



**Catalysing transformational and inclusive
economic growth from Industry 4.0:
A critical role for SEZs?**

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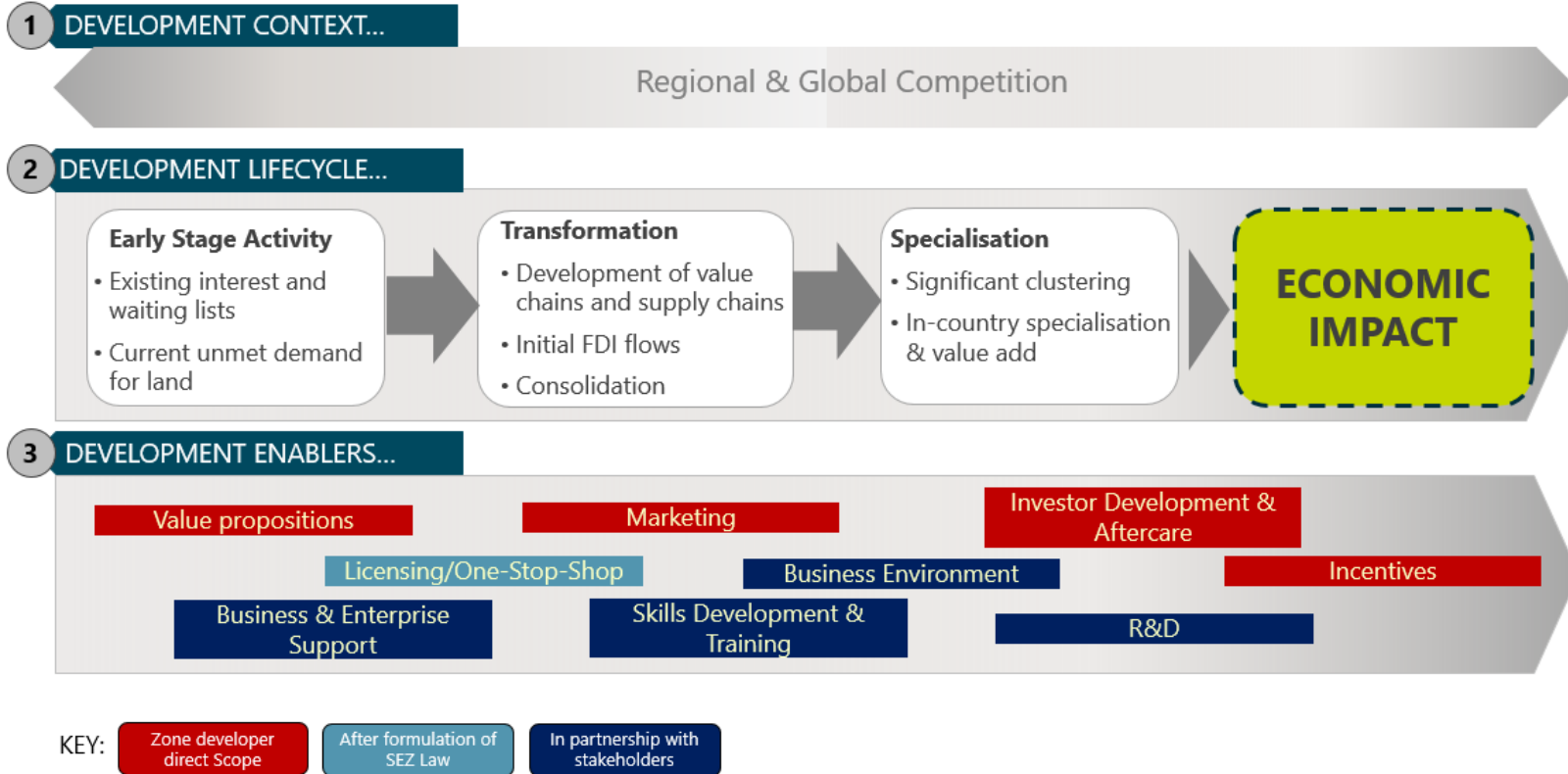
Catalysing transformational and inclusive economic growth from Industry 4.0: A critical role for SEZs?

Agenda

1. Introduction
2. Framework for developing SEZ of the future
3. We don't want just fiscal and financial incentives!
4. Develop strong value proposition to reach out to investors
5. Prioritise 'connectivity' to maximise regional/local impact
6. Conclusion

1. Framework for developing SEZ of the future

SEZ Development Pathway



Our Approach 'Real Time' integrated development approach



Economic Programming
Sector selection framework
Value chain analysis
Market segmentation & sizing
Localisation potential analysis
Market capture and
Employment potential
GNI/ GDP Impact

INTEGRATED
APPROACH

Physical Programming
Landuse Planning & modeling
Physical development framework
Infrastructure engineering
ICT/ Digital masterplanning
Transport Planning
Environment

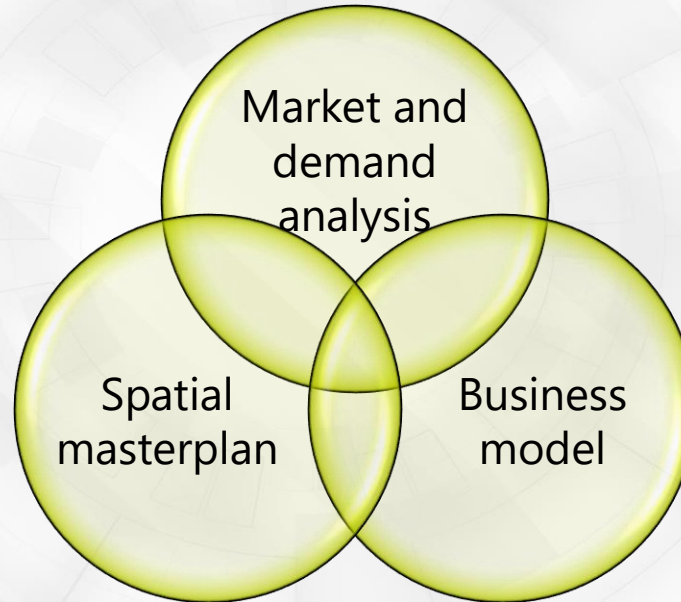


SEZ Feasibility Study

A step by step methodology



3- Way Integrated SEZ offering Economics, Planning and Engineering



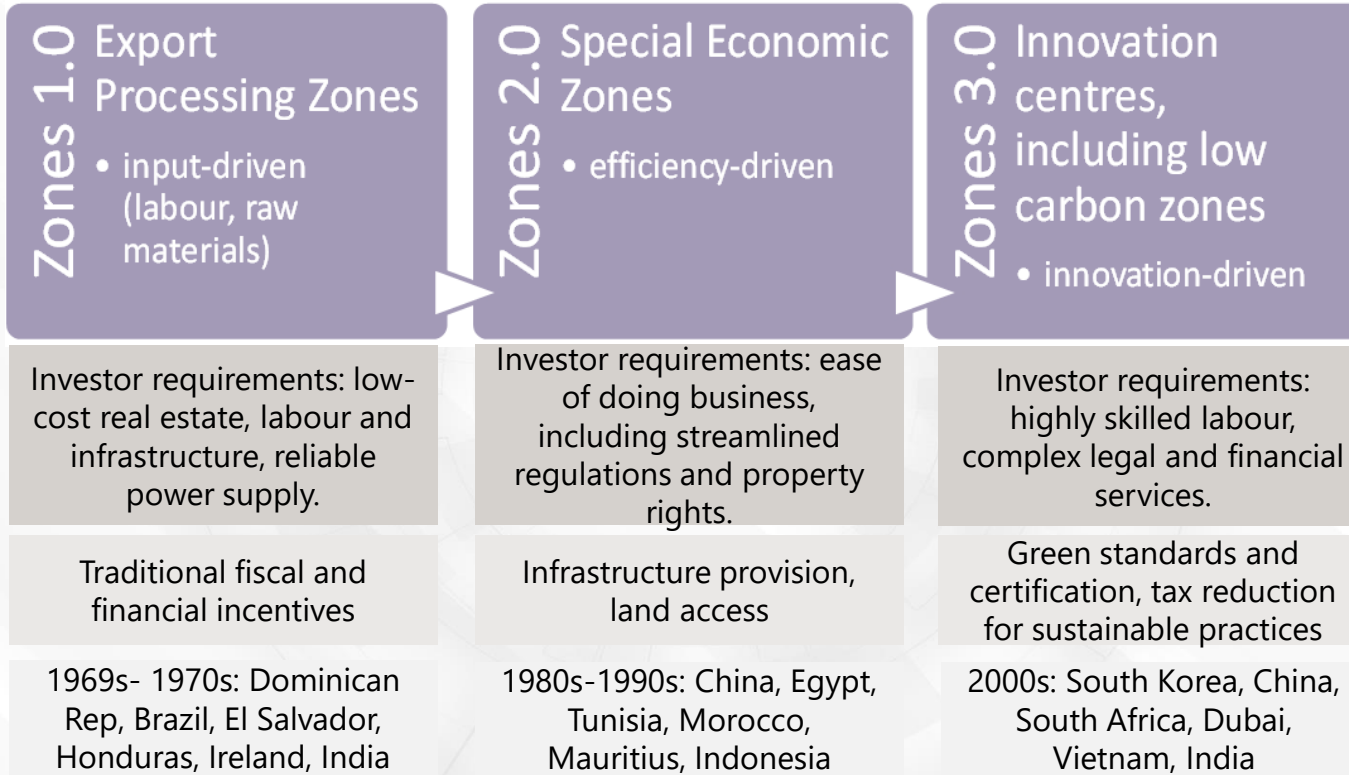
Enabling Framework

- Laws
- Skills, Education
- Social infrastructure
- Off site infra

2. We don't want just fiscal and financial incentives!

Zone evolution

From low value add to high value add zone products



Incentives trend

Not much to differentiate eh!

SEZ	FISCAL INCENTIVES						NON-FISCAL INCENTIVES				
	Income tax / Corporate Tax Allowances	Exemption of exported products from import duties	Exemption of exported products from indirect taxes	Exemption of imported goods used in production processes from import duties	Exemption of goods stored in the SEZ from duties and indirect taxes	Exemptions from other non-specific tax subsidies, including taxes imposed by national, regional and local authorities	Single-window fast track clearances	Ease of restriction on foreign workers	Repatriation of profits	100% foreign ownership	Allowing sale of goods to the domestic tariff area
KLAIPEDA FEZ LITHUANIA	✓	✓	✓	✓	✓	✓	✓				-
ESBAS (AEGAN FREE ZONE) TURKEY	✓		✓	✓	✓	✓	✓	✓	✓	✓	Limited
Trakia SEZ-BULGARIA		✓	✓				✓	✓		✓	Allowed
Tanger Med Zones - MOROCCO	✓		✓	✓	✓	✓	✓		✓	✓	Limited
Aqaba SEZ - JORDAN	✓	✓		✓	✓	✓	✓	✓	✓	✓	-
Panama Pacifico SEZ - PANAMA	✓	✓	✓	✓	✓	✓	✓	✓		?	-

Incentives trend

Less reliance on fiscal incentives for competitiveness differentiator



High quality infrastructure
provision and effective
customs environment

*World Bank Report, Farole, T
and Akinci, A (2011) Special
Economic Zones: Progress,
Emerging Challenges and
Future Directions.*

Fiscal and financial
incentives



Incentives trend

advantage of zone incentives and tax exemption is very short lived

Earlier

State sponsored, low labour cost, low value manufacturing

Fiscal and financial incentives

Year 1

High set up and labour cost, high up-front investment,
time to enter new markets

Now

Skilled labour training programmes, land access, high quality
infrastructure, preferential market access

Incentives trend

Best practice: South Korea using incentives to achieve desired outcomes



Develop strong value proposition to reach out to investors

Zone location

Is a primary consideration when developing successful SEZ programmes



- Location, location, location – particularly proximity to major trade gateways (airports etc.), infrastructure provision and labour force are critical success and growth factors
- Poor locations or pre-determined location often result in higher requirements for fiscal + financial incentives to overcome barriers to investment

Criteria for selecting an investment location

Results from surveyed SEZ firms

top 3 criteria for selecting an investment location according to surveyed SEZ Firms

1. transport infrastructure
2. cost of utilities
3. land access issues

top 3 criterial for overall SEZ regime

1. access to markets through preferential trading agreements
2. reduced operating costs either from availability of cheap labour and utilities or zone financial/fiscal incentives
3. improved value proposition through consolidation of operations and productivity

Economic incentives are most effective when they are aligned with the needs of potential investors

Port centred and strong infrastructure platform zone Tanger Med Zone



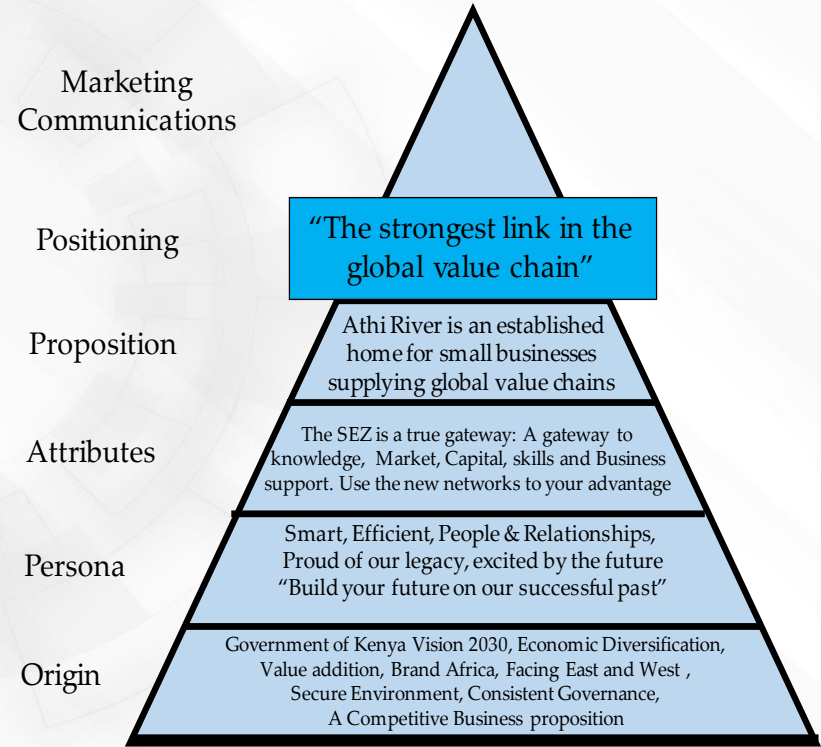
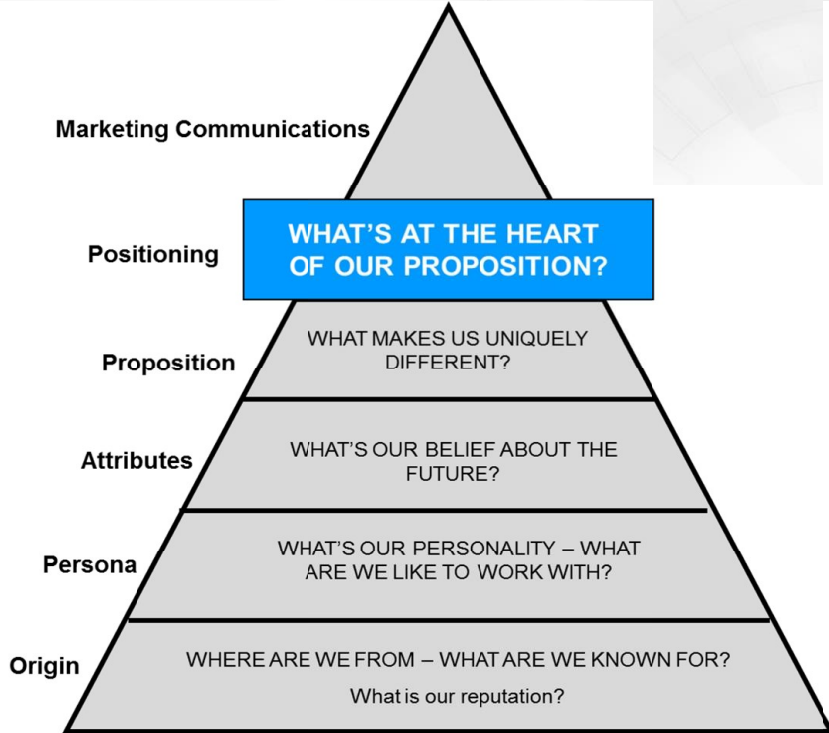
Matching Site-Sector value proposition

industrial park offering can address some of the value chain bottlenecks and address competitive constraints

Sector	Park Offering (Direct)				Cluster led services (Indirect)		
	Speed to market	Low cost and reliable utilities	Super structures (factory shells, warehousing etc.) & land access	Port and market access	Quality testing & certification	Logistics and transport	R&D and Skills development
Fruit processing	4	9	9	9	5	6	5
Sea food	4	8	9	5	6	9	5
Sisal	3	9	9	9	6	9	6
Spices	3	7	9	6	5	5	5
Honey	4	8	9	6	5	6	5

Marketing and Communication Strategy

SEZ Positioning Development Framework based on value proposition



Marketing and Communication Strategy

Engage, Inform and Inspire investors regularly

In FDI markets, clearly not all audiences are as easy to reach as others, so communications messages around the 'engage', 'inform' and 'inspire' motivations need to be segmented to apply to the target audiences as shown in the table.

Importance
to FDI Lead
Generation

High

Low

<p><u>"Hard Yards"</u></p> <ul style="list-style-type: none"> • C-Suite Decision makers; • Corporate buyers; • Procurement Professionals; • Global Sector forums 	<p><u>"Major Players"</u></p> <ul style="list-style-type: none"> • Corporate Location Consultants; • Existing MNE's and supply chains; • Property developers; • KenInvest; • Businesses in other EAC countries;
<p><u>"On the Radar"</u></p> <ul style="list-style-type: none"> • Political stakeholders; • Social media forums • Impact Investors; • Development/Aid Organisations 	<p><u>"Keep Informed"</u></p> <ul style="list-style-type: none"> • National & local media; • Local partners & institutions; • Kenya Ambassadorial Network

Low

Accessibility

High

Prioritise 'connectivity' to maximise regional/local impact

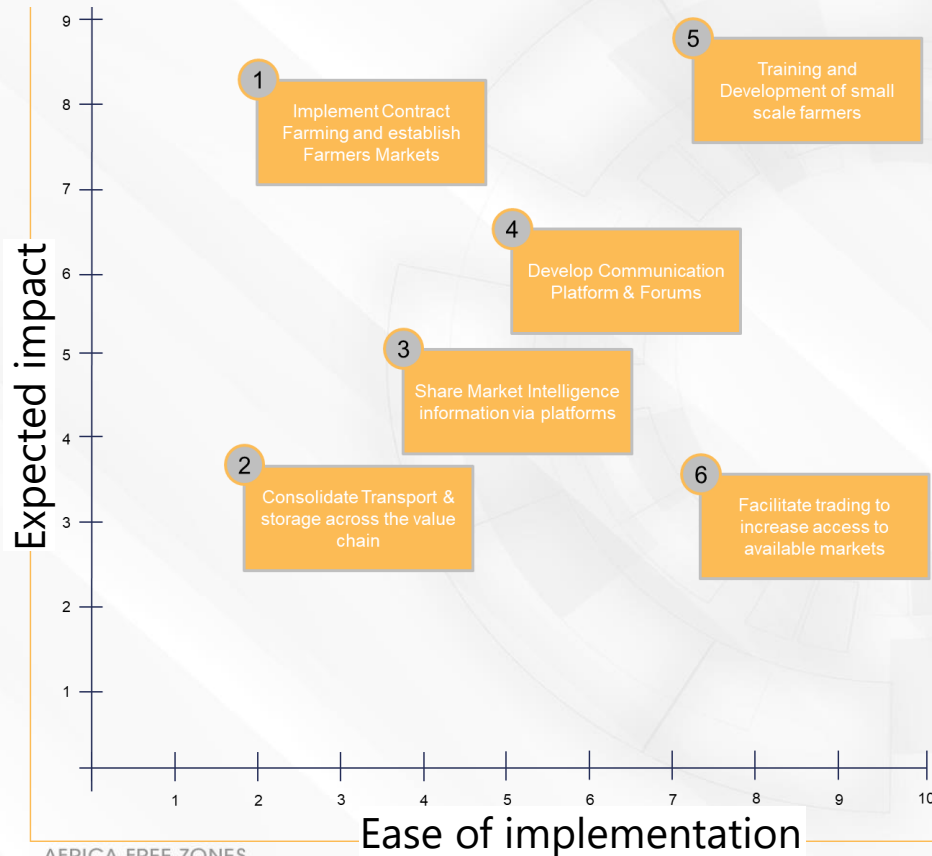
Connectivity Framework will address key off-site constraints and improve regional/local spill over effects

- **Business environment** – access to finance, insurance,
- **Cost and reliability of utilities** – energy, water,
- **Labour** costs, access, skills
- **Operational issues** – e.g. quality of raw materials and inputs, equipment, technology, cost of spare parts, etc.
- **Industry Regulation** – e.g. quality control standards
- **Infrastructure** – lack of storage, logistics and transport (roads, ports)
- **Land** access and cost
- **Market access** – to national, EAC, trading regimes, NTBs



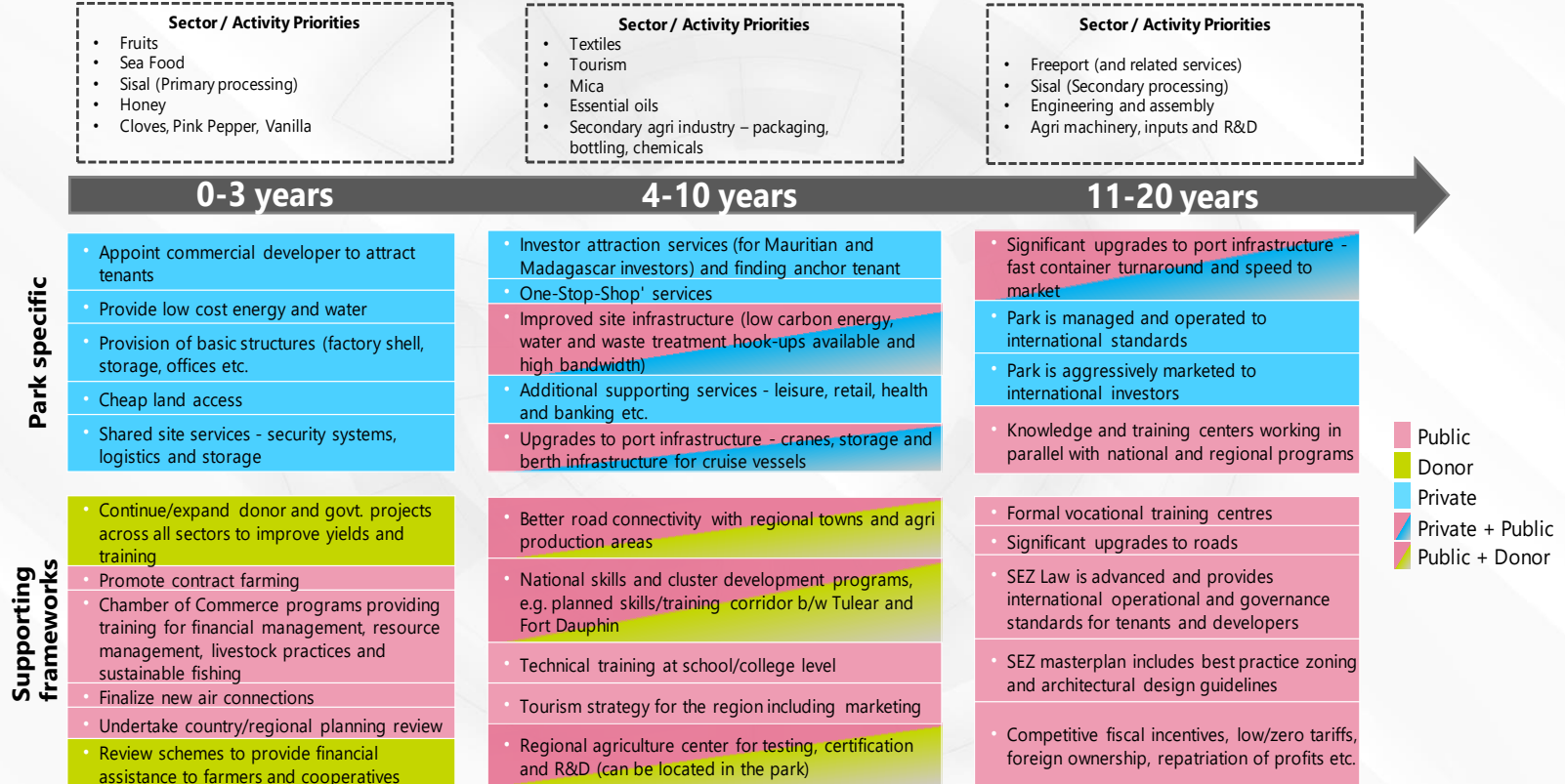
Connectivity project prioritisation

Various connectivity projects can address constraints facing sectors



- 1 Implement contract farming and establish farmer markets/ collection points
- 2 Consolidated transport and storage (Cold Chain where applicable)
- 3 Share Market Indicator Information with Farmers
- 4 Develop Communication Platform and Forums
- 5 Improve and facilitation training and development programmes for small scale farmers
- 6 Facilitate trading to increase access to available markets

Connectivity Framework should complement zone offer Zone and Connectivity actions phased overtime

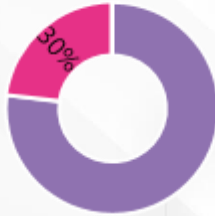


Final messages

SEZ share of national export

Africa has rich lessons and experience to share on SEZ role for export growth and diversification

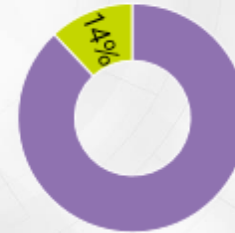
Morocco



Tanger Med Zones

Aeronautic, Electronics,
Automotive and textiles

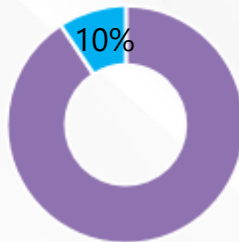
Ethiopia



Bole Lemi

Textile and Garments, Leather
and Leather Products


Kenya



Kenya EPZ


Agro-processing, garments,
coffee and tea, services

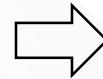
Preparation of Demand Analysis and Forecast Methodology

 Benchmarking

 Transport and
logistics

 Industry trends

 Sector prioritisation



SEZ Value
Proposition

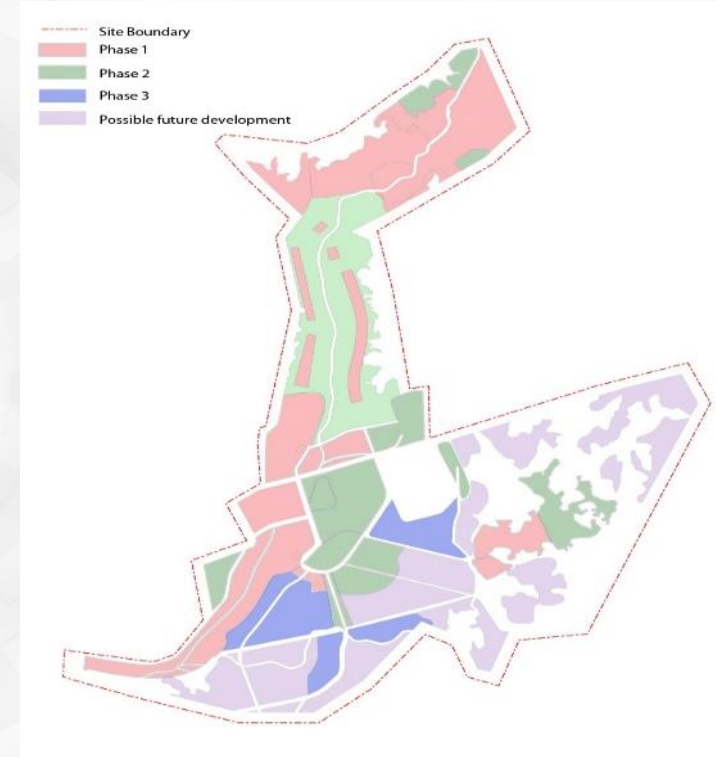


Demand
Scenarios

Spatial Framework Visionary Masterplan

Visionary masterplan outputs include:

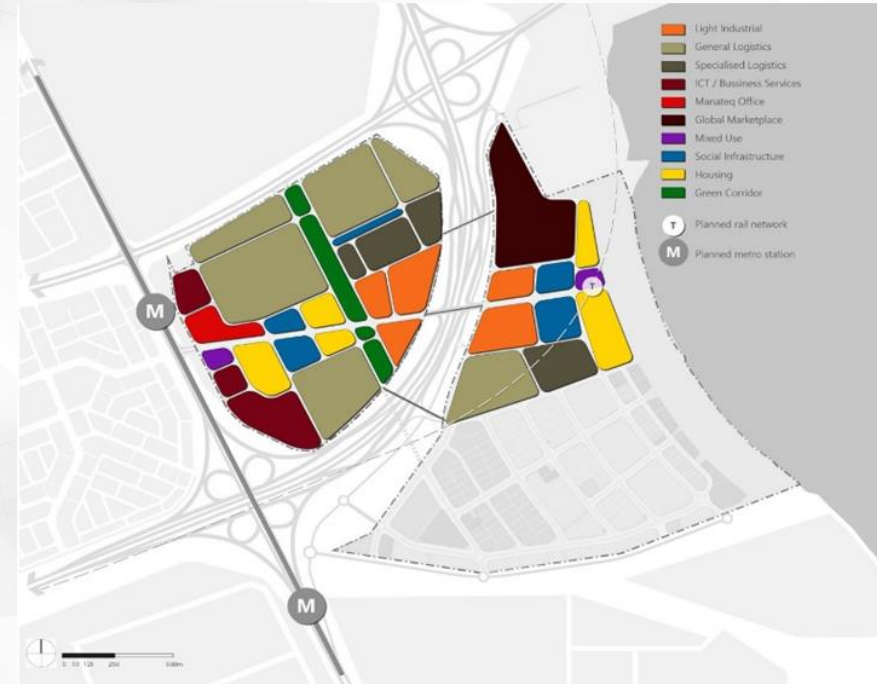
- Zoning plan by sectors, predominant land uses and location of major urban centres and infrastructure nodes
- Proposed development density, mix of uses and quantum for each sector,
- Green and blue uses plan indicating principal green spaces and waterways
- Mobility infrastructure (road, rail, port, airport)
- Sustainable mobility network (pedestrian and cycle)
- Principal utilities network



Spatial Framework SEZ Site Masterplan

SEZ Site Masterplan outputs include:

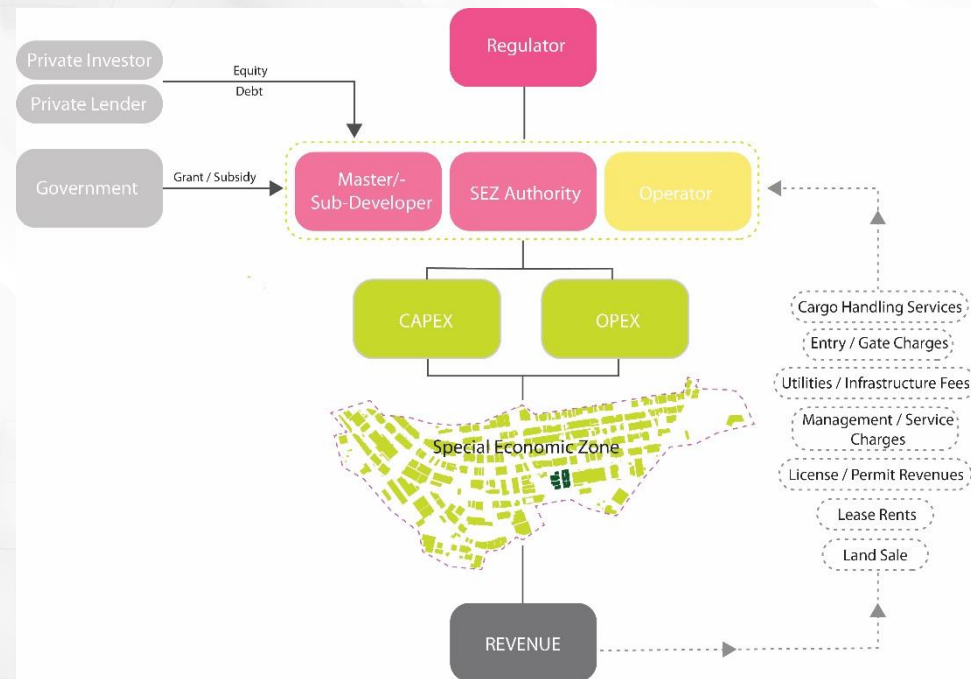
- Land use plan, indicating development densities and built areas
- Definition of character areas and industry-related hubs
- Building typologies and massing principles
- Key buildings and key nodes
- Green and open spaces
- Sustainable mobility infrastructure
- Utility and infrastructure networks
- Phasing strategies
- 3D imagery



Business Model and Financial Viability

Business Model and Viability outputs include:

- Financial Model and Report
 - Project CAPEX (broad), OPEX and revenues (by phase)
 - Excel-based SEZ business model subject to scenario based modification and sensitivity + options analysis
 - Reporting on the overall business case and viability of the proposed SEZ
 - Reporting on recommendations for developing the SEZ in the most feasible manner; including description of financial risks



Implementation Plan and Recommendations

Implementation Plan outputs include:

- Identification of new land acquisitions
- Phasing and development scenarios
- Infrastructure strategy
- Marketing strategy
- Next steps and recommendations

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