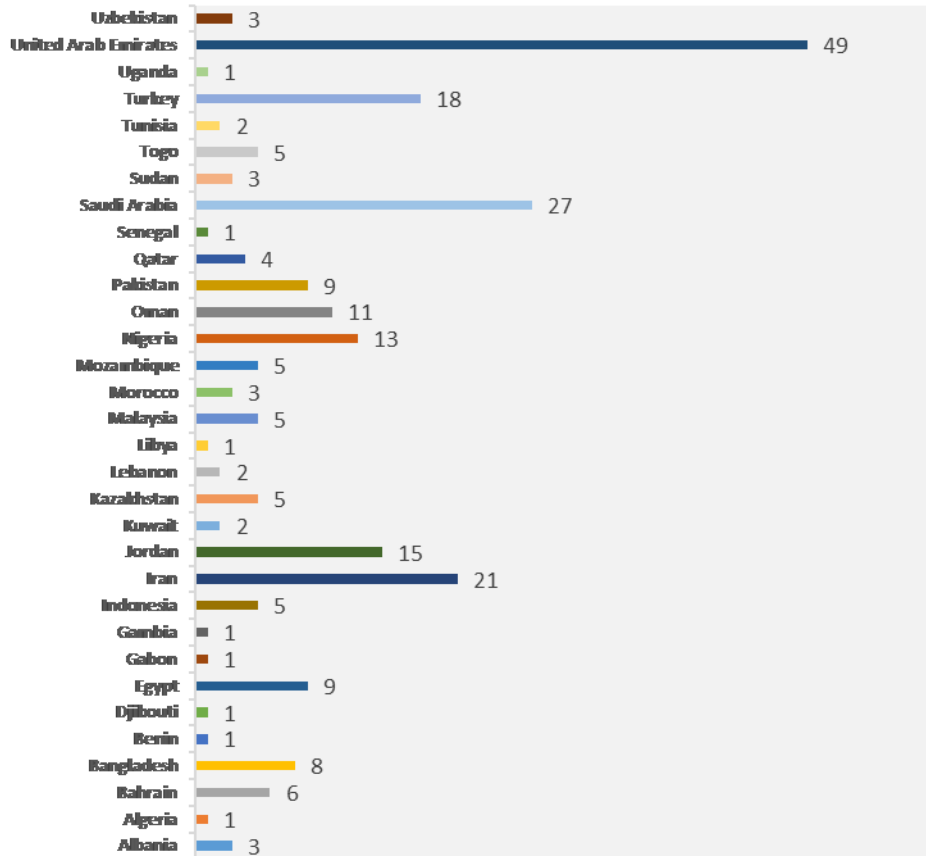


1 OIC MEMBER COUNTRIES - OVERVIEW

THERE ARE A LARGE NUMBER OF OIC MEMBER COUNTRIES THAT HAVE ESTABLISHED OR ARE PURSUING SEZ PROGRAMMES

OIC Arab Region	OIC Africa Region	OIC Asia Region
Algeria	Bangladesh	Albania
Bahrain	Benin	Indonesia
Egypt	Djibouti	Iran
Jordan	Gabon	Kazakhstan
Kuwait	Gambia	Malaysia
Lebanon	Mozambique	Pakistan
Libya	Nigeria	Turkey
Morocco	Senegal	Uzbekistan
Oman	Sudan	
Qatar	Togo	
Saudi Arabia	Uganda	
Tunisia		
United Arab Emirates		
Yemen		

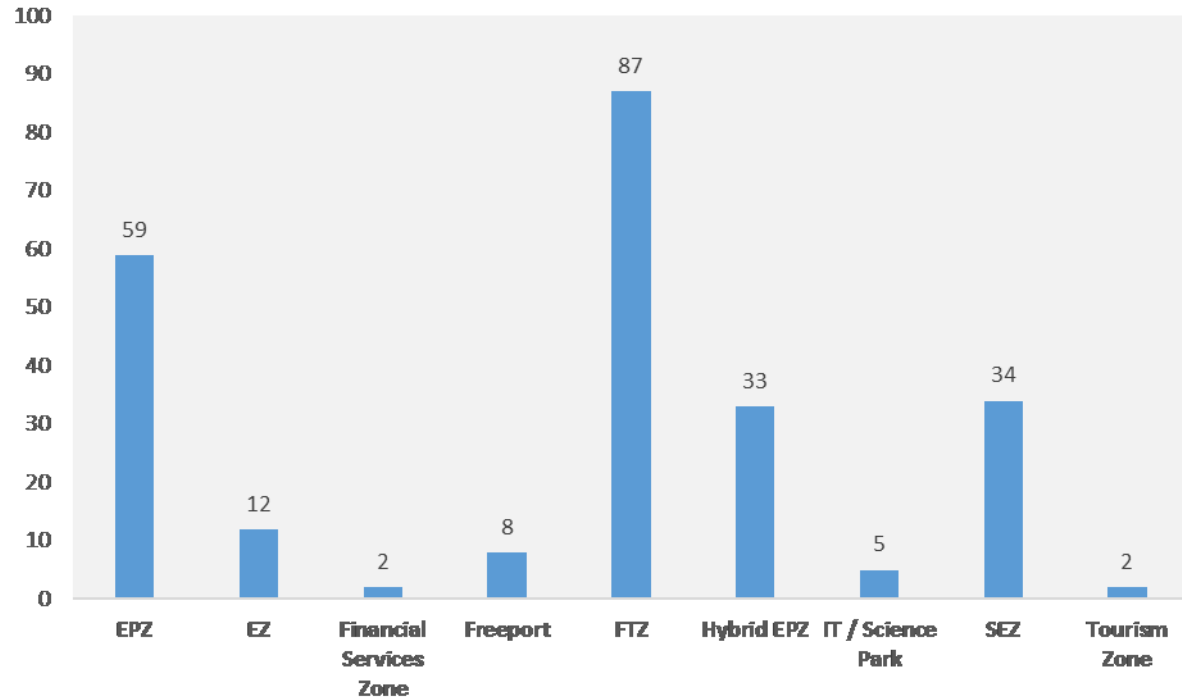
ESTIMATED TO BE 242 SEZS OPERATING WITHIN 33 OIC MEMBER COUNTRIES



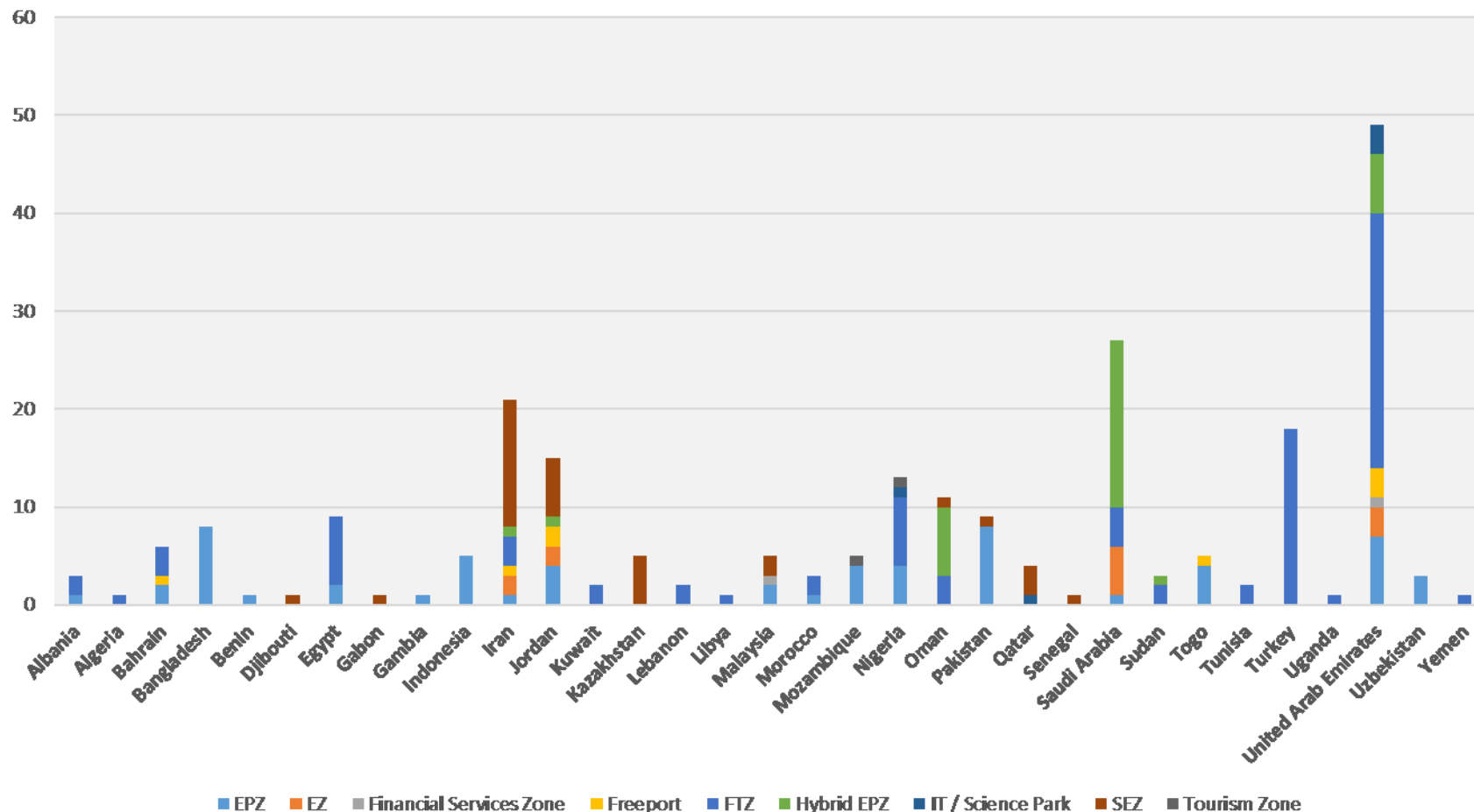
- SEZ development key focus within Middle East - ~50% of OIC zones
- UAE (20%), Saudi Arabia (11%), Iran (9%), Jordan (6%) and Oman (4%)

ACROSS OIC MEMBER COUNTRIES THERE IS A CLEAR DOMINANCE OF EPZ AND FTZ TYPOLOGIES

- Focus on FTZ model within UAE and Turkey
- Distribution of EPZs more widely spread across OIC Member Countries
- Iran has undergone a significant programme of SEZ development accounting for ~50% of total SEZs within OIC Member Countries



SEZ TYPOLOGIES BY OIC MEMBER COUNTRY



A TOTAL OF 23 ZONES WERE SELECTED FOR MORE DETAILED BENCHMARKING ANALYSIS

Zone	Country
Bahrain International Investment Park	Bahrain
North Sitra Industrial Estate	Egypt
Alexandria Public FTZ	Egypt
Nasr City Public Free Zone	Egypt
Suez Trade Free Zone	Egypt
Tanjung Api-Api	Indonesia
Bitung	Indonesia
MBTK	Indonesia
Aqaba Free Zone	Jordan
King Hussein Business Park	Jordan
Ma'an Development Area (MDA)	Jordan

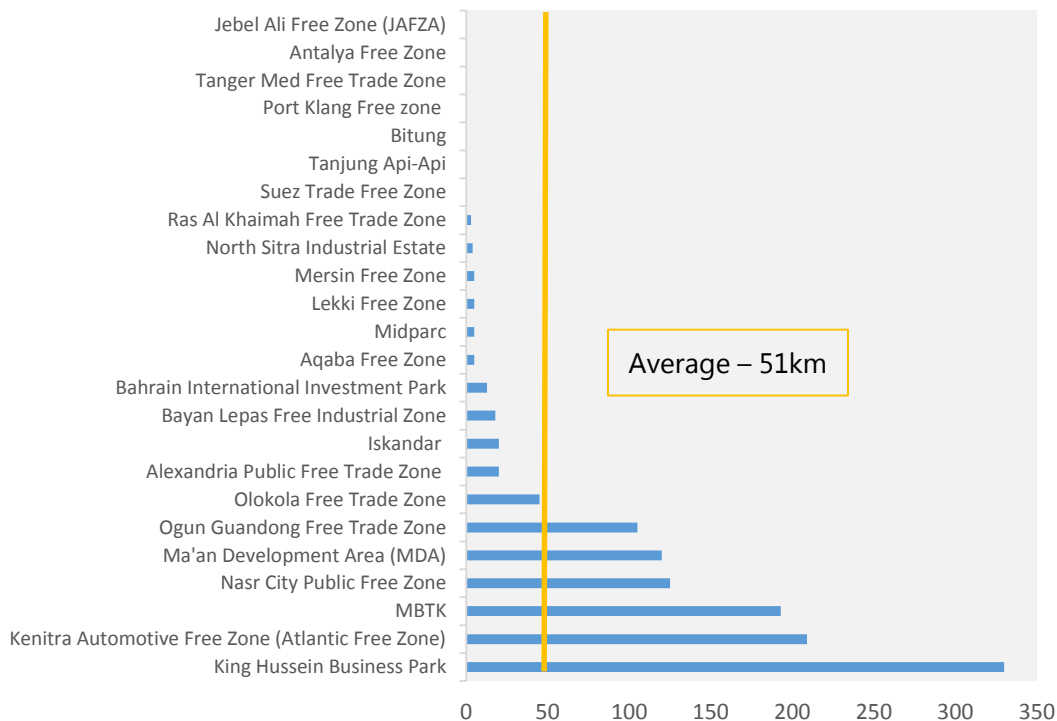
Zone	Country
Bayan Lepas FTZ	Malaysia
Port Klang Free Zone	Malaysia
Iskandar	Malaysia
Tanger Med Zones	Morocco
Kenitra Automotive Free Zone	Morocco
MidParc	Morocco
Ogun Guandong FTZ	Nigeria
Lekki Free Zone	Nigeria
Mersin Free Zone	Turkey
Antalya Free Zone	Turkey
Jebel Ali Free Zone	UAE
Ras Al Khaimah FTZ	UAE

SECTORAL ANALYSIS INDICATES THAT THESE ZONES FOCUS ON A VAST RANGE OF INDUSTRY SECTORS AND ACTIVITIES

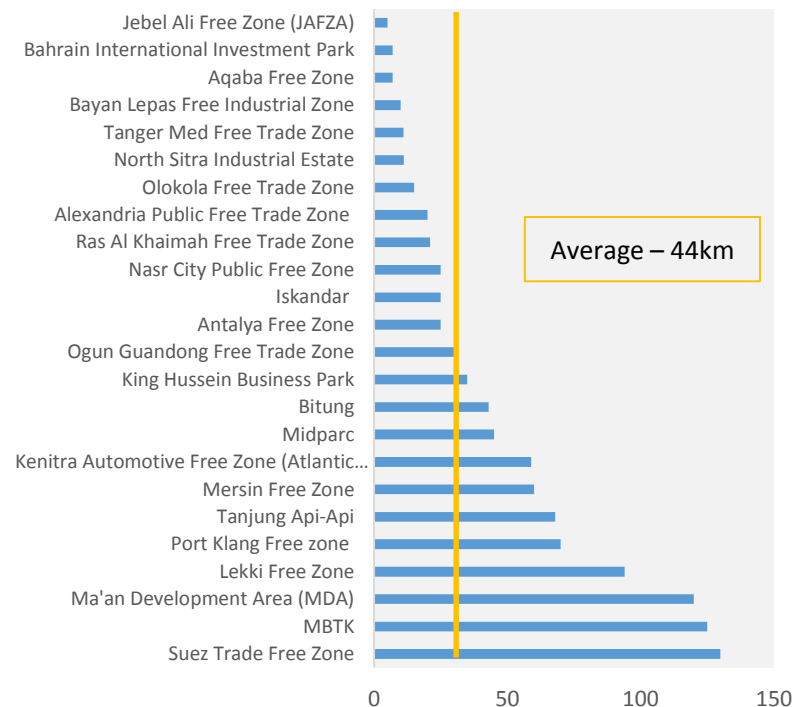
Electrics & Electronics	Logistics & Distribution	Metals manufacturing	Advanced engineering, materials and medical technology	Automotive
Energy	Petroleum, chemicals & fertilisers	Pharmaceuticals & biotechnology	Food manufacturing and processing	Timber and timber products
Construction & construction materials	Furniture manufacturing	Textiles manufacturing and processing	Marine engineering and equipment	Software and technology
Tourism	R&D	Education	Health and environment	Communications

PROXIMITY TO MAJOR TRANSPORT NODES INCLUDING PORTS AND AIRPORTS WAS A KEY FEATURE OF BENCHMARKED ZONES

DISTANCE TO MAJOR PORT (KM)

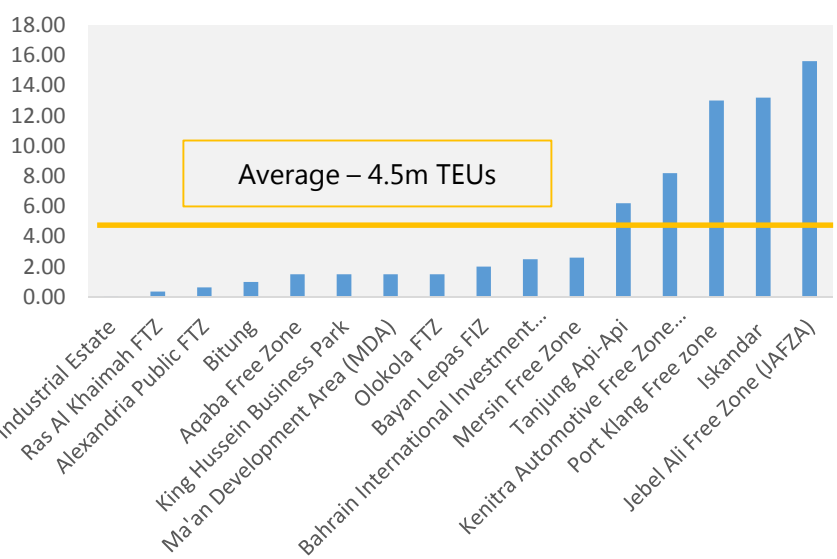


DISTANCE TO MAJOR AIRPORT (KM)

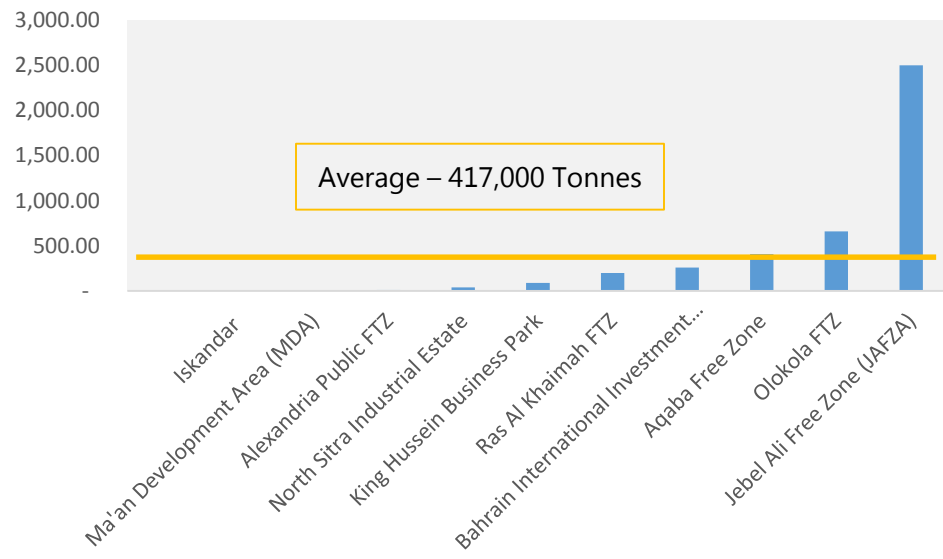


CAPACITY OF INFRASTRUCTURE IS ALSO A KEY SUCCESS FACTOR IN SUPPORTING DEVELOPMENT OF SEZ PROGRAMMES

CAPACITY OF MAJOR PORT (TEU MILLION)

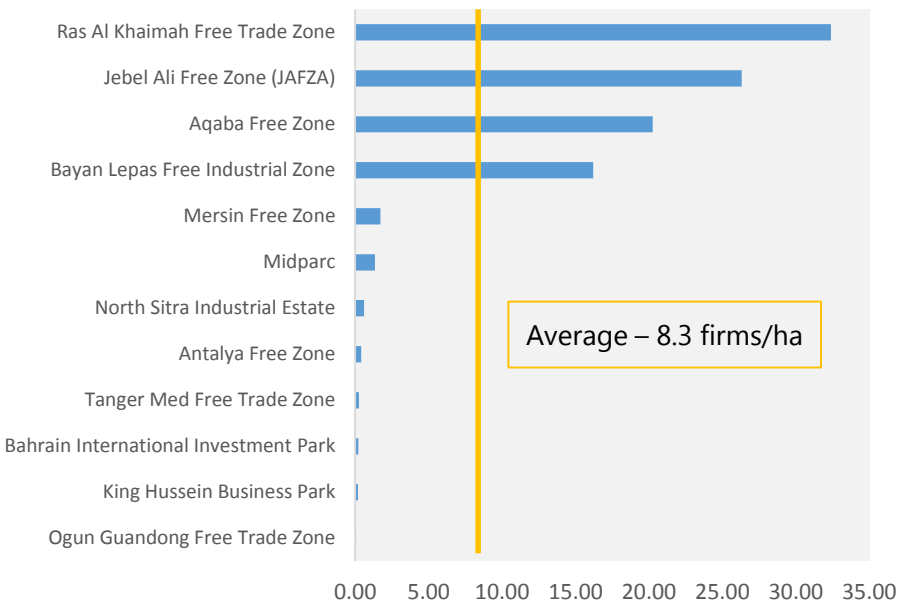


CAPACITY OF MAJOR AIRPORT (000 TONNES)

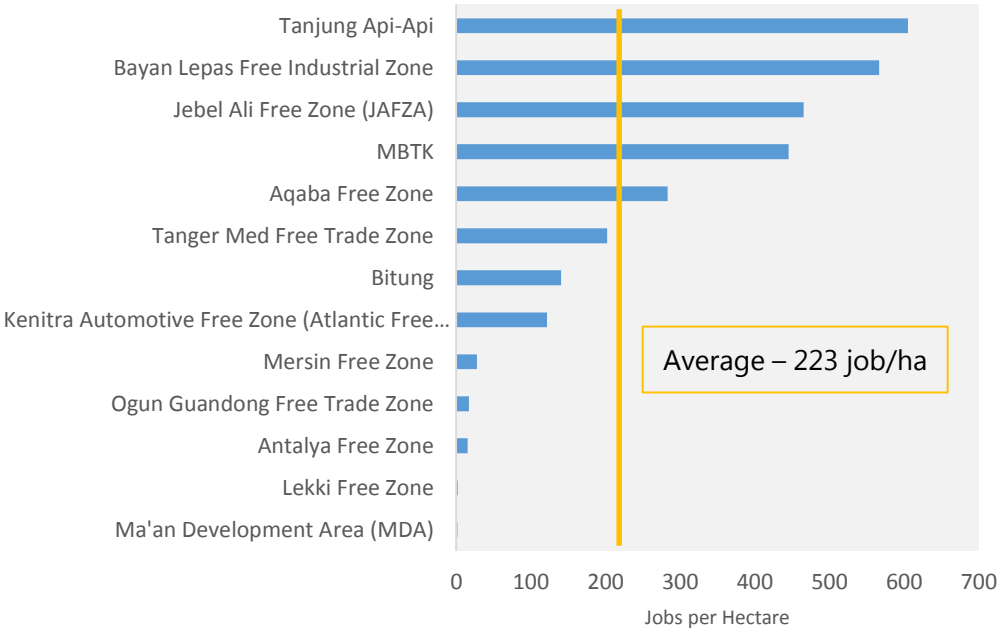


THERE ARE SIGNIFICANT DIFFERENCES AMONGST OIC MEMBER COUNTRIES IN TERMS OF KEY ECONOMIC INDICATORS

FIRMS PER HECTARE



JOBS PER HECTARE



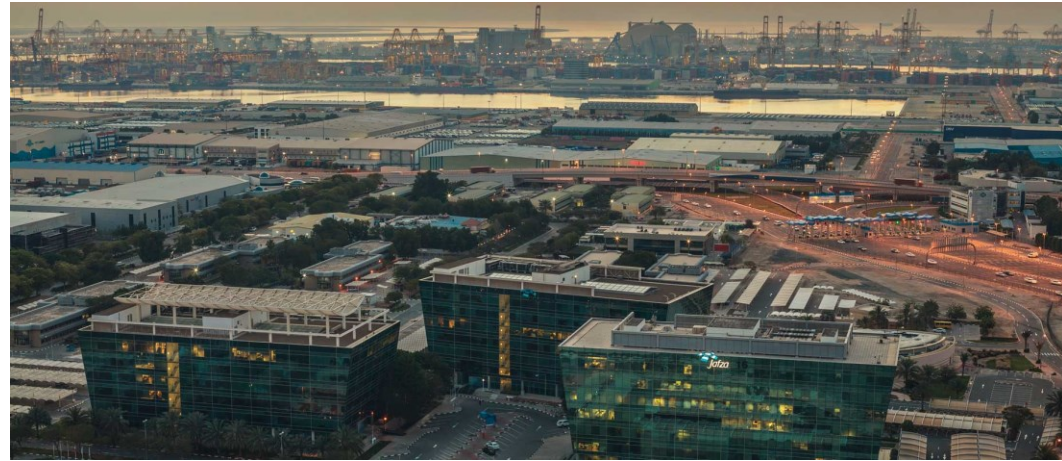
2 WITHIN OIC MEMBER COUNTRIES THERE ARE A NUMBER OF EXAMPLES OF SUCCESSFUL SEZ PROGRAMMES

ECONOMIC DIVERSIFICATION HAS BEEN FACILITATED BY A NUMBER OF SEZ PROGRAMMES WITHIN OIC MEMBER COUNTRIES

United Arab Emirates

- UAE very successful in implementing the free zone model to attract high value activities and FDI
- Approximately 47 Free Zones
- Free Zones driving diversification targets
- Free Zone trade accounts for 1/3 of UAE's non oil economy and 80% of non-oil exports
- Wide range of sectors including finance and services, ICT and media, trade and logistics and industrial activities

JEBEL ALI FREE ZONE - UAE



ESTABLISHMENT OF BACKWARD AND FORWARD LINKAGES WITH DOMESTIC ECONOMY

Malaysia

- Industrial evolution through SEZ programmes
- Industrial Strategy 1987 focused on EPZs – aim to increase backward linkages
- Very strong presence of E&E sector – evolution from basic assembly to R&D and services
- Domestic suppliers acquired new skills and technology
- Upskilling of workforce
- SEZs account for 72% of FDI and 83% of exports

PENANG FREE INDUSTRIAL ZONE - MALAYSIA



A NUMBER OF SEZ PROGRAMMES HAVE BEEN VERY SUCCESSFUL IN GENERATING EMPLOYMENT AND INCREASING EXPORT VOLUMES

Bangladesh

- Bangladesh provided employment for 450,000 workers in 8 EPZs in 2015
- Success in generating employment opportunities for women - ~64% of zone workforce are women
- EPZs account for 20% of exports
- Export values risen significantly since introduction of EPZ programme
- Export values increased 187% over period 2009 – 2015

ADAMJEE EPZ - BANGLADESH



SOME COUNTRIES HAVE CREATED PARTNERSHIP APPROACHES TO SEZ DEVELOPMENT

Egypt

- Suez Economic and Trade Cooperation Zone developed in partnership with Tianjin Economic-Technological Development Area (TEDA) Investment Holdings Group
- Balanced joint ownership structure
- Active marketing of the zone in Chinese markets
- Attracted 49 companies and employment of 1,800
- Total investments of \$358 million

SUEZ ECONOMIC AND TRADE COOPERATION ZONE - EGYPT



3 THERE HAVE ALSO BEEN A NUMBER OF KEY CHALLENGES EXPERIENCED BY OIC MEMBER COUNTRIES IN THE IMPLEMENTATION OF SEZ PROGRAMMES

THERE HAS BEEN VARIABLE PERFORMANCE ACROSS THE OIC MEMBER COUNTRIES

- Governance and regulatory environment
- Challenged business environment – lack of 'one-stop-shop'
- Inefficient zone management arrangements
- Unreliable utilities infrastructure
- Poor quality transport infrastructure
- Political and social environment

ESTIMATES OF DIRECT EMPLOYMENT AND EXPORTS

Region	Direct Employment (Millions)	Exports (US\$ million)
Sub-Saharan Africa	1.0	8,605
Asia and Pacific	61.1	510,666
Central and East Europe and Central Asia	1.6	89,666
Middle East and North Africa	1.5	169,459

SOURCE: FIAS 2008

4 OIC MEMBER COUNTRIES - DETAILED CASE STUDIES

THE DETAILED CASE STUDY EXAMPLES HAVE BEEN COMPILED THROUGH A COMBINATION OF DESKTOP STUDY AND SITE VISITS

- Desktop research
- Site visits to gather qualitative and quantitative data
- Case studies selected based on geographical location within one of three OIC regional groups
- Discussions with key stakeholders:
 - Investors
 - Investment promotion agencies
 - SEZ developers
 - SEZ regulators
 - SEZ operators
- Perspectives on key challenges and success factors

A TOTAL OF SIX CASE STUDIES WERE ANALYSED IN FURTHER DETAIL
TO EXAMINE KEY CHALLENGES AND SUCCESS FACTORS

Arab Region	Africa Region	Asia Region
Tanger Med Zones – Morocco	Lekki Free Zone – Nigeria	Penang Free Industrial Zones – Malaysia
Aqaba Free Zone - Jordan	Bole Lemi Industrial Zone – Ethiopia (Non-OIC)	Jurong Island Free Zone- Singapore (Non-OIC)

Zones highlighted in **bold** were conducted as site visits

MALAYSIA

PENANG FREE INDUSTRIAL ZONE

- Established 1972
- Penang Development Corporation
- InvestPenang
- Development of Free Trade Zones and Industrial Estates
- Driven transformation to manufacturing based economy

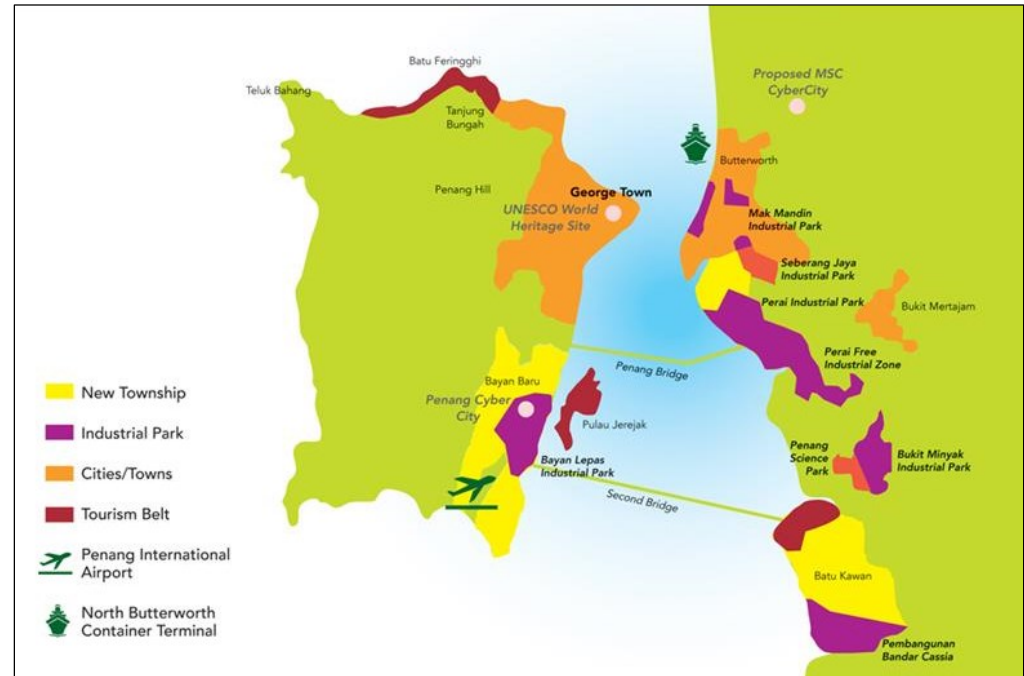


MALAYSIA

PENANG FREE INDUSTRIAL ZONE

- Strong manufacturing base:
 - Electronics
 - Precision engineering
 - Automotive
 - Medical devices
- Emerging focus on:
 - Global Business Services
 - Shared Services and Outsourcing
 - IT

Penang Free Industrial Zones and Industrial Estates



Source: Penang Development Corporation

PENANG FREE INDUSTRIAL ZONES AND INDUSTRIAL ESTATES – ECONOMIC PERFORMANCE

Economic Performance Indicator	Performance Summary
Foreign Direct Investment (\$)	\$16 billion since 1999
Number of firms	Approximately 4,000 of which 10% are MNCs
Employment creation	>250,000 direct and indirect jobs
Export values (\$)	\$29 billion in 2016 which equates to approximately 14.5% of total national exports
Total Annual Output (\$)	No data at FIZ/Industrial Estate Level Manufacturing GDP in Penang was \$6.3 billion in 2013 – 13% of total national manufacturing output

A NUMBER OF KEY SUCCESS FACTORS UNDERPIN THE SUCCESS OF PENANG'S FIZ PROGRAMME

- Establishment of flexible legal framework to accommodate investor choice – introduction of LMW regime
- Master planning approach taken by PDC
- Penang Investment Promotion and 'post-investment' care
- Central role of PDC in development and operation of FIZs – 'build-lease' model
- Diversification of Penang's economic base – increased resilience
- Upgrading of value added manufacturing activities
- Skills and industry – Penang Skills Development Centre

KEY LESSONS LEARNT

- Development of strong political vision
- Effective promotional and marketing activities
- Partnership with private sector to develop skills and training initiatives

Penang Skills and Development Centre



Source: Penang Development Corporation

MOROCCO

TANGER MED ZONES

- Established 2003
- Royal vision to *"establish a major structural, port, commercial and industrial complex on the banks of the Strait, east of Tangier"*
- Tanger Med Special Agency
- Development of network of zones and integrated infrastructure
- Tanger Med Port
- Industrial, logistics and tertiary activities

Tanger Med Port Complex



Source: TMSA

TANGER MED ZONES – INDUSTRIAL PLATFORM

- Land area of 3,000ha
- High quality infrastructure offer
- Strong industrial base
 - Automotive
 - Aerospace
 - Textiles
 - Light industrial
- Emerging focus on:
 - Offshoring
 - Business services
- Attraction of key anchor tenants - Renault

Tanger Med Industrial Platform



Source: TMSA

TANGER MED ZONES – ECONOMIC PERFORMANCE

Economic Performance Indicator	Performance Summary
Foreign Direct Investment (\$)	\$4.2 billion invested since 2003 – approximately 8% of national FDI inflows
Number of firms	750 firms
Employment creation	>65,000 direct jobs created and >30,000 indirect jobs
Export values (\$)	\$6.5 billion in 2016 – accounts for 25% of total Morocco exports
Total Annual Output (\$)	No data available

TANGER MED ZONES SUPPORT A DIVERSE RANGE OF ECONOMIC AND INDUSTRIAL ACTIVITIES AND SUPPORTING INFRASTRUCTURE

- Royal vision – strong political support
- TMSA – One Stop Shop
- Integrated operational management structure – TMSA, TME, TMU
- Strong integrated infrastructure offer
- Leverage of strong comparative advantages – geographical position
- Attraction of key anchor tenants - Renault
- Market access

KEY LESSONS LEARNT

- Public-Private Partnerships – Infrastructure – Tanger Med Port II
- Economic strategy based on robust economic rationale
- Effective and efficient organisational structure
- Skills and training development

Renault Terminal – Tanger Med Port



Source: Automotive World (2017)

JORDAN

AQABA FREE ZONE

- Established 2001
- Aqaba Special Economic Zones Authority
- Established to address structural economic constraints
 - Foreign debt
 - Unemployment
 - Low GDP growth
- Sectoral focus:
 - Tourism
 - Industrial
 - Manufacturing



AQABA FREE ZONE – ECONOMIC PERFORMANCE

Economic Performance Indicator	Performance Summary
Foreign Direct Investment (\$)	Attracted over \$300 million in investment since 2001
Number of firms	300 firms
Employment creation	Objective to create over 70,000 once complete. In 2005 it was recorded that 10,000 jobs had been created.
Export values (\$)	No data available for the whole SEZ. Aqaba Industrial Estate generated garment exports of approximately \$12 million in 2006.
Total Annual Output (\$)	No data available

AQABA'S SUCCESS HAS BEEN UNDERPINNED BY AN EFFECTIVE LEGAL, INSTITUTIONAL AND REGULATORY FRAMEWORK

- Strong royal vision
- Feasibility studies undertaken to define legal, regulatory and institutional framework
- Integrated overarching authority – ASEZA
- One-Stop-Shop
- Partnership between Jordan Investment Board and Tourism Board – coordinated marketing
- Provision of high quality infrastructure

KEY LESSONS LEARNT

- In-depth analysis of institutional weaknesses
- Efficient and effective design of legal and regulatory framework
- Executive support and participation
- Establishment of SEZ Working Group

Aqaba Special Economic Zone Authority



Source: Lekki Free Zone Authority (2017)

NIGERIA

LEKKI FREE ZONE

- Established 2008
- Lekki Free Zone Development Company
 - Nigeria Export Processing Zones Authority
 - Federal Government
 - Lagos State Government
- Sectoral focus:
 - Light industry
 - Heavy industry
 - Oil and gas
 - Real estate
 - Tourism



LEKKI FREE ZONE – ECONOMIC PERFORMANCE

Economic Performance Indicator	Performance Summary
Foreign Direct Investment (\$)	>\$15 billion since 2007
Number of firms	Total of 49 investment projects
Employment creation	No data available
Export values (\$)	No data available
Total Annual Output (\$)	No data available

LEKKI HAS BEEN SUCCESSFUL IN ATTRACTING INVESTMENT BUT THERE ARE A NUMBER OF CHALLENGES CONSTRAINING GROWTH

- Involvement of private sector in development / operation
 - Partnerships between Nigerian and Chinese governments
 - Competitive geographical advantages – infrastructure proximity
 - Evolution of legislation and regulation in Nigeria
-
- Financing constraints and partnership disputes
 - Financing of new infrastructure – private investment
 - Local community disputes – resettlement issues

- Analysis of previous experiences of SEZ development in Nigeria
- Inclusion of State Government and private sector
- Location and site selection
- Improvements to business environment
- Stable political environment

The map illustrates the Lekki Free Trade Zone (LFTZ) in Lagos, Nigeria, divided into Phase 1 and Phase 2. Phase 1 is located in the northern part of the zone, featuring a grid of industrial plots and a central area labeled 'PHASE 1'. Phase 2 is situated in the southern part, also with a grid of plots and a central area labeled 'PHASE 2'. The Lekki Lagoon is located to the west of the trade zone, and the Atlantic Ocean is to the south. Key infrastructure projects include the 'PROPOSED LAKKI AIRPORT' to the northwest, the 'PROPOSED LAKKI DEEP SEA PORT' to the south, and the 'LAKKI FREE TRADE ZONE' boundary. A red line indicates the 'PROPOSED LAKKI AIRPORT' and 'PROPOSED LAKKI DEEP SEA PORT' areas. The map also shows the 'LAKKI LAGOON' and 'ATLANTIC OCEAN'.

BUROHAPPOLD
ENGINEERING

5 NON-OIC MEMBER COUNTRIES - DETAILED CASE STUDIES

SINGAPORE JURONG ISLAND FREE ZONE

- Established late 1990s
- Singapore Economic and Development Board
- Jurong Town Corporation
- Sectoral focus on petrochemicals
- Established to address:
 - Unemployment
 - Industrialisation objectives
- Jurong Port project



JURONG ISLAND FREE ZONE – ECONOMIC PERFORMANCE

Economic Performance Indicator	Performance Summary
Foreign Direct Investment (\$)	>\$37 billion from chemical investors
Number of firms	>100
Employment creation	>8,000 jobs created
Export values (\$)	Generates approximately \$2.4 billion USD in petrochemical exports annually
Total Annual Output (\$)	No data at Free Zone Level Chemicals industry contributed approximately \$49 billion to Singapore economy in 2016

JURONG ISLAND HAS DEVELOPED A STRONG INFRASTRUCTURE OFFERING AS WELL AS STRONG GOVERNMENT SUPPORT

- Strong physical infrastructure – development of key links to trading hubs and manufacturing bases
- Innovative infrastructure solutions – ‘plug-and-play’ model
- Outsourcing of infrastructure operations – lowering fixed capital investment
- High quality Research and Development facilities
 - Maritime Research Centre
 - Centre for Offshore Research and Engineering
 - Marine and Offshore Technology Centre of Innovation
- Jurong Island Version 2.0 – vision for future development

KEY LESSONS LEARNT

- Innovative infrastructure solutions
- Jurong Island Version 2.0
- Focus on research and development activities

Jurong Island Petrochemicals Cluster



Source: StraitTimes (2016)

ETHIOPIA

BOLE LEMI INDUSTRIAL PARK

- Established 2014
- Industrial Parks Development Corporation
- Sectoral focus on:
 - Clothing
 - Textiles
 - Apparel
- Ethiopia Growth and Transformation Plan
- Industrial Parks:
 - Access to land
 - Ease of doing business



BOLE LEMI INDUSTRIAL PARK – ECONOMIC PERFORMANCE

Economic Performance Indicator	Performance Summary
Foreign Direct Investment (\$)	>\$41 million
Number of firms	No data available
Employment creation	>13,000 jobs created
Export values (\$)	\$24 million in Q3/4 2016 and Q1/2 2017
Total Annual Output (\$)	No data available

BOLE LEMI HAS DEVELOPED A STRONG INVESTMENT PROPOSITION THROUGH ADDRESSING WEAKNESSES WITHIN DOMESTIC ENVIRONMENT

- Investment strategy – targeted at specific investors
- Market research and soft market testing
- Low labour costs and utilities costs – lower than regional competitors
- Streamlined government involvement
 - Strong incentives regime
 - One-stop-shop services
 - Ties with international donors – WorldBank, Chinese Development Bank
 - Efficient transport infrastructure

KEY LESSONS LEARNT

- Effective investment strategy
- Coordinated effect from Government agencies
- Reduced costs of doing business
- Skills development

Bole Lemi – Textiles Industry



Source: BBC (2016)

6 OIC MEMBER COUNTRIES - KEY RECOMMENDATIONS

KEY ORGANISATIONAL RECOMMENDATIONS

Vision & Strategy	Political Capital	Legal and Regulatory Framework	Institutional Framework	Incentives Framework	Zone Development / Operation
<ul style="list-style-type: none">• Robust economic rationale• Selection of SEZ model• Alignment with national economic strategy	<ul style="list-style-type: none">• SEZ Working Groups	<ul style="list-style-type: none">• Institutional and administrative framework• Alignment with domestic legal and regulatory environment• Consideration of investor requirements• One-stop-shop	<ul style="list-style-type: none">• Dedicated SEZ entity• Role of private sector	<ul style="list-style-type: none">• Targeted incentives framework	<ul style="list-style-type: none">• Financial return• Involvement of private sector

KEY ECONOMIC RECOMMENDATIONS

Links to National and Domestic Economy

- Facilitation of forward and backward linkages

Sector Selection

- Consideration of comparative advantages
- Economic policy objectives

Investment Promotion

- Marketing strategies
- Inward investment promotion
- Roles and responsibilities

Economic Impact Performance Indicators

- Monitoring of economic performance

KEY PHYSICAL / SPATIAL RECOMMENDATIONS

Site Selection

- Economic concentration vs dispersion
- Transportation nodes
- Attractiveness to market

Infrastructure Investment

- Bespoke infrastructure
- Hard infrastructure
- Digital infrastructure
- Onsite & Offsite

DISCUSSION

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