

**EU-OECD PROJECT: SUPPORTING THE DEVELOPMENT
OF THE SUEZ CANAL ECONOMIC ZONE**

WORKSHOP N°3



**CREATING A
BUSINESS-FRIENDLY
REGULATORY
ENVIRONMENT**

21 & 22 May 2017 ♦ 09:00 – 16:45

Ministry of Foreign Affairs
Arab Republic of Egypt
Cairo, Egypt

For more information, please contact:

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Context

Special economic zones (SEZ) are increasingly used by governments across the globe to attract FDI, promote export-oriented growth and generate employment. They can be an effective option to attract investors, increase export earnings and diversify the economy, provided that the right policy frameworks are in place and avoiding distortions and negative externalities. This includes ensuring that the contribution of SEZs to the general economy is well articulated and builds on synergies and complementarities.

In the context of the EU-OECD project on “Supporting the development of the Suez Canal Economic Zone”, this workshop will address the general conditions and fundamental building blocks for the successful development of a dynamic and sustainable economic zone in line with international standards and best practices:

- **Setting up an efficient regulatory regime** that fosters a competitive environment ;
- **Ensuring a business-friendly environment** through sound investment policy and investment promotion efforts ;
- **Improving governance, integrity, transparency and communication**, including sound procurement of investment projects.

Project Team

- **Nikolai Malyshev**, Head of Division, and **James Drummond**, Policy Analyst, Regulatory Policy Division, Public Governance Directorate, OECD
- **Yukihiko Hamada** and **Kenza Khachani**, Policy Analysts, Public Sector Integrity Division, Public Governance Directorate, OECD
- **Hélène François**, Legal Analyst, Investment Division, OECD
- **Carlos Conde**, Head of Division and **Sabri Draia**, Coordinator, MENA Competitiveness Programme, Middle East & Africa Division, OECD

Participants

- General Authority for the Suez Canal Economic Zone (SCZone)
- Central Government Line Ministries
- Private sector and international financial institutions

Background materials

- OECD Recommendation on Regulatory Policy and Governance
- OECD Policy Framework for Investment
- OECD Recommendation on Public Integrity
- OECD Recommendation on Public Procurement

Practical information

Arabic/English interpretation will be provided during the meeting.

DAY 1: SUNDAY 21 MAY

One of the first building blocks for the success of an economic zone is the design of a regulatory regime that encourages investments, foreign and domestic, and levels the playing field for all businesses. In August 2015, the amended Law on Special Economic Zones has granted the General Authority for the Suez Canal Economic Zone (SCZone) with important regulatory powers to do so: yet the extent to which the regulatory framework applicable to activities in the SCZone is aligned or differentiated from the Egyptian national framework has yet to be determined, in view of the implications that different policy options may have.

While creating and implementing regulation is one of the main function of a regulator, a good regulator recognises the need to make strategic decisions about why, where, and how they regulate in the first place. From this process, the regulator can build a strategic regulatory management system that ensures they are working efficiently and effectively at achieving short-, medium- and long-term priorities for the sector within which they operate. This is especially important for new regulators who often arrive in a system with pre-existing legislations and regulation, which inherently guide their efforts – such is the case in Egypt with the ongoing economic reform programme and the adoption of the new Investment Law.

- How are the strategic and policy priorities relative to the Suez Canal Area Development project integrated into Egypt's overall economic reform agenda – in particular the new Investment Law?
- How does a new regulator begin to think through strategic management? What roles do they have in the design, delivery and evaluation of regulations?
- What lessons can be learned from other countries?

Day 1 of the workshop will aim to answer these questions by bringing together the SCZone, central government line ministries, local stakeholders, EU officials, and OECD experts in a facilitated exchange of good practices and perspectives.

09:00

Registration

09:15 - 09:30

Opening

Welcoming remarks by:

- **Amb. Magdy Rady**, Assistant Minister for International Economic Cooperation, Ministry of Foreign Affairs, Arab Republic of Egypt
- **Amany Essawi**, International Relations Adviser, SCZone Authority
- **Angel Gutierrez-Hidalgo**, Head of Economic Section, EU Delegation
- **Carlos Conde**, Head of Division, Middle East & Africa, OECD

09:30 - 10:30

Session 1.1 Improving the investment climate: Experience of the SCZone

International investments can be a powerful engine for expanding productive capacity, driving technology diffusion and improving access to international markets. Creating a business environment that is conducive to investment is, therefore, an important challenge for policy-makers. This requires first and foremost action on the legislative and regulatory front, to ensure that the policy framework for investment is anchored on sound principles, stable, predictable and transparent. The session will discuss the corpus of standards established by the OECD in the area of investment as well as progress made to improve the business environment in Egypt and in the SCZone, including through an integrated, whole-of-government approach.

Introduction by Sherif Fawzi, Director, Arab African Advisors (AAA)

State-of-play

- **Ms Noha Medhat**, Investment Services Manager, SCZone Authority

Lead presentation

- **Hélène François**, Legal Analyst, Investment Division, OECD

Roundtable discussion

- **Karim Sadek**, Managing Director, Qalaa Holdings - former Citadel Capital
- **Sherif Hamdy**, Trade and Investment Senior Operations Officer, World Bank

10:30 - 11:00

Coffee Break

11:30 - 12:30

Session 1.2 Designing better regulation

Regulation is a key tool for achieving the social, economic and environmental policy objectives of governments. Governments have a broad range of regulatory schemes reflecting the complex and diverse needs of their citizens, communities and economy.

Responding to the need to develop better regulations in Egypt, this session intends to provide SCZone officials and beyond with a set of questions reflecting principles of good decision-making used in OECD countries to improve the effectiveness and efficiency of government regulation by: upgrading the legal

and factual basis for regulations, clarifying options, assisting officials in reaching better decisions, establishing more orderly and predictable decision processes, identifying existing regulations that are outdated or unnecessary, and making government actions more transparent.

1. Is the problem correctly defined ?
2. Is government action justified ?
3. Is regulation the best form of government action ?
4. Is there a legal basis for regulation ?
5. What is the appropriate level(s) of government for this action ?
6. Do the benefits of regulation justify the costs ?
7. Is the distribution of Effects across society transparent ?
8. Is the regulation clear, consistent, comprehensible, and accessible to users ?
9. Have all interested parties the opportunity to present their views ?
10. How will compliance be achieved ?

Lead presentation

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

Roundtable discussion

12:30 - 14:00 *Lunch*

14:00 - 15:00 **Session 1.3 Implementing better regulation**

Ensuring effective compliance with rules and regulations is an important factor in creating a well-functioning society and trust in government. If not properly enforced, regulations cannot effectively achieve the goals intended by the governments. Regulatory enforcement is therefore a major element in safeguarding health and safety, protecting the environment, securing stable state revenues and delivering other essential public goals. Inspections are the most visible and important among regulatory enforcement activities.

The OECD as developed core principles and guidance for organising and reforming inspections, some of which will help the SCZone implement regulation of the highest quality. This session intends to present a range of those on which effective and efficient regulatory enforcement and inspections should be based in pursuit of the best compliance outcomes and highest regulatory quality:

1. Evidence-based enforcement
2. Selectivity
3. Risk focus and proportionality
4. Responsive regulation
5. Long-term vision
6. Co-ordination and consolidation
7. Transparent governance
8. Information integration
9. Clear and fair process
10. Compliance promotion
11. Professionalism

Lead presentation

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

Roundtable discussion

- Representative from **Ministry of Investment / GAFI**

15:00 - 15:30 *Coffee Break*

15:30 - 16:30 Session 1.4 The governance of the SCZone

Achieving good regulatory outcomes is almost always a co-operative effort: by the government, regulators, the regulated, and the broader community. Thus the governance arrangements for SCZone will be important to foster such co-operative efforts and build the success and legitimacy of any necessary regulatory action. For these reasons, governance arrangements require careful consideration to ensure they promote, rather than hinder, the efficient achievement of policy objectives and public confidence.

This session aim to discuss framework for achieving good governance through outlining general principles that might apply to the SCZone. Two broad aspects of governance relevant to the SCZone can be distinguished:

- External governance (looking out from the SCZone): roles, relationships and distribution of powers and responsibilities between the legislature, relevant actors in the administration, regulated entities and the broader community; and
- Internal governance (looking into the SCZone): organisational structures, standards of behaviour and roles and responsibilities, compliance and accountability measures, oversight of regulatory processes, financial reporting and performance management.

The OECD has developed a set of principles to support the governance of regulatory institutions. They will serve as the basis for discussion:

1. Role clarity
2. Preventing undue influence and maintaining trust
3. Decision-making and governing structure for independent regulators
4. Accountability and transparency
5. Engagement
6. Funding
7. Performance evaluation

Lead presentation

- **James Drummond**, Policy Analyst, Regulatory Policy Division, OECD

Roundtable discussion

16:30 **Closing Remarks**

DAY 2: MONDAY 22 MAY

A solid governance and institutional framework founded on integrity, transparency and participatory processes, is a prerequisite to restoring trust and investor confidence in the context of special economic zones benefitting from preferential regulatory treatment. This requires, for instance, an integrated and coherent approach to investment promotion that builds on existing initiatives, including by the private sector, and engages in multi-stakeholder dialogue in order to ensure that vision and efforts are aligned.

It all involves that a strong stance be taken on curbing corruption and ensuring a level playing field for all. The OECD Foreign Bribery Report (2015) has shown that corruption is one of the most toxic impediments to efficient and effective investment: it not only reduces investment but also worsens its quality. Capture of investment policies by vested interests and elites contributes to inequalities and breeds crises. Particularly vulnerable to fraud, abuse and corruption, public investment projects require careful scrutiny – where carried out with due diligence and higher standards of conduct, they can contribute to improving service delivery and attracting foreign investors.

- How can the SCZone articulate tailor-made investment promotion activities that catalyse investments with minimal distortions on the domestic economy?
- How can public procurement contribute to foster inclusive growth in the SCZone?
- How will higher integrity and transparency standards contribute to level the playing field for all investors in the SCZone?

Day 2 of the workshop will discuss additional levers by which special economic zones can seek to attract international investments, and share lessons learned and good practices in the following areas: investment promotion and facilitation, public procurement, integrity, transparency, coordination and communication.

09:00 Registration

09:15 - 09:30 Opening

09:30 - 10:30 Session 2.1 Investment attraction in the SCZone: risks and opportunities

Special economic zones can function as catalysts of structural economic change, by upgrading a country's position in global value chains and fostering positive spill-overs to the wider economy. But the risk of developing an "enclave" with limited domestic impact exists. Success in promoting investments therefore requires a careful calculation of how to employ resources most effectively and how to organise investment promotion activities within the SCZone and in relation of national and/or sectorial strategies.

This session will discuss the experience of Macedonia and the role of SEZs in the broader context of investment attraction, their effectiveness in attracting foreign capital and the potential risks of foregone revenue and race to the bottom.

Lead presentation

- **Viktor Mizo**, Chief Executive Officer, Directorate for Technological Industrial Development Zones, Republic of Macedonia

Roundtable discussion

10:30 - 11:00 Coffee Break

11:00 - 12:30 Session 2.2 Procuring for sustainable growth in the SCZone

Public procurement is the government activity most vulnerable to waste, fraud and corruption due to the size of the financial flows involved, while it can also, when carried out efficiently and with good standards of conduct, contribute to higher quality of service delivery and serve secondary objectives such as green growth and innovation. This session will discuss steps for establishing a sound procurement system, and ensure that public procurements in the SCZone have a positive impact on economic growth and achieve best value for the taxpayer.

- Why is it important to have a sound procurement system? How does it impact investment and the economy?
- What are the principles that should be implemented to have a sound procurement system?

Lead presentations

- **Kenza Khachani**, Policy Analyst, Public Sector Integrity, OECD
- **Klaus Grewe**, Mega-Projects & Infrastructure, Senior Programme Management Advisor to the OECD

Roundtable discussion

12:30-14:00 Lunch

14:00 - 15:30 Session 2.3 Safeguarding integrity in the SCZone

Investment projects are high-risk areas vulnerable to waste, fraud and corruption – particularly in SEZ where the risk of policy capture and malpractices exists. Integrity tools have been designed specifically to prevent, detect and sanction integrity breaches in the delivery of public services, such as licencing, land allocation and other investor services. This session will provide participants with tools and best practices to enhance the integrity of the system, such as voluntary codes of conduct and enforcement mechanisms such as audit and control:

- Why is it important to safeguard the integrity of the zone?
- How does it impact procurement and investment?
- What are the basic integrity tools the SCZone should have?

Lead presentations

- **Yukihiko Hamada**, Policy Analyst, Public Sector Integrity, OECD
- **Martin Benderson**, Associate, Business for Social Responsibility (BSR)

Roundtable discussion

15:00 - 15:30 *Coffee Break*

15:30 - 16:30 Session 2.4: Transparency and communications for the SCZone

Government transparency does not only promote accountability and ensures equal access to information; it also serves an important role in levelling the playing field for businesses:

- Why is it important to enhance transparency of the SCZone?
- How to undertake an efficient transparency strategy?
- How does it impact procurement? Which information should be available?

In order to get government buy-in and build broad political and social support, the SCZone project requires an effective and proactive external and internal communication strategy:

- What are the benefits of enhancing the external communication?
- How to undertake an efficient external communication?
- Why internal communication matters?

Lead presentations

- **Kenza Khachani**, Policy Analyst, Public Sector Integrity, OECD
- **Klaus Grewe**, Mega-Projects & Infrastructure, Senior Programme Management Advisor to the OECD

Roundtable discussion

16:30 **Closing Remarks**

Who's who?



Nikolai Malyshev, Head of the Regulatory Policy Division, OECD, directs thematic analysis and country reviews of regulatory reform in OECD and non-OECD countries. He was responsible for updating the OECD normative framework on regulatory policy, now the *2012 Recommendation on Regulatory Policy and Governance*. He is co-author of a number of OECD publications, including the 2015 Regulatory Policy Outlook, the 2011 publication, *Regulatory Policy, Supporting Economic Growth and Serving the Public Interest*. He has also worked with a number of governments to support their efforts to realise regulatory reforms including, Korea, Peru, Chile and Mexico. While at the OECD he has also worked on the economic transition in Russia and central and Eastern Europe, including advisory work on a range of topics including regulatory policy and institutional reforms. Prior to joining the OECD, Mr. Malyshev worked as a financial analyst at GlaxoSmithKline, a pharmaceuticals company, and as a securities trader at Wall Street West, an investment bank. Mr. Malyshev, a US national, holds degrees in economics from Duke University and Colorado College.



Carlos Conde is Head of the Middle East and Africa Division in the Global Relations Secretariat of the OECD. On this capacity, he leads the implementation of MENA-OECD Initiative on Governance and Competitiveness, a regional platform for policy dialogue, peer reviewing and country programmes of reform (e.g. with the governments of Tunisia, Palestinian Authority, and most recently with Morocco) launched in 2005. Mr Conde is also responsible for the coordination and impulsion of OECD Initiatives in Sub-Saharan Africa, as well as with South Africa as Key Partner of the OECD. Before joining the OECD, Mr. Conde was associate professor of political science and public policy at the University of Granada in Spain. In this position, Mr. Conde led several projects of academic co-operation, research and network building between Arab and European universities. Mr. Conde had visiting positions at the University of Harvard and Al Akhawayn University of Morocco, where he lectured between 2001 and 2003. Mr. Conde holds a PhD in Political Science and Public Administration from the Complutense University of Madrid.

Sherif Fawzi Abdel Gawad has more than 10 years of experience in regulatory reform, consultation and institutional reform. He designed and implemented regulatory reform program in Egypt through his work as Executive Director of the Egyptian Regulatory Reform and Development Activity (ERRADA). He led the inventory and review of 30,000 business related regulations in 11 ministries, introduced regulatory impact assessment (RIA). He conducted RIA in agriculture, housing and transport. He advised governments on different areas of governance (such as public policy analysis, public administration reform, and regulatory reform) in various countries including, Egypt, Syria, Iraq, Lebanon, UAE and Malaysia. He designed and delivered training on RIA to more than 500 government officials and provided technical advice on conducting RIA to government agencies in various sectors. He also facilitated successful consultation among government agencies and between government, private sector and civil society. Sherif holds MBA from the American University in Cairo (AUC), Egypt and a Masters in Public Governance in the Arab World from the University of Granada, Spain.



Hélène François is a Legal and Policy Advisor at the Directorate for Financial Affairs of the OECD, where she works on investment policy reform programmes, with a focus on investment laws and treaties. For the past six years, she has worked on investment policy reviews of a dozen of Asian, Middle Eastern and African countries and has assisted numerous countries in reforming their investment legislation. Prior to joining the OECD, Hélène worked at the United Nations Secretariat and at the French Embassy to Morocco. She graduated from University Paris I La Sorbonne in Business Law and from University Paris II Panthéon- Assas in International Economic Law.



James Drummond is a Policy Analyst in the Regulatory Policy Division, where he works on economic regulation and behavioural insights. Previously, he served as a consultant in the Reform of the OECD Public Sector Division working issues related to high-level risk governance, inclusive growth, policy advisory systems. He started his career in finance, working in one of Canada's top brokerage firms specialising in Canadian Armed Forces relocations. James holds a MPP from the University of Toronto, MA in Political Science from Carleton University, and a BSocSc in Political Science from the University of Ottawa.

Viktor Mizo is the CEO of the Macedonian Free Zones Authority, and a key member of the Government's economic team responsible for attracting foreign investments. Mr. Mizo brings to the Free Zones Authority a record of exceptional leadership and strategic vision, responsible for numerous greenfield investment projects by multinational companies that have located their production or service operations in Macedonia. Preceding this, Mr. Mizo spent four years putting Macedonia on the radar of potential investors looking to expand in Europe, as CEO of Invest Macedonia. He received his B.S. and M.S. in Mechanical Engineering at the Rochester Institute of Technology, graduating summa cum laude. An alumnus of Harvard University, Mr. Mizo holds an MBA from the Harvard Business School.



Klaus Grewe, a German national, was Senior Integration Manager for the Olympic Delivery Authority from 2007 to 2012, managing the interfaces of more than 100 projects of the London Olympic Games 2012 with a volume of £9.3billion, followed by the £16b London Cross Rail Project, the development of a new high speed train in Sweden and the £9b Hamburg 2024 Olympic Bid. Klaus was trusted to lead large projects, resulting to be promoted as a Project

Director for Berlin's new main station for 7 years and the successful electrification bid of the St Gotthard Basic Tunnel. Klaus' current position is a Senior Programme Management Advisor to the OECD, the £40b German energy change programme, and the City of Hamburg, looking after projects like the new Mexico City International Airport, the North-to-South German power line network, a new Underground line in Hamburg and the development of the Hamburg harbour. In Germany Klaus is member of the German Construction of Major Projects Reform Commission and of the "Stuttgart 21" Advisory Board since 2013.



Yukihamada Hamada is a Policy Analyst at the OECD, where he leads various projects on political finance, lobbying, and public sector integrity issues within the Directorate of Public Governance. He is the editor and co-author of the OECD flagship publication on Financing Democracy (2016) which reviews the trend of political finance regulations across OECD countries. Yuki has a wide range of public sector experience both in Japan and the UK. Prior to joining the OECD, he worked as a political analyst at the British Embassy in Tokyo. He also worked as a press attaché at the Embassy of Japan in the UK and the Ministry of Foreign Affairs of Japan, integrating media handling into strategic lobbying campaigns. Yuki holds a PhD in Political Science and a Master of Science degree in Public Policy from University College London, UK.

Martin Benderson, Business for Social Responsibility, advises companies, international organizations and government bodies on a range of sustainability topics. He works at BSR – a global non-profit organization working with business to integrate sustainability into business strategy, and to promote collaboration among companies and their stakeholders. He holds an M.S. in Business and Economics and a B.A. in International Relations.



Kenza Khachani works as a Policy Analyst in the OECD Public Sector Integrity Division focusing on advancing the work in Public Procurement and implementation of the 2015 OECD Recommendation. Before joining the OECD, she had been working as an Economic Performance Manager in the French central procurement body, responsible for setting key performance indicators and insuring the implementation of public policy objectives and the rationalisation of public expenditure. Kenza holds a Master's degree in Economics from the Toulouse School of Economics and Ecole Polytechnique.

Sabri Draia joined the OECD in 2013 as a Policy Analyst in the Middle East and North Africa Division – Global Relations Secretariat, focusing on private sector development, business climate reform and investment-related projects. Prior to this, Sabri served in the Banque de France internal audit and participated in a G20 peer review of banks' compensation practices. Sabri holds a Master's degree in Public Affairs from Sciences Po Paris and Columbia University in New York.

