



**KICK-OFF WORKSHOP: SUPPORTING THE DEVELOPMENT
OF THE SUEZ CANAL ECONOMIC ZONE**

Identifying Priority Actions for a Dynamic and Sustainable Economic Zone

16 February 2017 • Fairmont Nile City, Cairo, Egypt



Context

Following the expansion of the Suez Canal in 2015, the Government of Egypt declared the area adjacent to the strategic waterway a “special economic zone” falling within the realm of Egyptian Law 83/2002 on Economic Zones of Special Nature. A few months later, OECD Secretary General Angel Gurría agreed with President Abdel Fattah Al-Sissi to establish the ground for OECD assistance for the Suez Canal Area Development Project, and support the newly-established General Authority for the Suez Canal Economic Zone (SCZone) to harness the potential of the 8% of global trade flowing through the Canal for job creation and economic growth, bringing tangible benefits to the Egyptian population.

The preparatory phase for the project on “*Supporting the Development of the Suez Canal Economic Zone*”, carried out in partnership with the Authority of the SCZone with financial assistance from the European Union, will focus on helping the Authority to assess existing policy frameworks and identify priority actions needed to build a dynamic and sustainable economic zone in line with the highest international standards. Achieving full success for the SCZone requires an institutional and regulatory framework that enhances enabling conditions for private sector investment, establishes a sustainable model for infrastructure development and builds strong partnerships between the public and private sector. The endgoal is to support the Government of Egypt ensure that the development of the SCZone can attract investment and economic activities in the best conditions of security and transparency.

Objectives

This kick-off workshop marks the launch of the joint EU-OECD project in partnership with the Authority for the SCZone. During the preparatory phase of this project (February-July 2017), the approach will draw on well-established international standards such as the OECD Policy Framework for Investment, the OECD Toolbox for Public Procurement and OECD/G20 work on long-term investment financing, but also good practices and lessons learned from international experiences, such as the maritime and logistics clusters of the Panama Canal, the Singapore Straits or the Gibraltar Straits.

Set to span over 6 months, the initial phase revolves around three pillars:

- **Support the SCZone Authority in building capacity** to design and implement key regulations in strategic areas (e.g. public procurement, investment regime, etc.) to promote an attractive business environment ;
- **Develop a sustainable model of infrastructure development** by ensuring long-term financing and transparent governance of infrastructure ;
- **Improve connectivity and integration of the SCZone infrastructure and activities** into the domestic and global economy.

The project is set to deliver a needs assessment and an action plan for the SCZone Authority by July 2017, sequencing the progressive implementation of policy recommendations and laying the groundwork for further assistance by the OECD and development partners in support of the Suez Canal Economic Zone.

For more information, please visit: www.oecd.org/mena/competitiveness/suez-canal-economic-zone.htm

Participants

- Officials from the Suez Canal Zone Authority and the Government of Egypt ;
- Key public and private sector stakeholders ;
- Representatives from European Union and OECD Member States.

For more information

- **Mr. Sabri DRAIA**, Middle East & Africa, OECD (Sabri.Draia@oecd.org) ;
- **Ms. Reham GALAL**, IR Specialist, Authority of the Suez Canal Zone (Reham.Galal@sczone.eg).

Supporting the Development of the Suez Canal Economic Zone: Identifying Priority Actions for a Dynamic and Sustainable Economic Zone

16 February 2017 ♦ Fairmont Nile City, Cairo, Egypt

9:30 – 10:00 Opening Session

Welcome Address

- **Dr Ahmed Darwish**, Chairman, General Authority for the Suez Canal Economic Zone

Opening Remarks

- **Mr Reinhold Brender**, Chargé d'affaires, European Union Delegation to Egypt
- **Mr Andreas Schaal**, Director, Global Relations, OECD

10:00 – 11:30 Session 1: Providing an enabling environment for business and investment in the SCZone

Special Economic Zones (SEZs) can be an effective option to attract investors, create jobs, diversify the economy and increase export earnings, provided the right policy frameworks are in place. This includes ensuring that the contribution of SEZs to the general economy is well articulated and builds on synergies and complementarity. Setting up the regulatory regime for the Suez Canal Economic Zone and producing a set of regulations that foster a competitive environment in line with international standards is one of the fundamental building blocks for the success of the zone. This session will address the general conditions to ensure quality in regulation and explore policy options to set up an efficient regulatory regime, with a focus on investment regulations which could benefit from a corpus of well-established OECD standards.

Chair: Mr Wim Ulens, Programme Manager, European Union Delegation to Egypt

Achieving the SCZone's policy objectives through good quality regulations

- **Mr Nikolai Malyshev**, Head of Division, Regulatory Policy, OECD

The SCZone Authority has been granted important powers to deliver better economic and social outcomes, through the use of regulations, laws, and other instruments. The *OECD Recommendation on Regulatory Policy* highlights the importance of sound regulatory frameworks as a basic condition for well-functioning markets and societies, in areas such as multi-level coherence, regulatory performance, policy coherence and oversight and citizen engagement.

Making investment in the SCZone work for sustainable development

- **Ms Hélène François**, Legal Analyst, Investment Policy Reviews, OECD

The *OECD Policy Framework for Investment* can guide the SCZone Authority in mobilising private investment, including foreign direct investment, that support steady economic growth and help enhance the development benefits of investment to society.

Open discussion

11:30 – 12:00 Coffee Break

12:00 – 13:00 Session 2: Promoting transparent and accountable public investments in the SCZone

Given the magnitude of the economic resources associated to the Suez Canal Area Development Project, preserving integrity and ensuring transparent and accountable public investments is key to safeguarding the efficiency of the system – regardless of the delivery mode (PPPs, concessions or traditional public procurement). The OECD has long-standing expertise in assisting policy-makers develop integrity strategies by putting in place internal control and risk management systems to fight corruption and avoid conflicts of interests.

Chair: Dr. Alaa Eldin KOTB, Legal Advisor, General Authority for the Suez Canal Economic Zone

Promoting transparent and efficient public procurement

- **Mr Paulo Magina**, Head of Public Procurement Unit, OECD

Public procurement and infrastructure account for a substantial portion of taxpayers' money; it is a crucial pillar of strategic governance and service delivery and a key economic activity for governments. In addition to achieving value for money, well-designed infrastructure and procurement systems contribute also to achieving pressing policy goals such as sustainability.

Enhancing transparent and accountable public investments

- **Ms Sarah Dix**, Senior Analyst, Public Sector Integrity, OECD

The OECD *Integrity Framework for Public Investment* was designed to assist all stakeholders involved in public investment mitigate corruption risks by identifying corruption entry points over the entire public investment cycle, promote ethical standards, manage conflict of interests and strengthen monitoring through audit and control.

Open discussion

13:00 – 14:30 *Buffet Lunch*

14:30 – 16:00 **Session 3: Developing a sustainable model for infrastructure development in the SCZone**

High-quality infrastructure supports growth, improves well-being and generates jobs. Yet, large infrastructure projects have always been difficult to get right. Apart from the technical challenges, poor governance of infrastructure is a major reason why infrastructure projects fail to meet their timeframe, budget, and service delivery objectives. Efforts solely focused on funding have in some cases led to the neglect of governance and ultimately to the failure of the project.

Chair: Ms. Catarina Bjorlin Hansen, Deputy Head, Cairo Redent Office, European Bank for Reconstruction and Development (EBRD)

Setting up a sound governance framework for infrastructure

- **Ms Camila Vammalle**, Senior Economist, Budgeting and Public Expenditures, OECD

The development of long term coherent and effective infrastructure plans is necessary for the delivery of infrastructure that addresses present and future needs. Based on the findings from country studies, the OECD *Framework for the Governance of Infrastructure* covers ten key dimensions relating to how governments prioritise, plan, budget, deliver, regulate and evaluate infrastructure investment, and which countries can use to assess the adequacy of their infrastructure management systems.

Mobilising long term private infrastructure finance

- **Mr Raffaele Della Croce**, Long Term Investment Manager, Financial Affairs, OECD

Sustainable financing of infrastructure investments is crucial, and is all the more compounded when complex procurement methods such as Public-Private Partnerships are utilised. Improving the financing framework aims at increasing the availability of financing at reduced costs and risks. Real or perceived risks related to project completion, revenue generation, and operating costs may be excessively high and make private investment unviable or unprofitable. Public intervention is justified by the positive externalities these investments may generate.

Open discussion

16:00 – 16:30 **Wrap-up and next steps**

- **Ms. Amany Essawi**, International Relations Advisor, General Authority for the SCZone
- **Mr Carlos Conde**, Head of Division, Middle East & Africa, Global Relations, OECD

Background Documents

On regulatory capacity

- **OECD Recommendation on Regulatory Policy and Governance (2012):** *This is the first international instrument to address regulatory policy, management and governance as a whole-of-government activity that can and should be addressed by sectoral ministries, regulatory and competition agencies. It sets out the measures that Governments can and should take to support the implementation and advancement of systemic regulatory reform to deliver regulations that meet public policy objectives and will have a positive impact on the economy and society.*
- **OECD Recommendation on Public Procurement (2015):** *The Recommendation, composed of 12 integrated principles, ensures the strategic and holistic use of public procurement. It is a reference for modernising procurement systems and can be applied across all levels of government and state owned enterprises. It addresses the entire procurement cycle while integrating public procurement with other elements of strategic governance such as budgeting, financial management and additional forms of services delivery.*
- **OECD Policy Framework for Investment (2015):** *The Policy Framework for Investment (PFI) is the most comprehensive and systematic approach for improving investment conditions ever developed. It helps governments and regions to design and implement policy reforms to create an attractive, robust and competitive environment for domestic and foreign investment.*
- **OECD/World Bank, Options for Effective and Efficient Use of Tax Incentives (2015):** *The publication responds to a request of the G20 Development Working Group for an exploration of options for low-income countries' effective and efficient use of tax incentives for investment. To that end, it develops principles for the design and governance of tax incentives and provides guidance on good practices in these areas. It then reviews practical tools and models that can help assess the costs and benefits of tax incentives, which is essential for informed decision making.*

On infrastructure development

- **OECD Integrity Framework for Public Investment (2016):** *This publication examines the direct and indirect benefits of public investment if carried out in a clean and efficient manner. It provides a Framework for Integrity in Public Investment, mapping out risks of corruption at each phase of the investment cycle. It also identifies tools and mechanisms to promote integrity in the public investment cycle and provides examples of their successful implementation in both the public and private sectors.*
- **OECD Framework for the Governance of Infrastructure (2015):** *This document presents concepts and challenges for public infrastructure followed by suggested preconditions for good infrastructure governance. Finally it presents an infrastructure decision tree that can guide countries in assessing and balancing their specific sectoral, country, and project needs in order to select a fitting infrastructure delivery modality.*
- **OECD Principles for Public Governance of Public-Private Partnerships (2012):** *These OECD Principles provide concrete guidance to policy makers on how to make sure that Public-Private Partnerships (PPP) represent value for money for the public sector. They provide guidance on when a PPP is relevant – e.g. not for projects with rapidly changing technology such as IT, but possibly for well known generic technology.*
- **OECD/G20 Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs (2016):** *This G20/OECD Guidance Note endorsed by G20 leaders in 2016 provides key policy and regulatory guidance on mobilising private investment in infrastructure – addressing key challenges linked to mobilising private finance from institutional investors and capital markets and diversifying financial instruments with special attention to equity financing. The use of risk mitigation techniques and various funding models for infrastructure are also important parts of the recommendations*

