Terms of Reference
Support for the Development of the Suez Canal Economic Zone (SCZone) in Egypt - Assignment: Regulatory Unit: Support for the establishment of a regulatory

Background and Objectives

Background on special economic zones

In achieving their objectives, special economic zones (‘SEZs’) have had a mixed record: several SEZs established in the 1970s and the 1980s, particularly in Asia, have matched or exceeded expectations and contributed substantially to the economic development of their countries. A large number have failed and successes have become fewer since the turn of the century. Those that succeeded, have in common a number of key characteristics: involvement of the private sector; strong links with the rest of the economy; strategic location; a sound policy framework and zone management; infrastructure; non-fiscal incentives; labour supply; sustained political commitment from the country authorities. SEZs should not be seen as a single ‘silver bullet’ for economic development. However, they do have the potential to generate positive returns in terms of employment, exports, and FDIs as well as to provide a policy laboratory to test intervention, provided that essential preconditions are present.

When approaching SEZs donors should maintain a rather cautious approach: verify that the objectives are realistic and that the key conditions highlighted above are present; be the facilitator for the introduction of those conditions (e.g attract private sector, build infrastructure, create a regulatory framework); take a long term approach, as results are not likely to materialise before a certain time lag; encourage policy experimentation, especially in otherwise sclerotic economies. Donors can leverage some successes, namely in South Korea and China, to encourage sharing of best practice. Donors will not be able to dissuade governments in their countries of operation every time they decide to spend their limited resources on a SEZ when it is not the best solution to spur economic activity, but they may be well poised to help those governments make of a SEZ a functioning undertaking rather than another white elephant.

Background on the Suez Canal Economic Zone

Important reforms have recently been adopted in Egypt to improve the country’s fiscal and monetary situations, achieve better usage of subsidies, and improve the investment climate. At the same time, achieving the real potential of the country’s private sector still remains hindered by a number of key challenges that cut across different sectors. Ensuring a predictable and attractive investment climate would help to attract significant foreign direct investments.

Among the so-called ‘mega development projects’ launched by the Government of Egypt in 2014-2015, the Suez Canal Area Development Project represents one of the efforts to generate export-oriented activities and job creation. It comprises three components designated to reinforce the historical value proposition of the 193 kilometres long Suez Canal: the ‘New Suez Canal’ Expansion Project (through a 72 kilometres long parallel waterway for double-way traffic for vessels); the ‘East Port Said Development Project’ (port expansion and road tunnels connecting the Sinai Peninsula to the Egyptian mainland); the ‘Suez Canal Economic Zone’ project.
The SCZone is a vast special economic zone populated by almost 3 million people and comprising 461 square kilometres along the Suez Canal, one of the major trade routes in the world and part of the maritime new Silk Road.

The zone comprises four integrated development zones for various industry sectors and sub-sectors (Ain Sokhna, East Port Said, Qantara West, East Ismailia) and six maritime ports (Adabiya, Ain Sokhna, Al Arish, Al Tor, East and West Port Said).

The ultimate objective is to ensure the development of a dynamic and sustainable global hub positioned as a world-wide leading space for trade, industries and services – with the ambition to generate foreign exchange earnings and much-needed employment opportunities.

The SCZone is managed by the General Authority of the Suez Canal Economic Zone, an autonomous authority governed by a Chairman and a Board of Directors comprising several ministers. Law no 83 of 2002 amended in 2015 bestows the SCZone with wide regulatory independence.

The Suez Canal, representing between 8 and 10 percent of global maritime trade is one of the world’s most important trade routes as it reduces shipping times for cargoes travelling between east and west. The bulk of its revenues are derived from transit fees, while major ports’s revenues around the world are often derived from the added services.

The Suez Canal Economic Zone offers a combined value proposition in three key areas: strategic location; competitive cost structure (lower labour, transport, and utility costs than in neighbouring countries); preferential market access (provision of Egyptian certificates of origin for goods produced locally and exemption for customs duties for re-export, as well as access to large consumer markets through Egypt’s network of preferential FTAs such as GAFTA, COMESA, EU Association Agreement, Turkey, USA).

**Objectives**

The EBRD’s first country strategy for Egypt, approved in 2017, focuses on four key priorities identified in cooperation with the Egyptian government. Supporting the improvement of governance standards in both public and private sector is one of those priorities, and a key pillar of the EBRD’s engagement in the country. Under this priority, the strategy indicates the Bank’s support to the development of the Suez Canal Economic Zone’s infrastructure and regulatory framework in coordination with the Egyptian authorities as one of the key actions.

In December 2017, the margins of the Africa 2017 Forum in Sharm El-Sheikh, the Chairman of the General Authority of the Suez Canal Economic Zone, His Excellency Mohab Mamish, and EBRD Vice President for Policy and Partnerships Pierre Heilbronn, signed a Letter of Intent to begin exploring together opportunities to cooperate in supporting the development of the Suez Canal Economic Zone.

Adequate infrastructure and an attractive regulatory framework represent two key pillars on which the attractiveness of the SCZone is based. Developing them up to international standards requires expertise, resources, and institutional capacity. The EBRD has the track record, expertise, and resources to assist in strengthening both pillars and provide financing for investors through its HQ-based and country-based regional and sectoral teams of economists, bankers, governance experts, political advisers and researchers.
The significant legal independence bestowed upon the SCZone, coupled with its unique institutional setup and lean governance structure, make it a new, relevant institutional actor with which the EBRD aims to build a constructive relationship. The experience of other successful special economic zones suggests that the SCZone represents a unique opportunity to introduce and pilot new policies and regulations in a clearly defined space with potential positive spill-overs and demonstration effects for the rest of the country.

The EBRD experts have consulted with the leadership and management of the SCZone, the relevant authorities and other stakeholders and identified areas of intervention on which the EBRD has a specific expertise and that are in line with the gap-analyses conducted by the other international partners, particularly the report ‘Supporting the Development of the Suez Canal Economic Zone: Identifying Priority Actions for a Dynamic and Sustainable Economic Zone’ prepared by the OECD in 2017, which benefitted from inputs of various EBRD experts.

The objective of this Technical Cooperation project is to assist the SCZone in the creation of a competitive business and investment environment that is attractive for international investors and which can fulfil the vision of the Egyptian authorities to create a dynamic and sustainable global hub positioned as a world-wide leading space for trade, industries and services.

In order to ensure an effective implementation of the project in coordination with the key development partners of Egypt and in adherence with international standards and best practices, the EBRD will set up an ‘SCZone Programme Implementation Monitoring Committee’ composed of representatives of key development partners of Egypt, including World Bank Group, EU Delegation, OECD and others. The SCZone Programme Implementation Monitoring Committee will be asked to review the progress of the project, provide advice and external validation as well as ensure donor coordination.
Regulatory Unit: Support for the establishment of a regulatory framework

A critical aspect of the development of the SCZone is the implementation of sound and simple framework of regulations in line with international standards. This project will help the SCZone to produce the structures and rules needed in the areas identified by its management.

The objective of this first component is to strengthen the regulatory framework of the SCZone and align it with internationally-recognised standards.

Based on its expertise of establishing and supporting policy delivery units in several countries of operation, the EBRD will establish and support through donor funding a technical team (‘Regulatory Unit’) composed of three (3) regulatory experts and called ‘Regulatory Unit’ to be based in the SCZone under joint supervision of the SCZone and the EBRD.

The experts of the Regulatory Unit will provide the SCZone and its Board of Directors with technical support and expertise to, inter alia:

- Provide actionable advice to practically streamline, harmonise, simplify, and clarify the regulatory framework of the SCZone as appropriate. They will carry out this function working in close coordination with the staff of relevant ministries and state entities.

- Work with the SCZone and the investors in the SCZone to identify burdensome regulations that can be eliminated in a targeted and efficient manner.

- Provide technical advice to support the SCZone in considering and adopting, where applicable, some of the internationally-recognised standards to align the regulatory framework with the best practices.

- Considering international best practices as well as the specific local context, provide advice to the leadership of the SCZone on the most effective model for the establishment of a regulatory framework and assess the merits of creating ad-hoc regulatory entities within the SCZone versus establishing protocols and memoranda with exiting national regulatory entities to facilitate administrative and bureaucratic procedures in the SCZone that require the involvement of entities outside the SCZone.

- Based on the orientations and decisions of the leadership of the SCZone, facilitate the implementation of the needed regulatory changes.
  - As part of this work, conducted as applicable Regulatory Impact Assessments (RIAs).

- Work in close cooperation with the Investor Relations Department of the SCZone, and in particular with the PR specialists that may be supported by the EBRD, to effectively communicate to investors the regulatory requirements and provide certainty and up to date information.

- Coordinate with the ‘SCZone Stakeholders Advisory Group’ (please see below at paragraph 2.2) and, where applicable, implement its recommendations as regards to the regulatory framework.

The technical unit will work closely with the staff of the SCZone to advertise the simplified regulations to investors and advertise its benefits. This task will also include developing an easily accessible, clear and practical multimedia investor guides outlining requirements, rights and obligations of investors operating in the Zone.
Scope of Services Required

The selected experts will constitute a Regulatory Unit to support the SCZone and its Board of Directors working in close coordination with the existing Legal Unit.

The Regulatory Unit will comprise the following key experts:

Lead Regulatory Expert

The Lead Regulatory Expert will be supported by 2 professionals. The key tasks of the Lead Regulatory Expert will include, inter alia, the following:

- Lead, manage and coordinate the work of the regulatory unit and its experts;
- Work closely with the SCZone staff and its various departments as well as liaise where necessary with the relevant Ministries and state entities of Egypt;
- Report progress on the work of the Regulatory Unit on a regular basis to the EBRD;
- Carry out the yearly work plan and reach the objectives as agreed by the SCZone and the EBRD;
- Arrange skills transfer and knowledge sharing opportunities with the staff of the SCZone;

Regulatory Experts (x2)

The tasks of the two Regulatory Experts will include, inter alia, the following:

- Under the leadership of the Lead Regulatory Expert, contribute to carrying out the yearly work plan and reach the objectives as agreed by the SCZone and the EBRD;
- Assist the Lead Regulatory Expert to report progress on the work of the Regulatory Unit on a regular basis to the SCZone, its Board of Directors, and the EBRD;
- Work closely with the SCZone staff and its various departments as well as liaise where necessary with the relevant Ministries and state entities of Egypt;
- Support the Lead Regulatory Expert to arrange skills transfer and knowledge sharing opportunities with the staff of the SCZone;

It is envisaged that in the period of the assignment the experts of the Regulatory Unit will work closely with the staff of the SCZone to ensure skills transfer and knowledge sharing.

Implementation Arrangements and Deliverables

Assignment Duration

The Assignment is expected to start in Q4 2018 and the experts of the Regulatory Unit will be contracted for an initial period of 24 months.

Subject to availability of funding, the performance of the selected experts as well as of the whole unit and the specific needs of the SCZone and the Bank, the Assignment may be extended on an annual basis. It is worth stressing, however, that this specific assignment is meant to be completed when the SCZone and the EBRD are satisfied that a sufficient regulatory structure is in place and no further assistance is needed in this area.

Facilities for the experts and access to information

The experts will report to the EBRD Operational Leader for this Assignment, based at the EBRD’s HQ in London.
It is expected that the SCZone will provide the experts free of charge with furnished office accommodation and access to telephones, fax and internet. The EBRD will provide IT equipment in the form of computer stations.

The SCZone will also provide the experts with access to all available and necessary information, reports and documents, including maps, studies, models, legal documents etc. at no cost to the experts. All documentation will be provided in the original version (i.e. not necessarily in English).

All documentation related to the Assignment will remain property of the EBRD after completion of the Assignment. The experts shall not publish, use or dispose of this documentation without the written consent of the EBRD.

**Deliverables and Milestones**

The experts will provide support for reform in the following regulatory areas by the end of the Assignment:

1. Customs systems:
   - Special customs system; smart customs administration system.
   - Formation of the High Commission on Customs.
   - Custom and special custom offices.
   - Special customs regimes.
   - Customs reimbursement systems.
   - Electronic Data Interchange system (EDI)
2. Exporting/importing rules and regulations
3. Regulate Logistics systems\platforms
4. Port Management System
5. Guidelines and regulations for Companies establishment and other procedures.
6. The One-Stop Shop
   - Procedures of issuing permits and required documents for investors.
   - Principals of Disclosure.
7. Tax Schemes:
   - Special tax system.
   - Income tax.
   - Value Added Tax (VAT)
8. Incentive Package: non-financial
9. Labour Force Work system
10. Corporate Social Responsibility (CSR)
11. Environmental regulations
In addition, the experts will submit the following reports to the EBRD in English and Arabic language:

<table>
<thead>
<tr>
<th>Report</th>
<th>Draft submitted</th>
<th>Final submitted / Deadline</th>
</tr>
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<tbody>
<tr>
<td>Inception report</td>
<td>C+4 weeks</td>
<td>C+5 weeks</td>
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<tr>
<td>Quarterly report</td>
<td>Last working date of each quarter</td>
<td>N/A</td>
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<tr>
<td>Final Report</td>
<td>Last month of the Assignment</td>
<td>Within 2 weeks from comments from the SCZone and EBRD</td>
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C = Contract commencement

The Inception Report will be maximum 5 pages and will outline a tentative yearly work plan of the Regulatory Unit developed against the above-mentioned deliverables and indicators of achievement, and report in case any proposal of amendments to the work plan is deemed necessary.

The Experts will submit Quarterly Progress Reports in a narrative format. They will be composed by: 1 page executive summary and 4 pages of detailed reporting. These reports shall include, but not be limited to, the following:

- Progress to date versus work plan of Year 1;
- Actual or expected deviations from the work plan and the implications for meeting target completion dates;
- Filled-in Quarterly Report table (see Annex 1);

The exact format of the Quarterly Reports will be agreed with the EBRD in advance and will include at a minimum the fields included in Annex 1 to this document.

The Experts will prepare a draft of the Final Report one month prior to the end of the assignment and deliver it to the Bank. The Final Report will in fact be a review of all of the experts’ tasks, and the usage of its budget.

The format of reports will have to be proposed by the experts but agreed at the beginning of each task with the Bank.

After submission of the draft reports and upon receipt of the EBRD’s comments and suggestions, the experts will prepare the finalised version of the reports in two weeks.

The experts shall prepare hard copies of all reports and deliverables.
## Annex 1 QUARTERLY REPORT TEMPLATE

<table>
<thead>
<tr>
<th>REFORM PROJECT STRUCTURE</th>
<th>PLANNED DELIVERY DATE</th>
<th>ACTUAL DELIVERY DATE</th>
<th>INDICATORS OF ACHIEVEMENT</th>
<th>PROGRESS ACHIEVED TO DATE</th>
<th>INPUT OF INDIVIDUAL SD MEMBERS</th>
<th>ASSESSMENT SD MEMBERS</th>
<th>COMMENTS / RECOMMENDATIONS</th>
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<tbody>
<tr>
<td><strong>KEY ACTIVITIES</strong></td>
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<tr>
<td>Insert key activities from the yearly Work Plan of the Regulatory Unit agreed by the experts and the EBRD.</td>
<td>Insert activity implementation timeline from work plan</td>
<td>Insert actual activity implementation date</td>
<td>Insert Indicators of achievement from the yearly work plan for each Key Activity</td>
<td>Provide a brief report against each Indicator</td>
<td>List names of participating Regulatory Unit members</td>
<td>Assess performance of participating Regulatory Unit members</td>
<td>• Explain if progress is not as planned, • Provide time-bound action points for all stakeholders, • Any other comments.</td>
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*Insert more rows as necessary*

Lead Regulatory Expert: ______________________________ Date: ______________________________