



The Union of Chambers and Commodity
Exchanges of Turkey

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Economic Policy Research Institute

TOBB Industry for Peace Initiative: Revitalization of the Palestinian Industrial Free Zone

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Agenda

- Progress Recap:
 - What have we done so far?
- Our Approach:
 - What have we learnt?
- Pending Issues:
 - What needs to be done?
- Moving Forward
 - How can you help us?



- Progress Recap:
- What have we done so far?

The Estate Project

- Idea came at one of the Ankara Forum meetings:
 - Forum first started as a network of businessmen for cooperation.
 - A concrete project was needed to monitor and test the words of politicians.
- An opportunity to leverage the know-how of Turkish Chambers in:
 - public-private dialogue
 - Industrial park management
 - Doing business under extraordinary circumstances
- A microcosm of all political and economic problems

The Estate Project

- Going beyond the Paris Protocol without amending it
 - an implementable industrial policy
 - a model that can be replicated elsewhere in Palestine (Rafah, Tarqumia)
- Creating positive expectations
 - Showing that concrete steps are taken to generate jobs

Three Phases of the Project

■ First Phase:

- Political decisions in Israel and Palestine
- Establishing the company (TOBB-BIS)

■ Second Phase

- Engineering projects
- Construction of Management, Functional and Social Buildings
 - Management Building, Security Building, Fire Department, Social Building, Entrance & Security Buildings
- Renovation of the existing establishments
- Completion of the Infrastructure (expansion Estate included)
 - Roads, drinking water, sewage, rain water, electricity, telecom, waste water treatment, solid waste collection and management
- Construction of the Expansion Zone

■ Third Phase

- Investment Promotion

Progress Recap: where we are now

- Political decisions certified official support, Joint Declarations signed with both Palestine and Israel on January 4 and 5, 2006
- The Developer Company (TOBB-BIS) established in Turkey and is being registered in Palestine
- Investment Promotion Activities started
 - Sponsoring the OECD Forum 2006 to be held in May in Paris
- Task Force established for trade facilitation and security arrangements (with Israeli governmental agencies)
- Engineering Team on the ground, projects to be completed by June 2006; constructions to be finished by ... ?

Political Decisions Declared

- Political decision making process is now successfully completed. Now the task is to coordinate with the bureaucracies.
- Israel has officially shown that
 - ➔ Job creation in Gaza is in the interest of Israel
 - Israel is ready to contribute to the economic growth of Gaza
 - ➔ It is possible to go beyond the Rafah Agreement (i.e. Movement of goods via Israel / not only the movement of outputs but also inputs)
 - “ practical arrangements for the facilitation of operation of the PIFZ, including the usage of the Israeli maritime ports for exports and imports to and from the PIFZ would be coordinated between the two sides”
 - Requirement of an Environmental Impact Assessment Report!
- PA has officially shown that
 - ➔ Special economic zone status will be provided
 - A regulatory coordination unit will be established
 - Concessions can be given in taxes and customs
 - Free Zone Status
 - ➔ Security issues can be handled by a third party



- Our Approach:
- ➔ What have we learnt?

The ingredients of success

- Political support
 - both from Palestine and Israel
- International visibility
 - high visibility secures continuous support
- International contribution
 - broader financial support ensures visibility and sustainability
- Profitability
 - as the key to sustainability

A Unique & Exemplary Project

- It is not an ordinary business project.
 - requires effective coordination among the two not-so-friendly sides – PA and Israel
 - private-public dialogue is key throughout the entire process
- But, it is still a business project.
 - If we want it to be sustainable, it must generate profits. Under appropriate security conditions.
 - If there's fresh air for the investors, business prospects don't seem too bad (especially, given the resources ready to flow into the region and generous FTAs.)

Our approach

- We are learning that there are two types of approaches to private sector development
 - Approach of international organizations: Problems are big. Too many impediments to doing business. So develop big projects, target big problems, allocate big resources.
 - Our approach is different. Making profits is key for sustainability of any endeavor. Finding creative **shortcuts** for removing the big impediments to doing business. (Save the day, create hope for tomorrow)
 - Well-functioning public-private dialogue mechanisms
 - Concrete and local projects. Interim solutions. (often times, interim is eternal)
 - Engage in “transformational diplomacy”

Lessons learned

- We saw that many people have the tendency to reflect big political problems on very small steps.
- Profit opportunities can easily fall prey to this tendency.
- Effective public-private dialogue mechanisms have to be in place for protecting the small steps.
(**Ankara Forum** as an enabling mechanism)
- Steps must be small to avoid castles to be built upon, and also technical to avoid political fights.

Lessons learned

- This is a region where ideal options are rarely feasible. (confidence gap and a whole range of political, ideological, historical reasons).
- Small steps are essential instead of long range plans.
 - Thinking through stages makes you focus on technical issues. (less political etc.)
 - Local solutions are essential.
- The ideal, then, is to look for interim solutions agreeable to all parties at every stage.
- Interim solutions strengthen confidence and bridge the gap.



- Pending Issues:
 - What needs to be done?

Formulating the most feasible framework: Ordinary tasks, extraordinary mechanisms

Phase Two

- Movement of Goods
 - market access
 - customs regulations
- Security arrangements
- Infrastructure + construction

Phase Three

- Investment promotion
- Effective service delivery
 - Infrastructure
 - Regulations

Require
special status
and special
arrangements

=

Special
Economic
Zone (A SEZ
for Gaza)

Plans for management

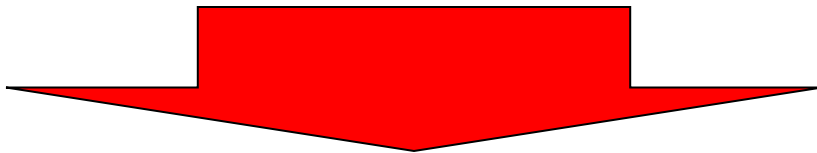
- TOBB-BIS, the management company, established on the ground
 - provision of infrastructure services
 - investment promotion
 - logistics services
 - Training centers for the workforce
 - upgrade and skills conversion
 - schools for young population
 - hospitals
- ... These are the areas open to international contribution and support ...

Post-Hamas environment

- Critical impressions from Washington mission
- Hesitation of the international community for donor fund flows
- Limited direct contact with the government
- Growing importance of non-governmental activities for facilitating service delivery to the Palestinian people

Implications for the project

- Emerges as a useful mechanism in the new post-Hamas context
- Creating a favorable investment climate at the micro level
- One-stop shop, business development services



- Extra-territorial status
- Depoliticized service delivery



- Moving Forward
- ➔ How can you help us?

Moving Forward

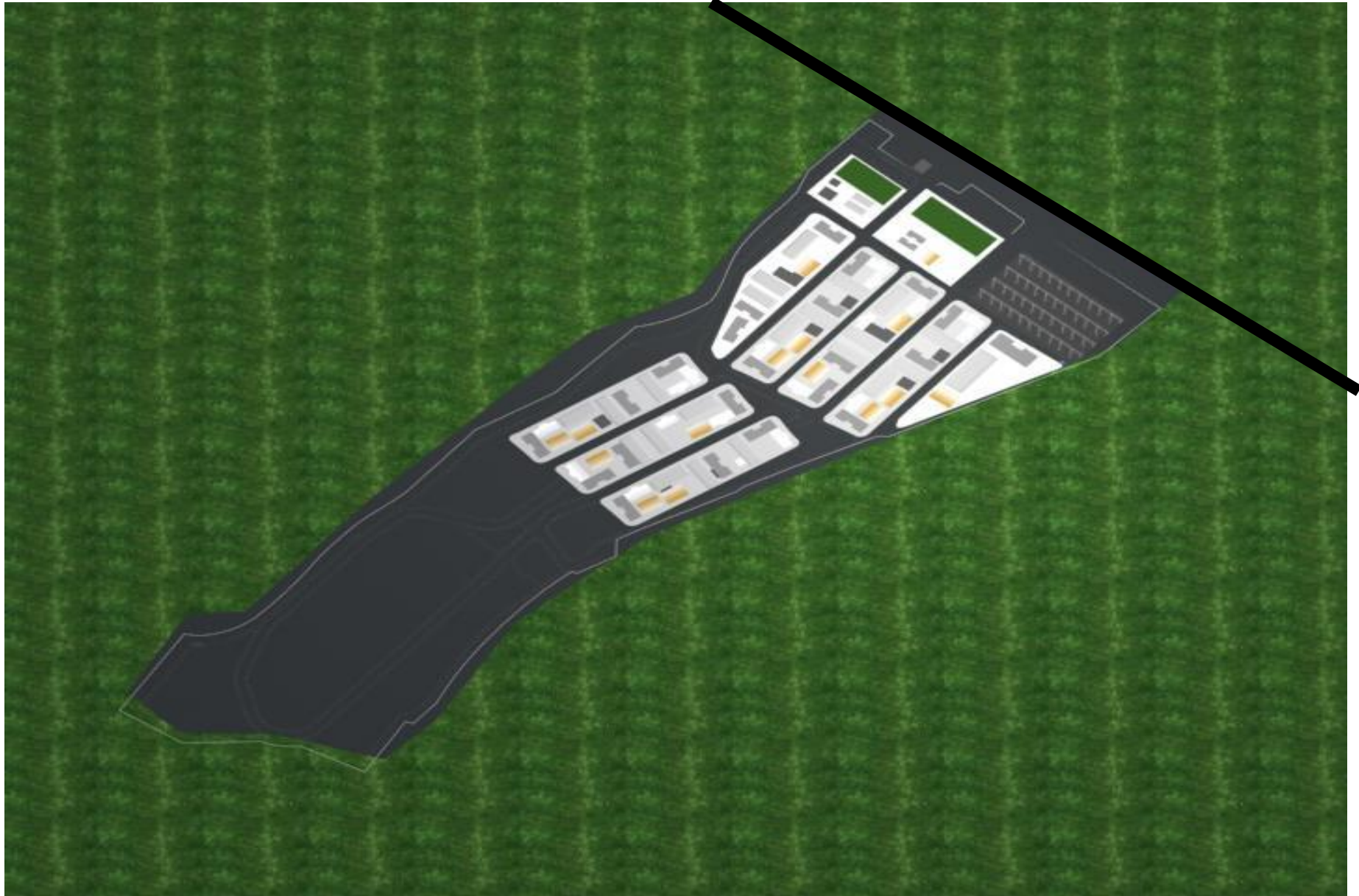
- Concession agreement & extra-territorial status
- Security arrangement, movement of labor and trade facilitation
 - One gate option vs. two gate options
- TOBB-BIS registration process in Ramallah
 - Need to be completed.
- Regulatory Coordination Unit
 - role of the Presidential Palace
 - the need for Industrial Policy and coordination at the highest level

Going beyond the Estate Project

- Prospects for Land Development Projects
 - Role of TOBB
 - Cheap housing, roads, hospitals, schools
 - Turkish contractors ready to invest,
- Capacity Building Programs
 - First one already completed in September 2005
 - Identifying other key areas for capacity building
- Private Sector Development initiatives
 - Leveraging the Turkish experience in commercial and industrial development through TOBB projects



- Estate Project
- Plans, parcellation









... thank you ...

www.tobb.org.tr

www.tepav.org.tr

www.industryforpeace.org