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MISSION TO
ARAB REPUBLIC OF EGYPT
(10/21/74-75)
INDUSTRIAL FREE ZONES AND INVESTMENT DEVELOPMENT
10-21 May 1974

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I n t r o d u c t i o n

The Arab Republic of Egypt intends to establish four Industrial Free Zones to develop export industry by attracting local and foreign investment.

In February 1974 two experts from Shannon Free Airport Development Co. Ltd. made a technical feasibility study under Preparatory Assistance to the project DP/EGY/73/045, which provides in the Country Programme for a main project of \$ 195,800 to establish the first two zones.

The report was received by UNDP Cairo on 6 May 1974, and considered at the UNDP offices on 13 May 1974 by the Resident Representative, the SIDFA and Egyptian officials.

There was at this time a major re-organization of the General Authority for Arab Investment and the Free Zones.

There was also a Training Course on Investment Promotion organized by UNIDO in progress, ending on 19 May 1974, by lectures given by Mr. B. O'Regan, Chairman of the Shannon Free Airport Development Co. Ltd.

In view of the need to obtain financial approval of the Project Document, as revised by the SFADCO mission, and with implementation arrangements made possible by the presence of Mr. O'Regan and Mr. P.Y.Hwang, Director of the Singapore Economic Development Board, the opportunity was taken to send the officer-in-charge of the Industrial Free Zone project, Mr. P.F. Ryan to Cairo from 18-21 May 1974.

The presence of Mr. A. Abdel-Meguid and Mr. K. Adusei Poku made the timing of this mission more appropriate.

Conclusions1. Project DP/EGY/13/045

The project will be implemented by a sub-contract to a developmental agency, and by training of Egyptian staff from the newly formed Authority for Investment of the Free Zones - a department of the Government Agency for Arab and International Economic Co-operation.

The revised budget suggested is:	m/m	US \$
10. Administrative Support Personnel	24	3,600
20. Sub-Contract-Comprehensive Planning Services		143,550
30. Training - Fellowships		27,150
40. Equipment		19,500
50. Miscellaneous		<u>2,000</u>
Total		\$ 195,800

N.B. \$ 500,000 for export projects was allocated in the Country Programme

2. Regional Consultations on Industrial Free Zones for selected Arab countries

Concern has been expressed by officials of UNDP and UNCTAD, that the proliferation of Industrial Free Zones may lead to undesirable economic effects, such as competition for investors through escalating tax remission periods. This view is not shared by the officials of Free Zones with whom UNIDO has discussed the problem so far. However, some anxiety exists, and a clear policy to guide developing countries is needed.

In the Africa and Middle East region the countries actively interested in developing free zones include; Arab Republic of Egypt, Syria, Cyprus, Saudi Arabia (commercial free zone only). Countries investigating free zones, as known to UNIDO are; Kuwait, P.D.R. of Yemen, Lebanon, and in the Africa Region, Senegal, Liberia, Kenya, Gambia, Ivory Coast.

3. It is therefore planned to hold a Regional Expert Working Group or Consultation to evolve a policy on the subject, possibly in Cairo in late 1974 or early 1975, providing finance is available.

The consultation would consist of 5-6 high-level experts, who would formulate a policy to guide UN Agencies involved. This would also have a valuable training element through the attendance as observers, of staff from the relevant Government Departments in the ALE and of at least four participants from least developed countries.

3. Mr. Ryan expressed concern that no provision was made in the project budget for a Project Director, and that, therefore, there should be provision of full-time management in the field, and extra provision should be made in the budget for this.

Mission Timetable

PART III

- 16/5/74 arrival of Mr. O'Regan, Chairman, SPIDCO Ltd, and P.F. Ryan, UNIDO
- 17/5/74 Meeting at UNDP. The Resident Representative of UNDP, Mr. S. Linner, Mr. F. El Kalliny (Agency for Arab and International Economic Co-operation), Mr. O'Regan, Mr. P.Y. Hwang (Director, Singapore Economic Development Board), Mr. A. Abdel-Meguid, Mr. Adusei-Poku, Mr. P. Ryan - UNIDO.
- 18/5/74 Mr. O'Regan and Mr. Ryan lecture at Training Course in Investment Promotion and Free Zones.
Revised Project Document typed.
- 19/5/74 Meetings at Agency for Arab and International Economic Co-operation, Box 1007, Aboussni Square
1. Mr. O'Regan, Mr. Hwang, Mr. M. Loutfy (Director General, Authority for Investment and the Free Zones), Mr. F. El Kalliny, Mr. Fouad (Architect), Mr. A. El Sahn, Mr. Ryan.
 2. H.E. Dr. Sherif Loutfy, Mr. B. O'Regan, Mr. M. Loutfy, Mr. El Sahn, Mr. Ryan.
- 20/5/74 Meeting at Agency - Mr. F. El Kalliny, Mr. El Sahn, Mr. Ryan, Agency officials. Discussion of revised Project Document and Counterpart Funds. Discussion of Regional Consultations on Industrial Free Zones possibly to be held in Cairo - October 1974. Discussions on above with UNDP staff.
- 21/5/74 Final arrangements regarding Project Document, Project Summary and departure to Vienna.

Project Document

1. The original Project Document called for three main elements of Technical Assistance:

	US *
1. 27 man/months by 11 international experts	60,180
2. 21 man/months of facilities (15)	27,150
3. 1 sub-contract to Consultant Firm	<u>30,000</u>
	117,330
Other components - equipment etc.	<u>31,550</u>
TOTAL	US\$ 148,880

Re-organization of Project

In the light of the report by two experts from SPADCO Ltd. (Ireland) on their Preparatory Assistance mission during February 1974, the draft Project Document was discussed at a meeting held on 13 May 1974 at the UNDP office Cairo. See Note for the file dated 17 May 1974 - Annex I.

As a result it was possible following subsequent meetings held with officials from UNDP, the Government Agency for Arab and International Economic Co-operation, the Shannon Free Airport Development Co. Ltd., the Singapore Economic Development Board, and the UNIDO, to draft a final version of the Project Document for approval by the Government, UNDP and UNIDO.

Details are given below under Action Taken.

It should be noted that UNIDO feel that for successful implementation of the project, the presence of a project co-ordinator, as a UNIDO expert, during the implementation of the project will be necessary.

Meeting Minutes

held on 17 May 1974

- 1. The project document for DP/ENT/74/045 was reviewed at the UNDP office on 17 May 1974.

Present: Mr. S. Luzzar, Resident Representative
 Mr. M. M. M. El-Zay, Chairman, SFADCC Ltd.
 Mr. P. T. Howard, Director, Singapore Economic Development Board.
 Mr. E. El-Shallary, Commissioner, Agency for Arab and International Economic Co-operation.
 Mr. A. Abdel-Maguid)
 Mr. K. Adnan-Pasha) UNDP
 Mr. P. H. Ryan)

The severe shortage of really experienced experts on the operation of Industrial Free Zones, and the desirability of teamwork was considered in view of the 27 man/months of work by 11 different experts in the existing project document.

Also considered was the preparatory assistance report by the SFADCC (Ireland) team in March 1974. This pointed out that there is no longer any question of feasibility as stated in the project document, and that emphasis should now be on implementation.

(The vital importance of the correct legislation particularly in respect of tax concession periods and profit repatriation was noted).

Methods of effective implementation were discussed in the light of the Note for the File dated 17 May 1974 on the meeting at UNDP to discuss the project with Egyptian officials (attached as Annex 2). This agreed that the project should be subcontracted to a "well known development firm or organization undertaking similar activities elsewhere".

Advantage could be taken of the presence of officials from two such States - and also of the presence of Mr. P. R. Kumar, Director, Singapore Economic Development Board, and Mr. J. S. Tan, Chairman, Shannon Free Airport Development Co. Ltd., to act in their view as an unofficial and uncommitted group.

It was made clear that the normal TLPOC system would be used, of competitive tendering under TLPOC normal rules (unless it was unlikely this proved impossible).

The Shannon Free Airport Development Co. Ltd. runs an Industrial Free Zone and training schemes for potential zone managers (as well as a Hotel School, housing projects, town planning and regional industrial development). The Singapore Economic Development Board has several functions including industrial development, investment promotion in Jurong Industrial Estate, and town planning.

Other developmental agencies may also be added to the list, as well as Consultant firms with Free Zone experience.

2. Training

Both the Singapore L.D.C. and SINDCO Ltd. would accept groups of officials from the relevant A.E. Government Agencies on Fellowships, if asked to do so.

3. Terms of Reference

These were accepted as laid out in the Preparatory Assistance Mission Report (MacNeill and Ludwig), Appendix 2 of that report. These were incorporated into the revised Project Document.

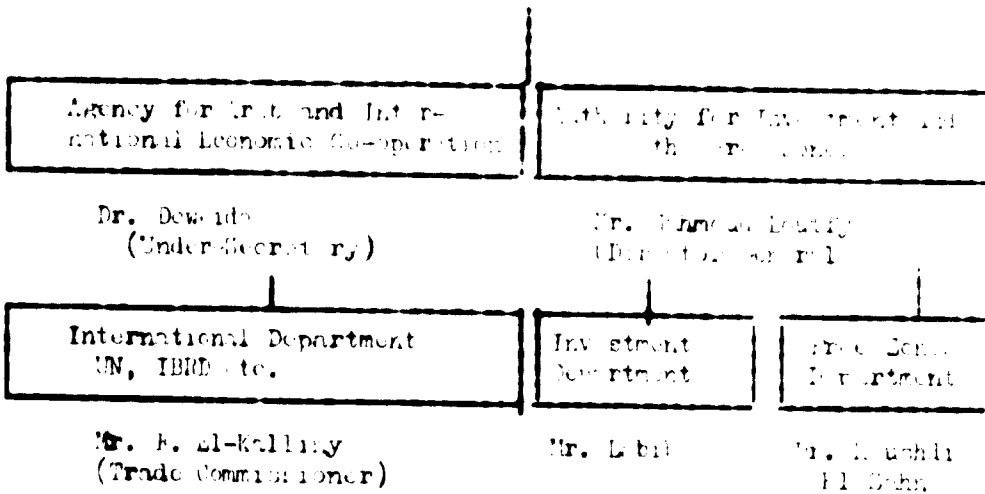
4. The project document was revised, retyped and presented to the Agency for Arab and International Economic Co-operation.

A Project Summary was also drafted as required for projects over US \$ 100,000.

New Organization of "General Authority for Investment and Economic Co-operation"

New name: Government Agency for Arab and International Economic Co-operation

President: H.E. Dr. Sherrif Loutfy (Minister of Finance)



other departments: Arab funds
(other foreign countries)

Note: The former Ministry of Economy, Finance and Foreign Trade is now split:

1. Ministry of Finance (H.E. Mr. Abdel-Fatch)
2. Ministry of Foreign Trade (H.E. Dr. Hatbeuli)
3. Agency for Arab and International Economic Co-operation
(H.E. Dr. Sherrif Loutfy)

ANNEX III

1. 11. 1961
11/11/61

Industrial Development and Investment Development

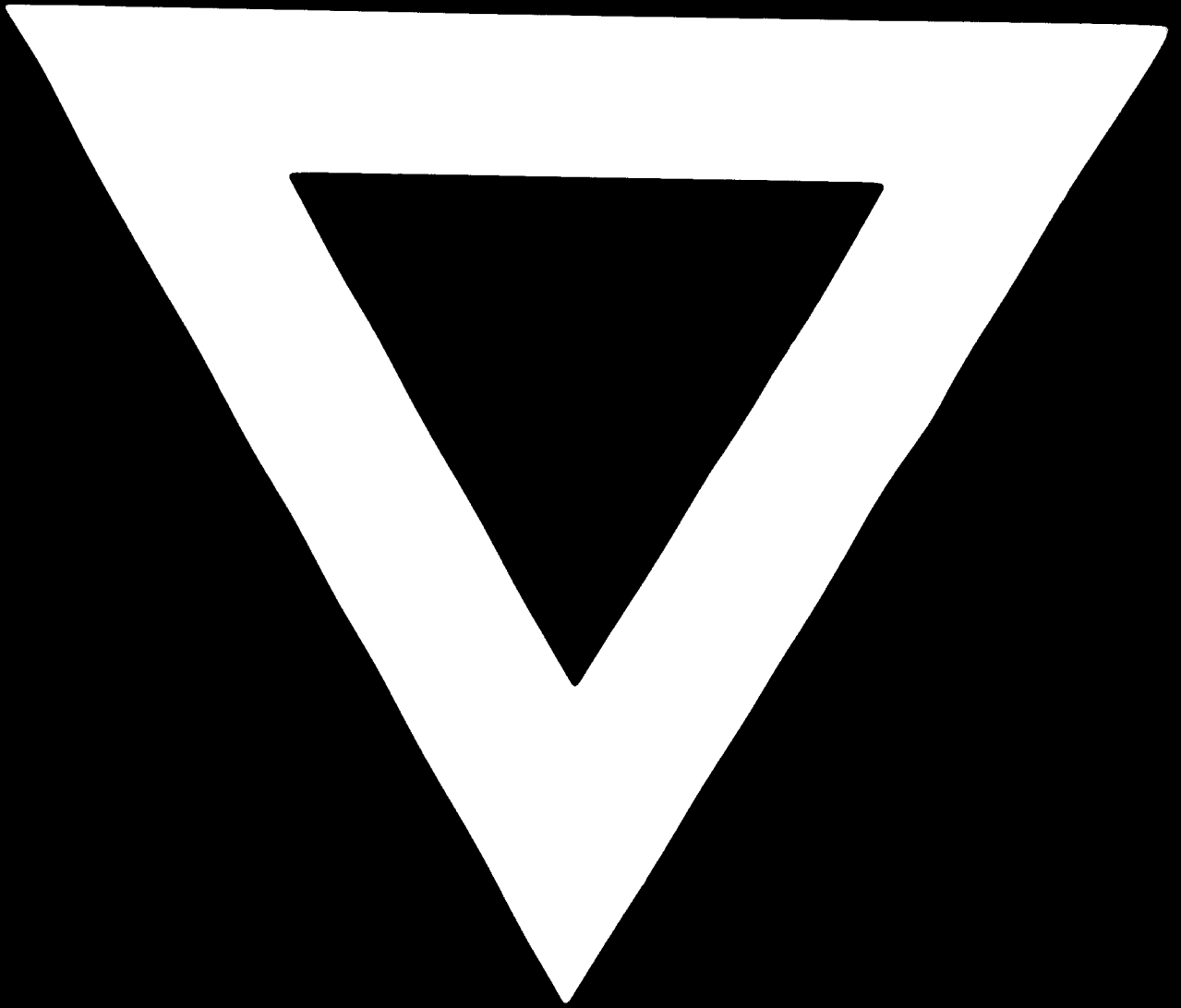
Reference was made to the draft project document for the Free Zone and Investment Development which is enclosed in the letter of the Ministry of the Economy and Planning, dated 11/11/61.

- Mr. J. L. ...
- Mr. ...
- Mr. ...
- Mr. ...
- Mr. ...
- Mr. ...
- Mr. ...

During the meeting on the draft project document for the Free Zone and Investment Development which is enclosed in the light of the report submitted by the Government and the report Development Co. Ltd., prepared by the experts Messrs. Macmillan and Partners, was formed out their agreement in Egypt on the Preparatory Work of this project.

It was agreed by all participants in the meeting that the most effective way of implementing the Free Zone and Investment Development project is to sub-contract the implementation of this project to well known development firm or organization and retaining similar activities elsewhere. It is envisaged that this organization will provide advisory and support services to the Egyptian authorities during the implementation phase of this project. Therefore it is proposed that there should be carried out a feasibility study for the free zone.





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