Designing Economic Zones for Effective Investment Promotion in Iraq

A Practitioners Viewpoint

By
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Background

- Background and experience
- Some initial observations - MENA and other regions
- Actions of the more successful Special Economic Zones (SEZ’s)
- Developing Special Economic Zones – issues to consider including the “soft” factors
- Summary
Challenges of Developing Countries....... 

- Absence of a national development strategy, unfocussed sector development, lack of relevant skills.

- Lack of coordinating between development agencies and Government organisations. Poor legal framework and organisational design.

- Underutilisation and poor linkage with educational institutions.

- Poor marketing and promotions at both national and international levels – initial burst of enthusiasm but poor follow-through.
Limiting the Pace of Development

- No “one-stop-shop” approach to business development
- No commitment to life long learning and developing an adaptable workforce
- Underutilisation of the Diaspora, international connections, existing leads etc
- No SME focus, JV opportunities missed and existing investors largely ignored
- Inertia and poor use of advisors and consultants
Competitive Environment

- The marketplace is crowded, competition fierce

- All developing countries see FDI as a means of enhancing and developing the industry base. Implications for SME development as well

- Each of these counties have an incentive programme and usually some competitive advantage

- There is a need for clarity in identifying precisely what is on offer and that it can be delivered!
Subjective “Soft” Factors

- Attractive business environment for companies and employees
- Professionalism and hospitality of hosting IPA and other related Government agencies
- Attractive towns and cities where their key personnel can live and develop
- Quality of life, cost of living, security, transportation etc
- Personal ties or historic links (Diaspora)
- Competitive rents and flexible lease/purchase terms
Influencing Factors for Investors

- Political stability and ongoing Government support and contact
- Availability of suitable skilled personnel, sites/buildings/business Parks/industrial estates with a range of options
- Legal protection
- Affordable communications and good linkages with existing industries and educational institutions
- Lower cost base for doing business
- Management capability and potential to grow
- Investment Promotion Agency (or equivalent) available to help with day to day issues
Actions of Top SEZ’s

- Clear mandate and strategy. Negotiations/incentive process managed by a single agency or single point of contact

- Immediate and professional response to enquiries, with consistent follow up and response to detailed questions

- A comprehensive system for industry/business sector research and knowledge, staffed by personnel with business experience

- Ability to complete negotiations in a speedy and professional manner. Supply of high quality reliable, business related information, statistics etc.
• Some actions to take....... 

• Seek the advice of other Zone developers, consultants, NGO’s, other country experiences and then make up your own strategic plan – don’t depend on others to do it for you 

• Remember – the international market for FDI is highly competitive and the failure rate of SEZ’s are high 

• No harm in imitating - see what other SEZ’s are doing and then do it better 

• SEZ’s must engage with the outside world in a clear, coordinated and communicative way if they are to obtain political and public support and win FDI
Sectors

• Must be in compliance with national strategic sectors (e.g. Ireland)
• Evaluation of local opportunities through SWOT analysis
• Conduct a Demand Analysis and look at different ‘scenarios”
• Identify sectors which show greatest compatibility and propensity for growth
• Are the required skills set available – possible linkages with the business community.
• Best to focus on a small number of growth sectors.
• Utilize the feasibility study process to help identify these sectors
Site Selection Criteria

The proposed site and its context – site characteristics, access, linkage, environment, social issues

- Access to onsite and offsite infrastructure
- Physical environment
- Cost challenges
- Marketability including expansion possibilities
- Transportation and utility issues to consider
- Planning considerations
- Prepare a development strategy that includes a value proposition for the SEZ
Legal Framework and Incentives

• The Legal framework is imperative
• Must be simple and easily implemented
• Involve practitioners and the private sector in its design
• Should have built-in flexibility – use of amendments and decrees can be used to update and modernize existing Law
• SEZ Law must protect both government and investor alike
• Should be aligned with the overall strategic industrial development strategy of GOI
• Get it right first time – plenty of good international examples to use as templates for GOI
• SEZ Law must be compatible with other related laws of the country i.e. Public Private Partnership, customs, financial regulations etc
Legal Framework and Incentives

- Review both financial and non-financial incentives that are currently available
- Benchmark against your competition
- Conduct industry interviews/analysis with existing investors – were they a primary reason for investing?
- Is the budget in place to support an investment promotion strategy and allocation of incentives?
- Are financial incentives critical to attract investors or are there other more important issues e.g. security, access to domestic market, geographical location, access to key industrial sectors etc
- Incentives can be reviewed and refined but do not confuse the potential investor!
Guiding Principles

Organizational design must encapsulate:

- Efficiency
- Inclusivity
- Sustainability
Guiding Principles

- Internationally, SEZ organizations come in a wide variety of types, sizes
- Differ in size, mandate and structure / no single template
- Implement best practices, but adopt a home-grown solution
Guiding Principles

Inclusivity

• Stakeholders

Primary Stakeholders

1. Sponsoring Government Agency
2. Investor
3. Tenants
4. Industry Partners (e.g., University, Institutes, etc.)
5. Free Zones Board

Secondary Stakeholders

1. Ministry of Finance
2. ICT Regulator
3. Industry Associations
4. Investment Promotion Agencies
5. Free Zones Board

SEZ

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Guiding Principles

• Keep board slim and focused / avoid temptation to create “super-board” involving all stakeholders

• Appoint majority of directors from private sector based on skills required: property management, marketing, accounting, etc

• Protect government interest through range of measures: board representation, chairman, clear definition of company’s core business in regulations, option of Government “golden share”
Guiding Principles

Sustainability

- Commercially-oriented ICT organization
- Strong functional skills: marketing, asset management and financial management
- Robust and dedicated funding sources
Marketing and Promotions

- Priority markets - (Which countries/sectors)
- Targets/Objectives - X investors to occupy y sites
- What do we offer? - Site/services and at what price?
- Critical success factors/what do investors want? How do we compare with our international competitors?
- Our unique selling point (USP)?
- Resources/budgets
Marketing and Promotions

• Promotion Advertising
  • Promotional material
  • Trade fairs (exhibiting or attending)
  • Mail-shots (telephone presentations)
  • Market Research (self/commissioned)
  • Website design/management
  • Public relations/Journalist visits/Press conferences
  • Site visit (management/costs)
  • Other

• Responsibilities/timing (who, what, when, how)
Learning from Established SEZ’s

- JTC Corporation – Singapore
- The Innovation Hub – South Africa
- Shannon International Free Zone – Ireland
- Smart Village – Egypt
- Business and Technology Park’s – UAE
- In country international experience
Investor’s Choice of Location - Summary

- Market access - national, regional, global
- Labour availability (skills, favourable regulations)
- Strong support from educational institutions
- Good infrastructure, communications
- Property – buildings/offices, serviced sites, quality business Parks for ICT companies
- Low development costs
- Raw material availability for some industry types
IPA Role - The Four Pillars

- Establish and Grow Businesses
- Guide to State Services
- Principal Contact for FDI/investor
- Sectoral Expertise

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Summary of Views

- IPA’s pursuing a defensive strategy will fare less well in the longer term. Revise policies, seek new sectors, innovate.

- Current focus by many Governments is on fire fighting but will move on to economic stimulus – IPA’s must prepare and lead from the front.

- Public concern – how will the evolving economic environment affect them and expectation that Government can help.

- Prepare to seize the opportunity to develop new business avenues.

- Be flexible, aware and resilient.
Initiatives

• The winners will be government’s/IPA’s who make thoughtful choices – by assessing alternative scenarios honestly, considering their implications and preparing accordingly

• Focus on what gives you a competitive edge such as skills, technology, infrastructure, finance, incentives, location etc

• Be aware of the “dead hand” of bureaucracy and pursue your objectives honestly
In Summary

- Advocate policy changes needed to improve investment climate;
- Focus on sectors which can maximize net economic gain; professionally promote sector benefits through innovative promotional events in target markets;
- Fully service needs of investors, improve country image and generate investment;
- Develop and implement investment promotion strategy and develop skills to successfully implement same;
- Building robust and effective public and private partnerships, promote regions, involve all stakeholders.
Thank you for your attention

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