New Generation Industrial Zone Program: Industrial Parks Development under Public Private Partnership

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Overview

1. IDA Background, Vision, Mandates and Strategic Objectives

2. Objectives and challenges of the New Generation Industrial Zone Program.

3. Engaging the market and responding: Steps to successful Partnership

4. Lessons learned: Today’s Product
IDA The Main Pillar of Industrial Development

- IDA was established in October of 2005 as a key focal organization to realize the government of Egypt’s vision of export and FDI-led economic growth through industrialization.

- The organization was launched in March of 2006, with the placement of the Board of Directors and newly assigned top management.
Vision

To be a catalyst of industrialization that positions Egypt as a leading economic force in the MENA region and beyond

Mission

To accelerate Egypt’s national and regional growth by working with our partners to facilitate industrial expansion, enable private-sector development of industrial zones, and ensure an efficient and business-friendly regulatory environment
### IDA’s Legal Base: Presidential Decree 350 - Mandates

#### Regulator
- Land access operating permits (2)
- Monitor IZ operations for public good protection with other agencies (2.6)
- Assign its regulatory functions to any state entity (2.9)
- Inherits GOFI (12)

#### Coordinator
- Implement MOTI industrial policies (2)
- Governorate and others for IZ development plans (2.2)
- Land release with National Center for Planning (2.3)
- Right investment environment for IZs with GAFI (2.8)
- Provide marketing inputs to GAFI (2.15)

#### Facilitator
- Policy advocacy (2.1, 2.8)
- Determine industrial activities allowed in IZs (2.6)
- Environmental agency, governorates and other pertinent public/private orgs (2.6)
- Establish conditions of approvals, licensing and certificates (2.9)
- Inherits GOFI (12)

#### Private Development Enabler
- Stimulate investment in IZs (2)
- Land development for industrial use (2)
- Establish conditions for private sector development of IZs (2.4)
- Set policies and plans for training workers in the industrial field while coordinating with other public/private agencies who provide this service (2.12)
- Set policies and mechanisms that link industrial activity with local projects and scientific research (2.13)
Addressing Mandates: PPPs and Corporate Strategic Objective

Corporate Strategic Objective

- New IZ Development Framework
  - Private sector led
- New Generation Industrial Zone Program
- Public Private Partnerships

Mandate-driven Program:

- Regulator
- Coordinator
- Facilitator
- Private development enabler
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Egypt's government is putting the private sector in charge of new industrial zones.

Twenty-five zones are planned for the end of 2009 creating 80,000 jobs.

Egypt is ideally placed as an export hub with no duty on goods to U.S., Europe.

"The Private sector can do it better. They can do it faster, they can do it more efficient and they actually do the marketing much better."

H. E. Rachid Mohamed Rachid, Egyptian Minister of Trade and Industry
Objective and Challenges of the New Generation Industrial Parks (IPs) Program

Program Objective:
- Introduce a new Paradigm for IZ Development in Egypt.
- Leverage private sector know-how and funding.
- Move Government out of land retail business and into performance based land wholesale release.

Challenges
- New concept/natural resistance to change.
- Multiple Public Stakeholders in IZ Development Activity:
  - Ministry of Housing/New Urban Authority.
  - Governorates.
  - GAFI (Public Free Zones).
- Unproven Business Environment for Private Participation.
Examples and overall results of first generation IZs (1970s-2006): Urgency to Change

• Approximately 20 Million M2 of built-out serviced land publicly funded.
• About 500,000 jobs created.
• Estimated jobs created per built-out M2: 1 job/500M2.
• Estimated average of about 60/40 relation local market/exports operations.

According to GAFI 2006 statistic report
• Approximately 9 Million M2 of built-out serviced land publicly funded.
• About 200,000 jobs created (including single enterprises).
• Estimated jobs created per built-out M2: 1 job/50M2.
• Estimated average of 40/60 relation local market/exports operations.

Free zones: Better performance
The New Generation IZ Vision

1. Physical Characteristics
   - Integrated complex.
   - Phased development based on market measurements/demand driven.
   - Attractive surrounding.
   - Well maintained.

2. Service Features
   - Multi-services for users.
   - Flexible zoning.
   - Multi-market.
   - Environmental safe guards.
   - Professional management.
   - Strong marketing.

3. Roles
   - Public sector provides off-site infrastructure and regulates.
   - Private sector provides on-site infrastructure, develops, manages, commercializes on a profit basis.
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Steps to Successful PPP Transactions:

July 06-August 07
Cornerstone-laying Ceremony of Polaris International Industrial Park

Presided by H.E. President Abdullah Gul of the Turkish Republic and H.E. Minister of Trade and Industry of the Republic of Egypt Mr. Rachid Mohamed Rachid
February 2008

Cornerstone-laying Ceremony of e² Industrial Park

Presided by H.E. Prime Minister of the Republic of Egypt Dr. Ahmed Nazeif H.E. Minister of Trade and Industry Mr. Rachid Mohamed Rachid
First Step: Consult the Market/Test Market Appetite

July 2006:

- IDA-Private Developer Consultative Workshop.
- Inclusive activity: All Public stakeholders invited and participated.
- Wide geographic representation of interested developers: 18
  - Local.
  - MENA Region.
  - Gulf.
  - Asia.
  - United States.
  - Europe.
Lessons Learned from Prospective Developers

1. **Regulatory**
   - Ease of investment entry/registration.
   - Automatic license approvals/Standards not activities.
   - Risk-based inspections.

2. **Business development**
   - Trainable workers.
   - On site training facilities.
   - Ability to provide optional services to users, including utilities.

3. **Institutional**
   - Empowered single point of contact for all developer/user needs.

4. **Transaction**
   - Clear conditions and selection process.
   - Performance measured primarily by business plan.

5. **Land**
   - Payment conditions more important than price.
Transaction Step #1: Define Strategy,Private Partner Entry/Risk Allocation

Land Development
- Raw Land
- Preliminary Market Assessment
- Masterplan
- Development Rights

Infrastructure Development
- Market Study
- Phasing Plan
- Off-Site Infrastructure
- Backbone Infrastructure
- On-Site Infrastructure

Build-out and Property Management
- Amenity Spaces
- Shell Buildings
- Finished Buildings
- Property Management

Investor Roles and Entry Points
- Developer
- Sub Developers
- User/Builders
- User
Step #2 : Announce Business Opportunity Formalized
EOIs/Tender Preparation

November-December 06

• Defined Sites for release.
• Secure Authorization for transaction from Ministry of Housing/Ministry of Trade and Industry.
• Issued public call for registration by interested developers:
  - 18 Registration Requests Granted.
• Prepared tender documents: Market Driven Conditions
  - Performance requirements based on normal due diligence/preparation of business plan for venture of this nature.
  - Clear statement in tender documents proposals would be part of contractual performance conditions for private partner.
  - Clear evaluation conditions.
  - Technical conditions credible to potential bidders.
Step #3 : Conduct Pre-Tender Issuance Developer Conference/Site Visits

December 06

- Conducted site visits with registered Developers:
  - 14 developers representatives participated.

- Pre-Tender Consultation Conference:
  - Preliminary information on tender features.
  - Questions and answers.
  - Suggestions entertained from prospective bidders (Registered Developers).
Step #4 : Final Review of Tender Documents

December 06

Developer Team Requirement

- Design (IP Internationally recognized experience in concept design)
- Construction
- Marketing
- Finance
- Management
- Maintenance

Development Schedule & Key Milestones

- Project phasing permitted
- Total development period 5-7 years
- Each phase completion is evidenced by:
  - Complete infrastructure
  - Achieving targeted land/building lease/sale
  - Factory building ready for operation

Permitted Industry Sectors within IPs

- Light Industries
- Medium Industries: provided no environmental effect to adjacent IPs
- Heavy industries such as steel, cement, aluminum, fertilizes and similar industries not permitted
Step #5 : Tender Issuance, Proposal evaluation, Adjudication and Contract Finalization

Jan. 07-August 07

• One Stage tender process with submissions divided into two steps:
  - Post Qualification: Due 40 days after issuance date (Feb. 26):
    ➢ 6 Post-qualification submittal.
  - Proposals: Due 17 days after Post Qualification date (March 15):
    ➢ 6 Proposals submittals received.

• Careful evaluation by mixed group of specialty areas.

• Final evaluation results submitted to IDA Board.

• Pre-award contract clarification meetings.

• Contract signature finalized third quarter 07:
  - Final results of transaction process:
    ➢ Five contract signatures releasing 8.5 Million M2 for development to private developers.
Current status: New Projections

• Other PPP Models with private partners:
  - Qatari Diar Joint venture with IDA to take-up 9 Million M2 of land in Borg el Arab MOU signed.
  - Final JV contract projected for signature by June 08.

• East Port Said:
  - Mixed use port/industrial complex covering about 120 Km2.
  - Master plan/market demand study under preparation.
  - Expected completion July.
  - Project roll-out through public Workshop third quarter 08.
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Lessons learned

1. Constant mechanism for measuring market appetite key success driver.

2. Clear, transparent and predictable public process for selecting private partners essential to engage credible bidders.

3. Realistic take on public partners real delivery capacity and willingness of risk assumption must be defined very early in process.

4. Fair and measurable proposal evaluation criteria critical to avoid potential process questioning.

5. Market driven conditions defined by private partner and agreed by public partners enable realistic conditions for signature of long term contracts.

6. Private partner support and follow-up by public partner critical to avoid local business environments’ inducing defaults or poor performance.
Realizing the Vision
Modern IPs in Egypt
Modern IPs in Egypt
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Modern IPs in Egypt

Brief Description
- Factory Gross Area: 1520m².
- Administration Area: 220m².
  (Ground & Mezzanine)
- Building Structural System:
  - Reinforced Concrete Foundation & Columns Neck.
  - Perimeter Steel Columns.
  - Free Span Space Truss Roof.
- Coated Sandwich Corrugated Sheet Panels Roof
  Cover with Polycarbonate Areas.
- Dimensions: 42m x 36m
- Modular Structure: 6m x 6m
- Heights: 9m
- Brief Finishing Specs:
  - Smooth Concrete Floors.
  - Smooth and Split Fluted Cement Exposed Blocks Fa’a4ade.
  - Durable Painting for Internal Walls and Ceilings.
  - Factory Industrial Lighting System for Factory Area.
- Fully Finished for Administration Area
  (Electricity, Data, A/C, Fire Alarm/ Fighting, Toilets, Painting & False Ceilings).
Modern IPs in Egypt

Factory Type "A"

Ground Floor Plan

Brief Description
- Factory Gross Area 2690m².
- Administration Area 576m².
- (Ground & Mezzanines)
- Building Structural System:
  - Prestressed, Precast Hollow Core Slabs.
- Dimensions 24m x 96m
- Modular Structure 6m x 8m
- Heights 8m
- Brief Finishing Specs:
  - Smooth Concrete Floors.
  - Smooth and Split Fluted Cement Exposed Blocks Fan'a4ade.
  - Durable Painting for Internal Walls and Ceilings.
  - Factory Industrial Lighting System for Factory Area.
  - Fully Finished for Administration Area

(Electricity, Data, A/C, Fire Alarm/ Fighting, Toilets, Painting & False Ceilings).
Modern IPs in Egypt
Modern IPs in Egypt
IDA

“Makes doing business in the industrial sector easy”