

Report 4

# Guinea Special Economic Zone

*Creating Jobs, Accelerating Industrialisation*  
February 2017

CORE.CEO 國學 國際

Final Report

# Contents

## 1 The Special Economic Zone (SEZ) Concept

Introduction to SEZ

Success story 1: Batamindo Industrial Park, Indonesia

Success story 2: Suzhou Industrial Park, China

Success story 3: Shenzhen SEZ, China

Critical success factors

## 2 Proposed Sino-Guinea SEZ in Guinea

Vision of a model SEZ

Framework for Sino-Guinea Cooperation

Location and proposed industries

Land use proposal and planning

SEZ policies and incentives

## 3 Financing the Proposed SEZ Concept

Financing and investment

Potential Chinese partners

Other investors

## 4 SEZ Policies and Incentives

Establishing an SEZ Act

Land development and asset management

Foreign investment and project approval

Taxation and preferential treatment

One-stop service centre

Human resource management

Other unique policies

## 5 Summary of recommendations

### Annex I

SEZ Frameworks in other countries

### Annex II

Developing Kouriya Industrial Park in Coyah

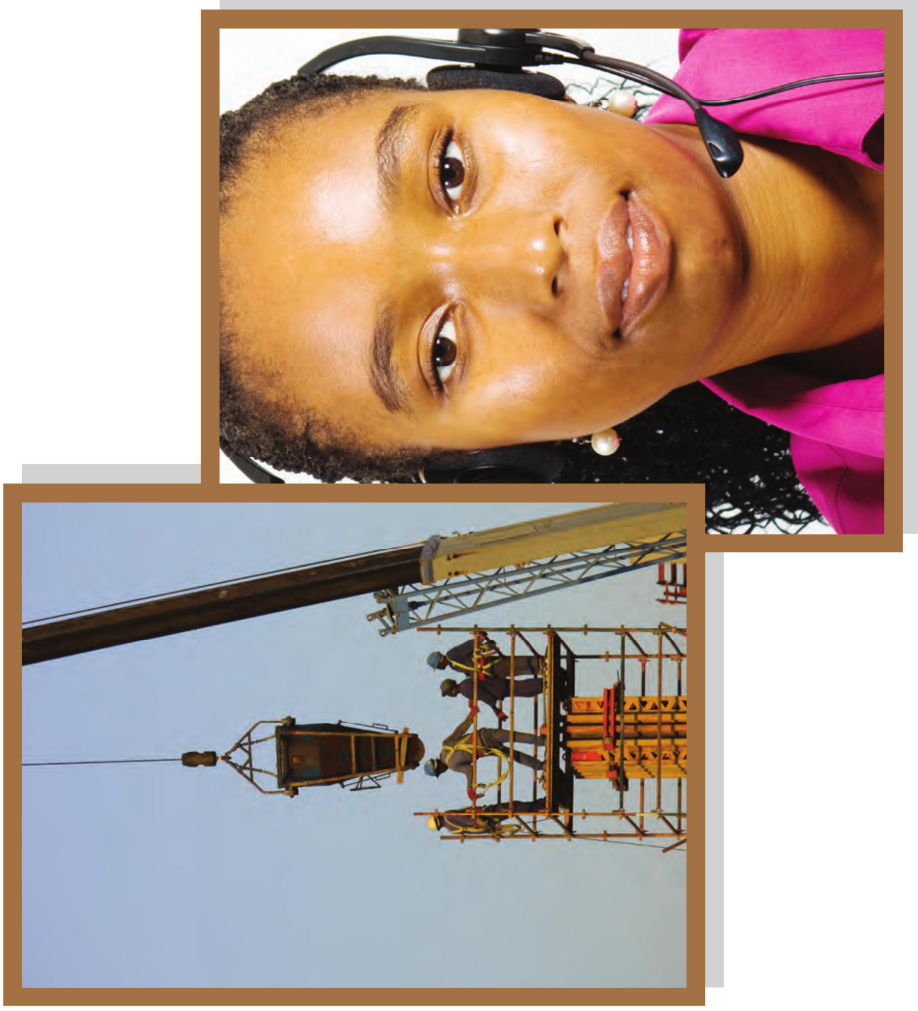
### Annex III

Assessment of SEZ sites by

Shandong Engineering

& Construction Group

# Introduction




## Reasons for developing SEZ

- Present investment climate is uncompetitive
- Complicated land acquisition issues
- Need to create job opportunities
- Need to attract Foreign Direct Investment
- Experiment with new policies
- Enhance socio-economic development in the region


# SEZ Definitions in different countries

**India**



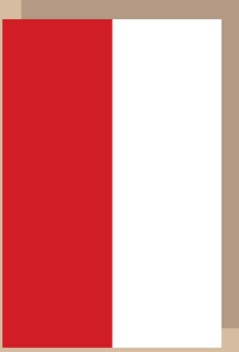
A specifically delineated duty-free enclave within the country, deemed to be a foreign territory for the purposes of trade operations, duties and tariffs.

**China**

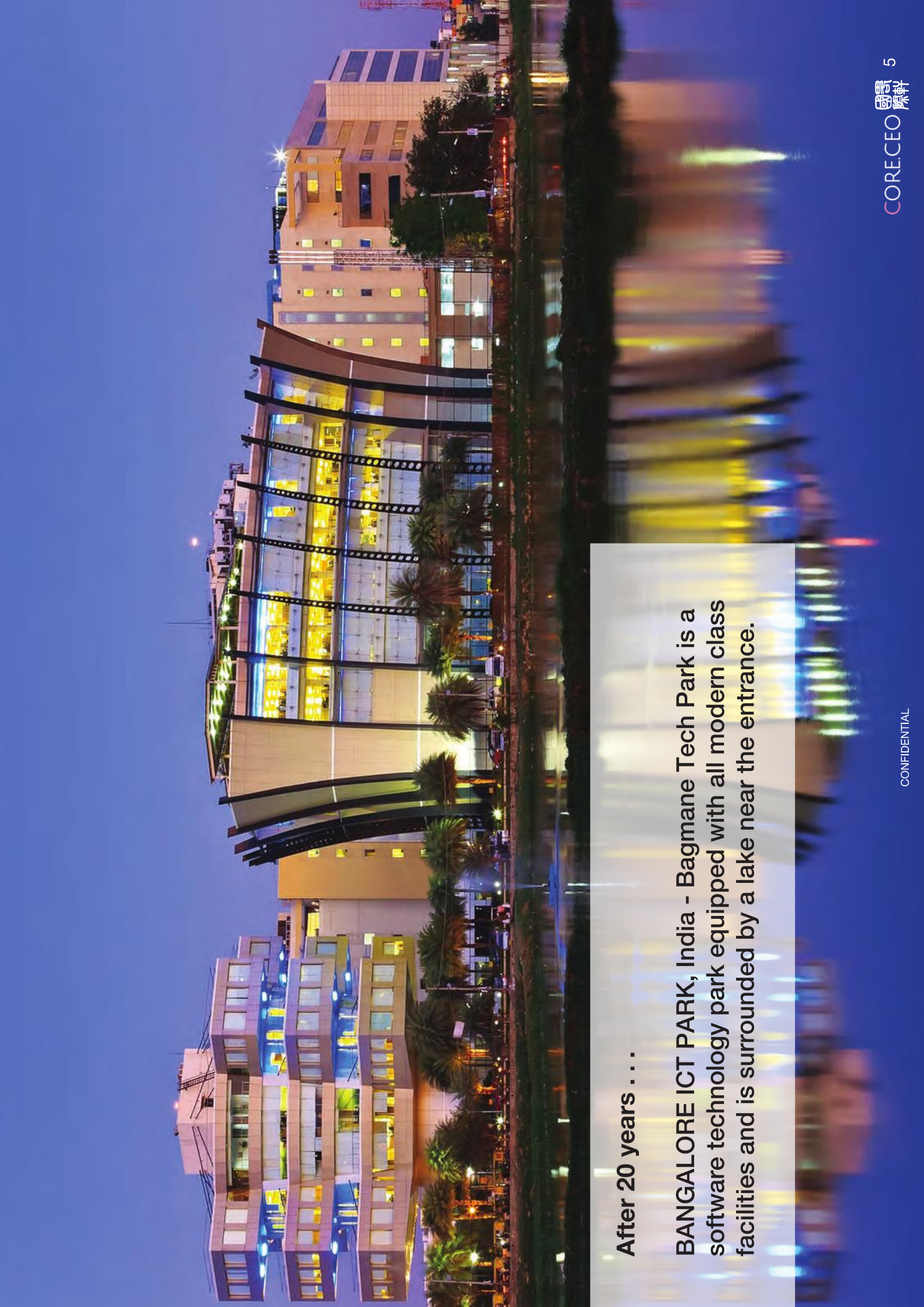


A delineated area within the country where more liberal and flexible policies are used to promote export-oriented investments.

**Indonesia**



A special area designed to create “a hub of economic activities”, governed by a single zone authority to administer efficient custom, import & export operations. It also provides the best practices in investment services for business in the zone.



**After 20 years . . .**

**BANGALORE ICT PARK, India - Bagmane Tech Park is a software technology park equipped with all modern class facilities and is surrounded by a lake near the entrance.**

# Types and functions of SEZ

## Types of SEZ

- A pure industrial park (e.g. Indonesia Batam Industrial Park)
- An industrial township with commercial and residential development (e.g. China Suzhou Industrial Park)
- A logistic and ICT enclave (e.g. Russia Airport Zone)
- A resort zone with tourism & residential development (e.g. Indonesia Bintan Island International Resort)
- An ICT and business process out-sourcing (BPO) enclave (e.g. India Bangalore International Tech Park)

## Functions of SEZ

- Export Processing Zone (EPZ)
- Free Trade Port Area (FTPA)
- Special Economic Zone (SEZ)

Issue	EPZ	FTPA	SEZ
Manufacturing & processing	YES	YES	YES
Sea Port Operations	NO	YES	YES or NO
Trade & Logistics	NO	YES	YES
Free Import Duty	YES	YES	YES

# Industrial clusters

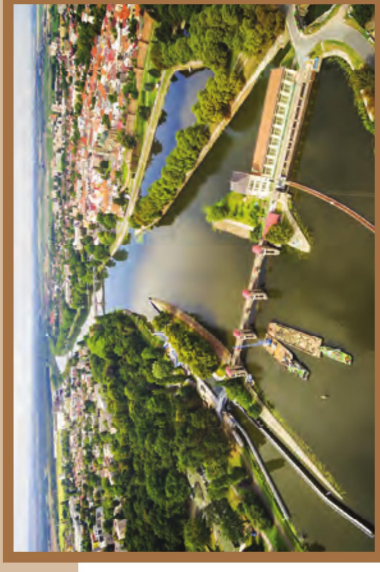
## Industrial Estate

An industrial estate is typically a fenced compound which has been specially planned to house production buildings and facilities, with basic infrastructures and utility systems provided to support the manufacturing activities.



## Industrial Township

A modern industrial township is founded on the sustainable operations of manufacturing and service industries, supported by all necessary urban infrastructures such as housing, commercial buildings, social amenities, cultural, educational and recreational facilities, complete with green parks.



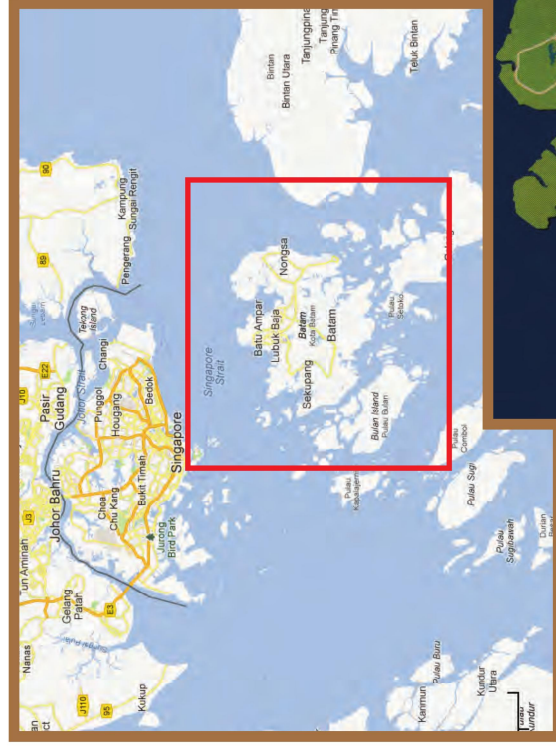
# SEZ as an investment and economic opportunity

Investment benefits for companies	Economic benefits for host country	What makes a successful SEZ?
<ul style="list-style-type: none"><li>• Large land parcels at low prices</li><li>• Reduced taxes</li><li>• Abundant labour at competitive wages</li><li>• High quality well trained work force</li><li>• Good logistics connectivity</li><li>• Abundant natural resources</li><li>• Conducive production environment</li><li>• Feel-safe factor</li></ul>	<ul style="list-style-type: none"><li>• Attract foreign &amp; domestic investment</li><li>• Boost exports (earn foreign exchange)</li><li>• Create local employment (create jobs)</li><li>• Develop economic multipliers</li><li>• Experiment policies</li></ul>	<ul style="list-style-type: none"><li>• Profit for manufacturers, SEZ owners and operators</li><li>• Strong domestic economic spin-off</li><li>• Inter-government (if any) relationship improves</li></ul>



# Success Story #1-BatamIndo Industrial Park (BIP), Indonesia

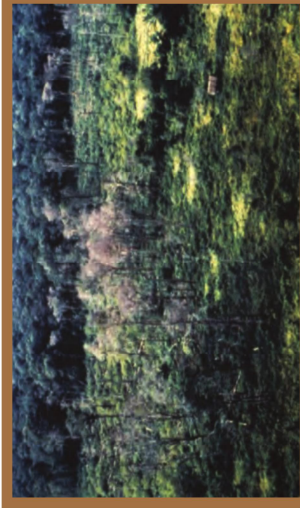
BIP is located on Batam island, Indonesia, with close proximity to Singapore



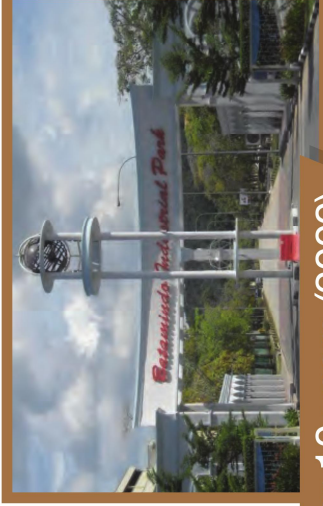
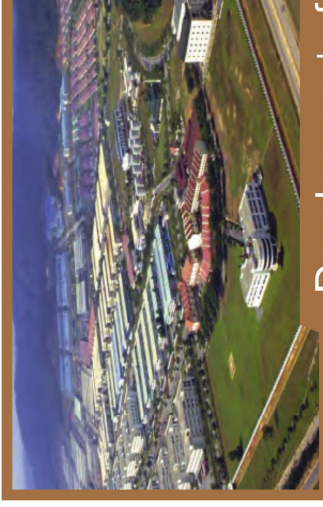
## Features:

- Land area developed: 500 Ha (5 sq km)
- Located in central Batam
- Enjoys bonded zone policies
- Available labour
- Efficient logistics network
- Comprehensive infrastructure within BIP
- Effective marketing strategy
- Strong customer service & support
- Joint-investment by a Singapore government-linked company and private Indonesian investor

# Batamindo Industrial Park From 1990 to 2010



The original landscape (1990)



Development after 10 years (2000)

## After 20 years (in 2010)

540,000 Sqm

Total area of BIP

US\$650 million

Park development cost

US\$2.0 billion

Annual export value

65,000

No. of workers employed

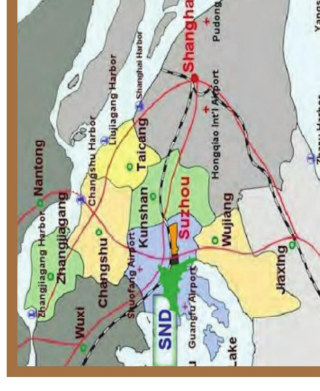
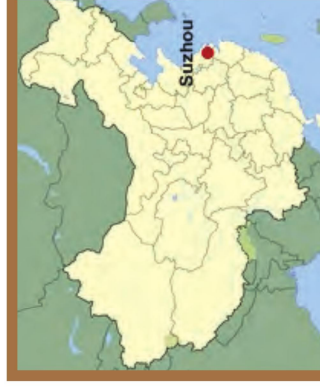
## Critical success factors:

- Strong support by both the Singapore & Indonesia governments
- Strong investment promotion
- Effective SEZ policy
- Economy in cost of production
- Seamless logistic connections
- Friendly manufacturing environment
- Efficient management structure
- Sustainable operating environment

# Singapore-Suzhou Industrial Park (SIP), China

## Features

- Land area developed: 80 sq km
- Modern industrial township
- Eco friendly & integrated infrastructure
- District level autonomous government
- Comprehensive SEZ policies
- Innovative operating systems
- Development supported by both China & Singapore Governments

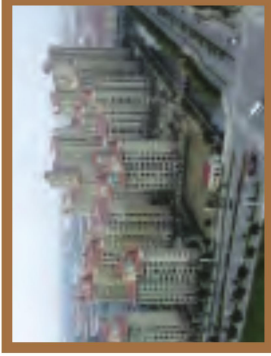
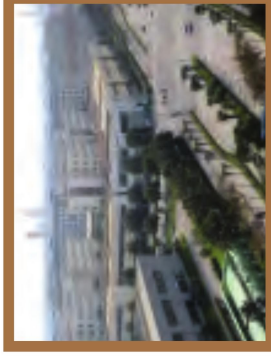
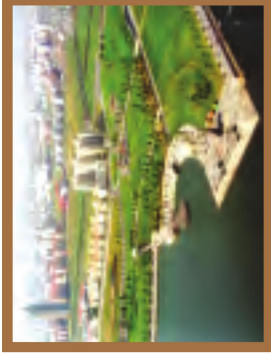


SIP is located in Suzhou municipality, east China



# From 1994 to 2010...

## Suzhou Industrial Park (SIP), China



### After 16 years (in 2010)

**70 Sqkm**

Land area developed

**Over 3000**

No. of foreign enterprises

**US\$35.3 billion**

Foreign Direct Investment contracted

**US\$21.2 billion**

Contribution to GDP

**US\$11.2 billion**

Value of imports and exports generated

**500,000**

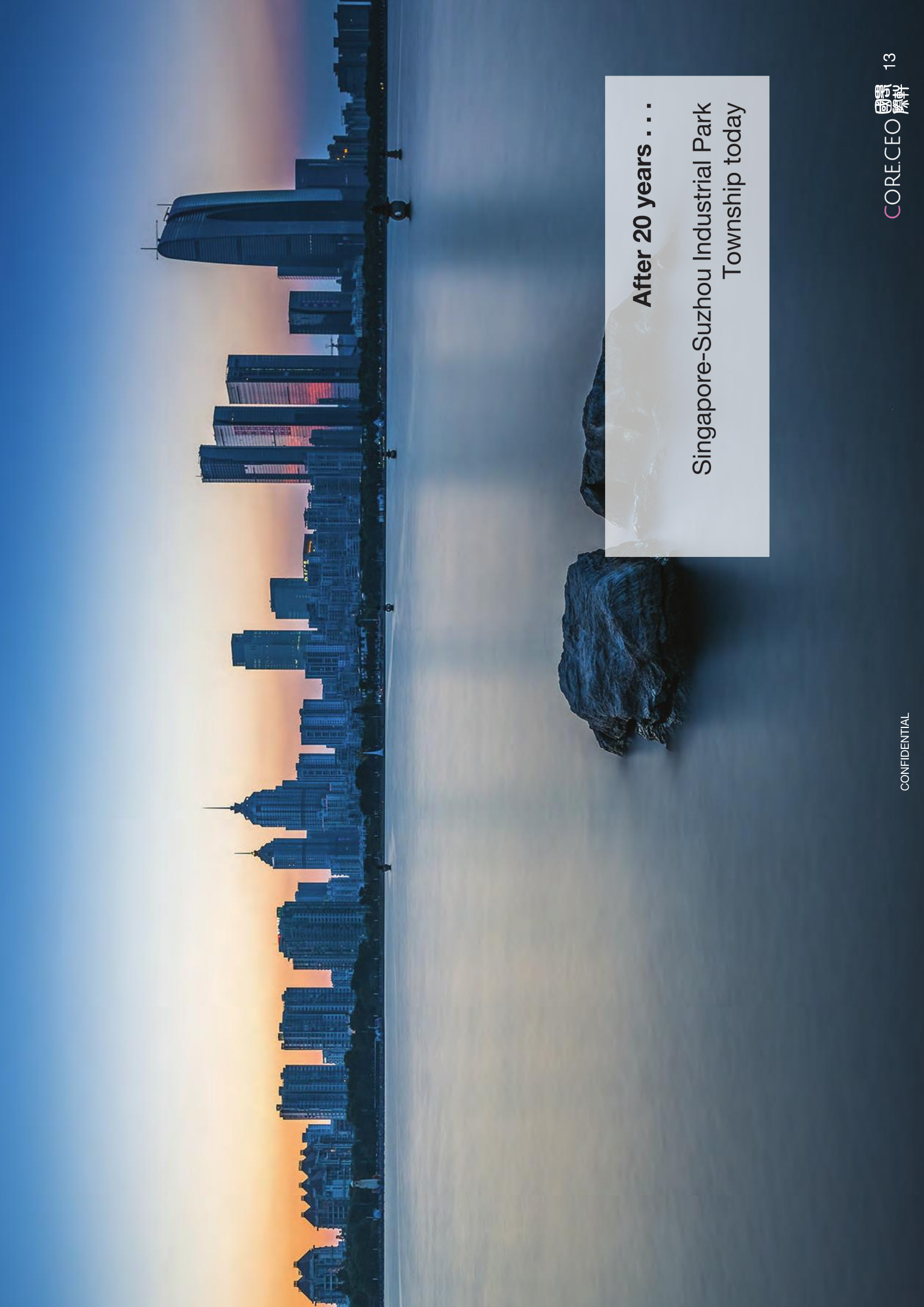
No. of jobs created

**125 No. of Fortune 500**

companies operating in SIP

### Critical success factors

- National projects strongly supported by both governments
- Highly attractive investment policies
- Excellent location
- Seamless logistic connections (proximity to Shanghai)
- Fully integrated township infrastructures
- Effective SEZ policy execution
- Comprehensive marketing strategy
- Superior park customers' support systems



**After 20 years . . .**

Singapore-Suzhou Industrial Park  
Township today

# Shenzhen SEZ, CHINA

Located in Shenzhen city, in the southern province of Guangdong



## Features

- Established in August 1980 within Shen Zhen municipality
- First SEZ in China
- Original SEZ land area: 396 Sqkm
- Granted provincial level authority in 1988
- Granted authority to make local laws in 1992
- Enlarged to cover the entire municipality in 2010
- New SEZ land area now stands at 1,953 sq km

# From 1981 to 2010

## Historical Background (30 year comparison)

	1981	2009	2010
GDP(US\$ mil)	30	68,910	146,154
GDP per cap (US\$)	93	14,242	14,600

## After 30 years (in 2010)

**US\$146.2**  
billion GDP

**US\$14,600**  
GDP per capital

**US\$204.2 billion**  
Export value

**US\$17 billion**  
Revenue generated

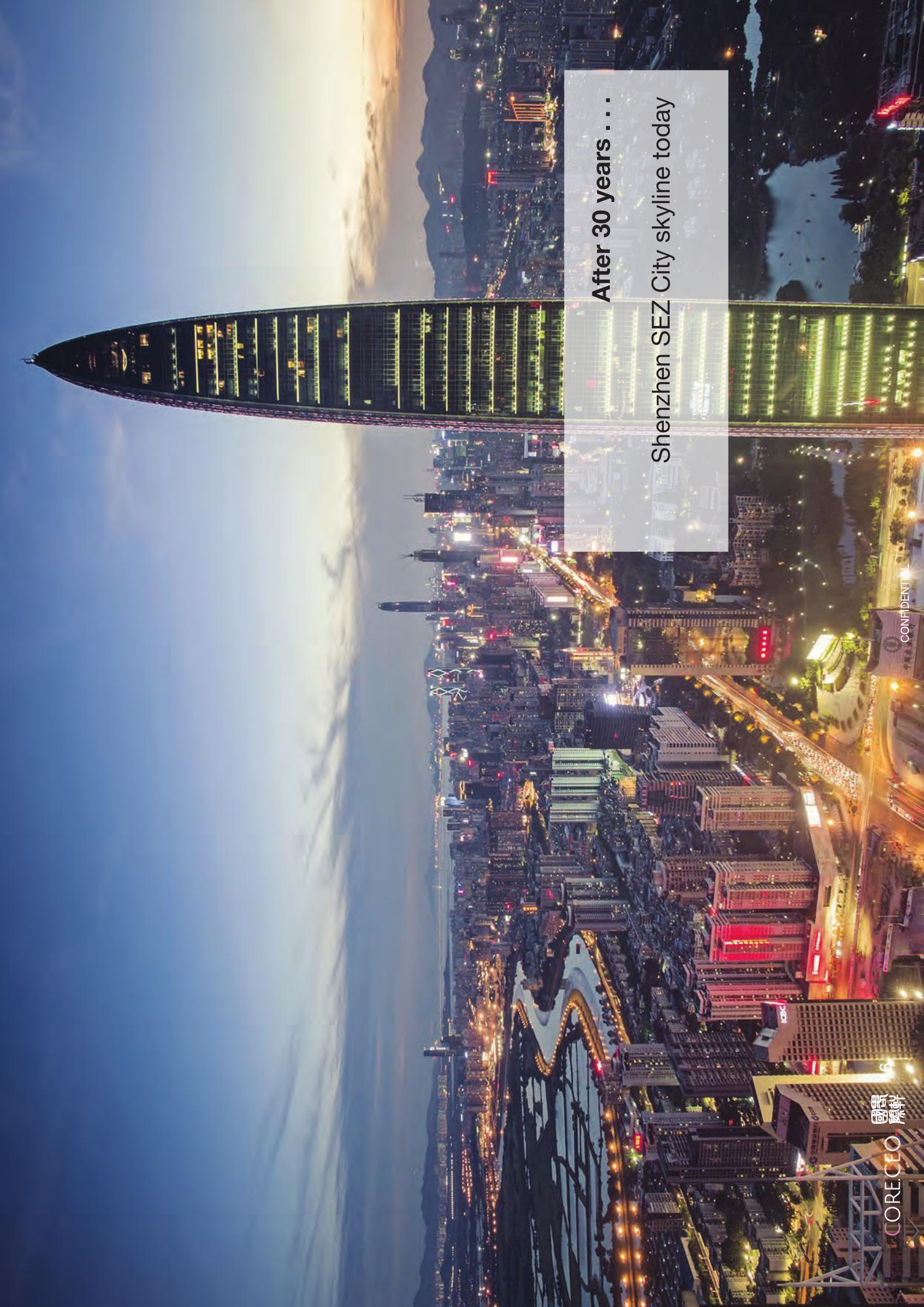
**Over US\$246 billion**  
Cumulative fixed asset investment

**25.8% Average**  
GDP growth per year

## Exchange Rate @ US\$1 = Rmb 6.5

### Critical success factors

- Effective special policy framework
- Vibrant and motivated migrant workforce
- Enabling financial environment
- Well-established infrastructure Location (proximity to Hong Kong)



After 30 years . . .

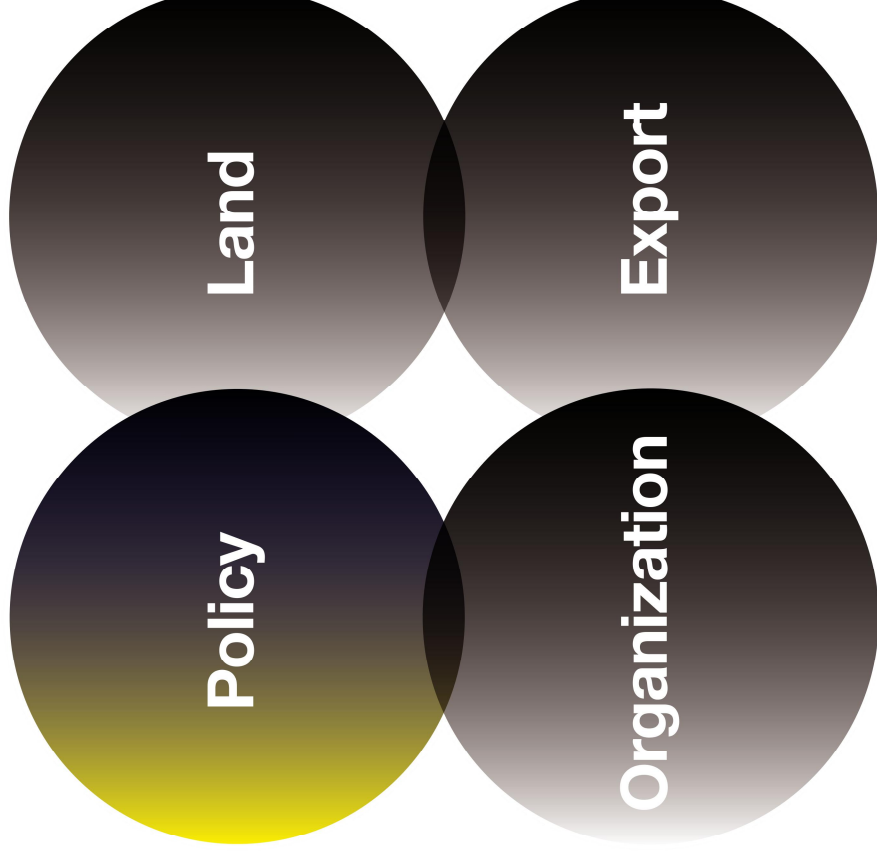
Shenzhen SEZ City skyline today



# Achieving P.O.L.E position

P.O.L.E. (Policy, Organisation, Land, Export) summarises the golden rules for the creation of an SEZ, in the following sequence:

- Effective SEZ policies
- Good financial environment
- Attractive investment policies
- Economies of scale in production
- Strong government support
- Strong investment promotion
- Supportive customer service
- Efficient management
- Sustainable environment



- Advantageous location
- Good infrastructure
- Township infrastructures

- Logistic connections
- Efficient management



# *Proposed Sino-Guinea SEZ in Guinea*

Chapter

# 2

Approach for President's Visit to China



**Legend**

- Mining Areas
- Liberalization of maritime cabotage between Kamsar/Boke and Conakry



# SINO-GUINEA SPECIAL ECONOMIC ZONE

A model township for West Africa with the best internationally competitive policies. A hub for manufacturing and services for the region. President Alpha Condé's vision for a game changing SEZ with China, and other investors, will deliver significant spin-offs to the **Kamsar-Boké-Conakry Economic Corridor**:

**Boost Mining Cluster Competitiveness**

- Increase demand for shared sea and land logistics services
- Generate new power projects and infrastructure

**Creation of new growth sectors and hubs outside of Conakry**

- Accelerate regional growth in Boffa, Kamsar, Boké and other cities
- Develop growth in rural regions for other sectors such as palm oil, and agro-processing

**Sino-Guinea SEZ**

- Size: 20km<sup>2</sup>
- Population: 200,000
- Investments: US\$2 billion
- Jobs: 100,000
- Activities: Basic manufacturing, ICT services

**Souapiti - 550MW**

**Kaleta - 240MW**



# Sino-Guinea SEZ: An opportunity for a win-win partnership with China

- The SEZ offers Guinea a unique opportunity to partner China in a “win-win” partnership
- China is the largest buyer of minerals globally, especially bauxite, from Guinea. With the creation of a joint SEZ in Guinea, this bilateral trade and economic relationship will be strengthened, through a robust cooperation framework.

Benefits for both countries	
<b>China</b>	<b>Guinea</b>
<ul style="list-style-type: none"><li>• China will be assured of a steady and consistent supply of high quality minerals</li><li>• China and Chinese companies can develop a long term industrial manufacturing base in West Africa</li></ul>	<ul style="list-style-type: none"><li>• Increase export revenues in a sustainable fashion</li><li>• Accelerate industrialisation efforts along Kamsar-Boke-Conakry Economic Corridor</li></ul>



# Sino-Guinea SEZ: A Model Industrial Township in West Africa by 2025

The Guinea Special Economic Zone (SEZ) will be a model 20 sq km industrial township in West Africa, with a target population of 200,000

Conferred with the most internationally competitive SEZ policies, the SEZ aims to attract domestic, Chinese and international investors to set up manufacturing and services operations in Guinea

Vision
<ul style="list-style-type: none"><li>• Best ICT export service hub in Francophone Africa</li><li>• Most cost efficient production hub for light industries in West Africa, ahead of Cote d'Ivoire, Senegal, Sierra Leone, and Liberia</li></ul>

Economic Parameters
<ul style="list-style-type: none"><li>• Phase I - start up area of 300ha, with an estimated initial cost of US\$350mn.</li><li>• Have its own power, water, waste water, telecom and port facilities</li><li>• Over 20 years, it will be developed in 3 phases and create 100,000 jobs</li></ul>

# Sino-Guinea SEZ: Boost Mining cluster and allow Guinea to be Number 1 exporter of Bauxite

- Situated along the Kamsar-Boke-Conakry Economic Corridor, the SEZ will also leverage existing efforts to develop the mining cluster in the Boke & Kamsar region
- By positioning Guinea strategically vis a vis China, the project will accelerate the country's efforts to be the world's leading mineral ore and Number 1 bauxite supplier, ahead of competitors like Australia and Indonesia



# Governance structure for an SEZ with China

- The SEZ shall be driven directly by the President under the President's Office.
- The President of Guinea will co-chair the Steering Committee with a Vice Premier of China, to ensure that policies are planned and executed accordingly.
- A Guinea SEZ Authority Office shall be established. It will be chaired by a Senior Minister appointed by the President, who will oversee the implementation of SEZ regulations.
- The Senior Minister will also co-chair the Working Committee with a Vice Minister of China.
- A district-level local government shall be formed to govern civic matters such as health, education and local security. It shall work closely with the Board of the joint-venture developer company.



# Organization and structure

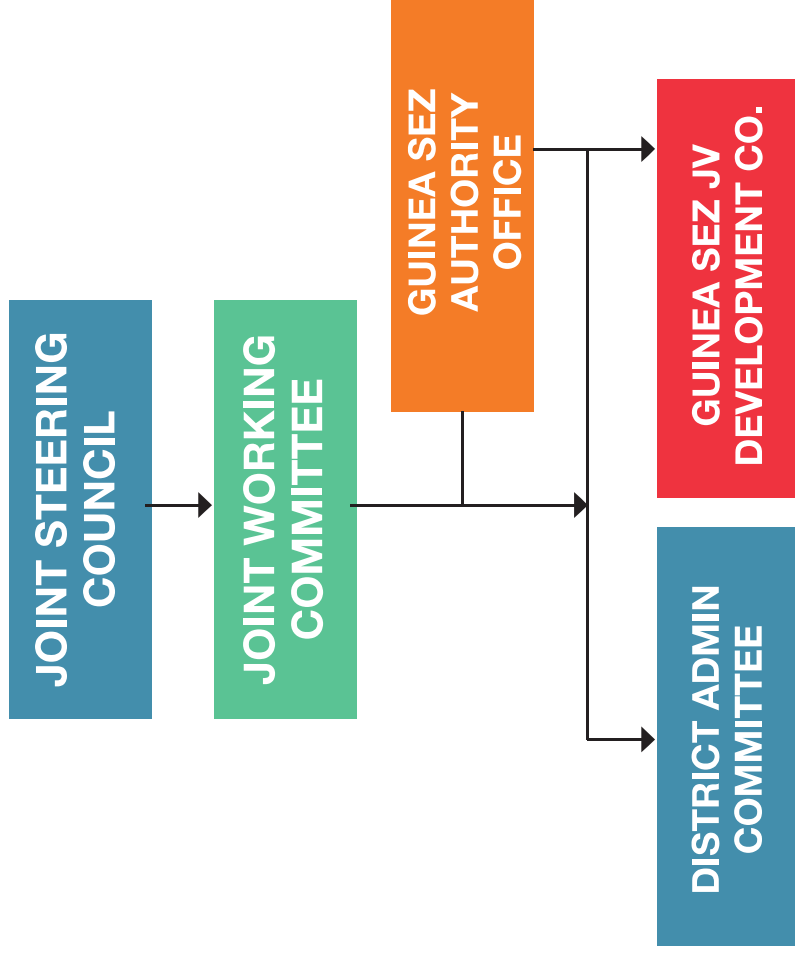
The governance structure for the joint venture SEZ development shall comprise two tiers:

- The Joint Steering Council (JSC): Policy planning, decision-making and approval
- The Joint Working Committee (JWC): Implementation

At the administration level, there will be the SEZ Authority Office and the District Administration Committee which is a District Level Government.

The recommended composition and roles of the respective committees are shown in the following slides.

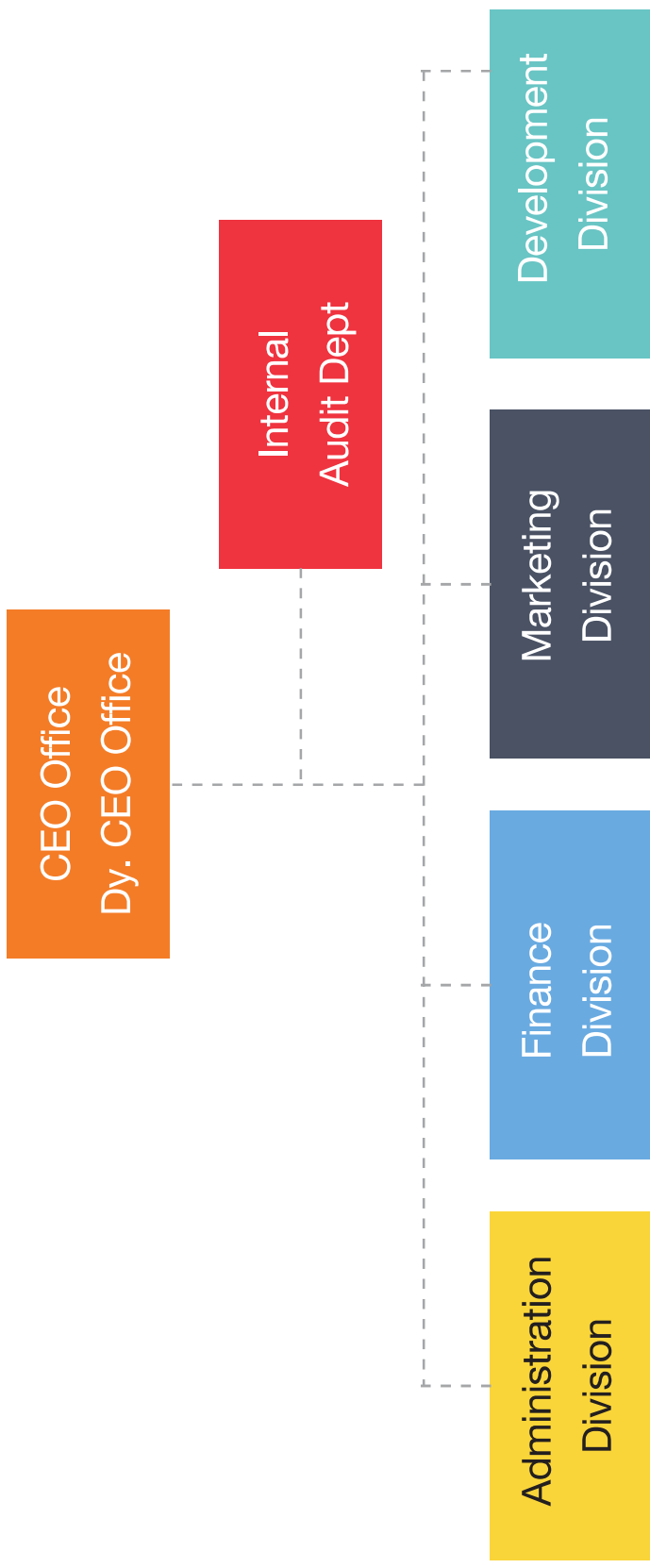
## Joint venture collaboration and governance structure






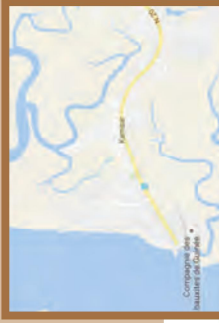


# Proposed JVC organizational structure

The JVC shall be organized into 4 main divisions as shown



# Location and site selection criteria

The proposed land parcel with a target size of 20 sq km (2000 ha) is situated in BOKÉ prefecture, along the Kamsar-Boké-Conakry Economic Corridor. The SEZ must meet these criteria for the selected site

Key criteria for site selection	Close to raw water sources	Connectivity to seaport and airport	Accessibility by roads
<ul style="list-style-type: none"> <li>● Close to raw water sources.</li> <li>● Connectivity to seaport and airport.</li> </ul> <p>Accessibility by roads.</p> <ul style="list-style-type: none"> <li>● Nearby utility corridor.</li> <li>● Reasonable terrain for development.</li> <li>● Sizeable for long term sustainability.</li> </ul>	<p>Raw water could be drawn from the near-by river on a sustainable basis.</p> <p>A treatment plant shall be constructed to treat the raw water into potable water.</p> 	<p>Kamsar seaport is accessible via National Way N20. Katougouma Port built by Winning Consortium can be accessible in the future. Baralande airport is accessible via National WaybN23.</p>  	<p>The SEZ is accessible from Conakry via National Way N3. Access roads are available to reach the neighboring countries.</p> 

# Proposed activities and developers' rights



## Proposed industries and services

- Plastic & rubber goods
- Paper products
- Food & beverages
- Garment & clothing
- Basic electrical and electronic goods
- Call centre services
- Business Process Outsourcing (BPO) & data centre services

## Developer's Right to Build

Zone developers are at liberty to build the following:

- Utility plants
- Prepared land (land complete with infrastructure facilities)
- Ready built factory units
- Warehouses
- Commercial buildings
- Office buildings
- Town center facilities
- Dormitories
- Residential units
- Recreational & religious facilities
- Parks

# Recommended land-use components and distribution

To realize the vision of the Guinea SEZ, the following are the proposed land-use components and distribution for the proposed 2,000 ha site:

## Proposed land-use components

### Industrial parks and logistics

- Industrial parks
- Logistics park and warehouse complex

### ICT hub and services

### Residential and commercial

- Commercial facilities
- Town centre
- Residential plots
- Dormitories

### Resettlement village

### Roads and infrastructure

### Public facilities

### Utility systems

Land-use/ facility	Size (Ha)	Percentage
Industrial parks and logistic	800	40%
ICT hub and services	200	10%
Residential and commercial	300	15%
Resettlement village	40	2%
Roads and infrastructure	400	20%
Public facilities	60	3%
Open spaces and green areas	200	10%
TOTAL	2,000	100%

# Phasing of development

The proposed SEZ shall be developed in 3 phases over a period of 20 years.

The first phase is normally called the Start Up Area (SUA). It must contain the resettlement village of 40 ha capable of housing 400 families.

The recommended phasing plan is as follows:

Phase	Size (Ha)	Percentage	Timing
Start Up Area	300	15%	Year 1 to 3
Phase 2	700	35%	Year 4 to 12
Phase 3	1000	50%	Year 13 to 20
TOTAL	2,000	100%	20 Years

# Start Up Area (SUA): Land use distribution

Land-use/ facility	Size (Ha)	Percentage
Industrial parks and logistic	120	40.0%
ICT hub and services	20	6.7%
Residential and commercial	24	8.0%
Resettlement village	40	13.3%
Road and infrastructure	60	20.0%
Public facilities	10	3.3%
Utility services	20	6.7%
Open spaces & green areas	6	2.0%
<b>TOTAL</b>	<b>300</b>	<b>100%</b>

# Other technical parameters and projections

## Projected job number and population size

For the 2000Ha SEZ, the projected number of jobs and the size of population are as follows:

Phase	Land size (Ha)	Job Nos.	Population
1	300	30,000	45,000
All phases	2000	100,000	200,000

## Recommended development density

Development density is measured by way of plot ratio. For the entire SEZ, the minimum and maximum plot ratio shall be:

Minimum gross plot ratio	0.60
Maximum gross plot ratio	1.40

## Ball-park utility capacity requirement

Utility capacity	SUA (300 ha)	Entire SEZ (2,000 ha)
Electricity	80MW	400MW
Portable Water	9,000 cum/day	30,000 cum/day
Waste Water Treatment	8,000 cum/day	27,000 cum/day
Waste Water Treatment	300 lines	2,000 lines



Chapter

# 4

## *Recommended SEZ Policies & Incentives*

Proposed in accordance to the Guinean,  
and Chinese, and international context



# Competitive SEZ policies

This Chapter outlines the series of SEZ policy recommendations covering these areas:

## **REGULATIONS**

- The SEZ Act/ Establishing the SEZ authority
- Land development and asset management

## **INCENTIVES**

- Foreign investment and project approval
- Taxation and preferential treatment

## **BUSINESS ENVIRONMENT**

- Customs and exports regulations
- Business operations and management, including setting up a One-stop Service Centre
- Human resource management
- Other unique policies

# The SEZ Act / Establishing the SEZ authority

Having examined the various country examples and considering Guinea's specific context, we recommend that:

- First and foremost, an SEZ Act should be drafted to lay down regulations governing the proposed SEZ development.
- This Act should be approved by the President under a presidential decree.
- An SEZ Authority be formed under the President's Office and be administered by a Senior Minister designated by the President.

# Land development and asset management

To effectively and efficiently manage the development of Guinea SEZ land and assets, recommendations to the Guinea Government are as follows:

- **Allocating land for the Guinea SEZ**

A land area of 20 sq km is an ideal size for the Guinea SEZ. Such a land size can accommodate the designated light industries and house a township population of 200,000, at an average population density of 100 persons per ha.

- **Spear-head land acquisition and conduct the resettlement process**

It is necessary to first formulate formal land acquisition and resettlement regulations. Such regulations would allow the Government to acquire land earmarked for the SEZ. Provisions should also be made under these regulations to resettle all residents and squatters. A resettlement village should be planned and developed to house residents who wish to stay in the same location.

- **Land tenure and zone development**

Considering the best practices of China's SEZ operations, a suggested SEZ tenure shall be 70 years from the date the developer signs the development contract. Land development policy and regulation will be prepared for zone developers and investors who lease prepared land.

The zone and infrastructure developer will be allowed to lease out the prepared land for a lease period of at least 50 years and appoint sub-contractors to develop the infrastructure and utility systems.

- **Investment density**

A minimum investment density of US\$200 per sq m should be the set requirement for investors who lease prepared land parcel for development.

# Foreign investment and project approval

In view of the different investment sizes, SEZ investors should be categorized into three groups as follows

- Category A: Zone and infrastructure developer.
- Category B: Zone manufacturers (including production, warehousing & logistic), Zone residential and commercial developers, Zone ICT export service providers.
- Category C: Zone trade and service providers. This includes trade, services and retail companies.

The Presidential Decree for the SEZ shall reinforce the following provisions under the current Guinea Investment Code:

- Foreign investments are fully protected under Guinea's law against nationalisation and expropriation.
- Except for the zone and infrastructure developer, foreign investors can hold up to 100% of shareholdings in companies established in the SEZ.

- Foreign investors are free to repatriate capital and after-tax profit in any currency back to the investors' countries.

- Foreign investors have the same rights and receive similar treatment as domestic investors.

The Authority to approve investment projects within the SEZ shall be as follows:

Level	Investment Size *	Recommending Authority	Approving Authority
I	Above US\$50 mil	SEZ Authority Office	Presidency Office
II	Between US\$10mil to US\$50 mil	APIP**	SEZ Authority Office
III	Below US\$10mil	-	APIP**

#### Remarks

\* *Investment denotes only fixed asset investment*

\*\* *APIP stands for AGENCE DE PROMOTION DES INVESTISSEMENTS PRIVES*

# Taxation and preferential treatment

To nurture a globally competitive business environment for the Guinea SEZ, the preferential tax system should be structured with the following best practices in mind:

- Create a simple, transparent system with no ambiguity.
- Reduce tax and duties on production factors before and during operations.
- Offer competitive reductions in corporate income tax.
- Reduce tax compliance costs.

Investor category Tax Instrument	A. Zone and infrastructure Developer	B. Manufacturer and ICT export service provider	C. Trade and service provider
Value-added tax (VAT), 20% *	For 10 years: 0% For 5 years: 50% reduction	0% on all export transactions For 10 years: 10% VAT on other transactions	0% on all export transactions For 5 years: 10% tax on other transactions
Lump sum salary tax (payroll tax), 6% *	For 10 years: 0% Tax For next 5 years: 50% tax reduction	For 10 years: 0% tax	For 5 Years: 0% tax
Personal income tax, 40% maximum current tax rate	For 15 years from date of employment in Zone: 50% reduction in employees' income tax.	For 10 years from date of employment in Zone, 50% reduction in	For 5 years from date of employment in Zone, 50% reduction in

Remarks

\* Denotes current tax rate

All years denote number of years after company incorporation.

# Taxation and preferential treatment

Item	Zone and infrastructure developer	Zone manufacturer & ICT Exp Svc Provider	Zone trade & service provide
Corporate income tax, 35% *	For first 10 years: 0% tax For next 5 years: 50% tax reduction	For 10 years: 0% tax	For 5 years: 0% tax For next 5 years: 50% tax reduction
Customs duties, import taxes and charges	For 15 years: Exemption from all import customs and excise duties for machinery, vehicles, equipment, raw materials, machines, tools and spare parts for construction and maintenance use within the SEZ.	For 10 years: Exemption from all import customs and excise duties for machinery, vehicles, equipment, machines, tools and spare parts, raw materials, components, and packaging materials for construction and production use within the SEZ.	For 5 years: Exemption from all import customs and excise duties for machinery, vehicles, equipment, machines, tools and spare parts, raw materials, components, and packaging materials for construction use and business within the SEZ.
Unique property tax, 15% current tax rate for rental properties	For 10 years: 0% tax For 5 years: 50% tax reduction	For 10 years: 0% tax	For 5 years: 0% tax For next 5 years: 50% tax reduction

## Remarks

\* Denotes current tax rate

All years denote number of years after company incorporation.

# Customs and exports regulations

The Government should embark on establishing the following policies and incorporating these into the SEZ framework under the Presidential decree.

- Draft a set of customs import and export regulations specially for the SEZ, taking into consideration current custom laws and regulations.
- Establish an on-site customs office to inspect all outgoing goods for export to improve efficiency in customs clearance.
- Implement quarantine policy and dispute management regulations.

To ensure an efficient customs and export operation to support the proposed SEZ, we recommend that the Government consider the following:

- Establishing a bonded zone with local customs authority in the SEZ.
- Setting up green lanes at Conakry Port for both goods and personnel moving through, as well as to and from the proposed SEZ.
- Allow the setting up of green lanes at the sea port designated by the SEZ Authority.
- Allowing a percentage of goods produced in the SEZ to be sold in domestic markets under prevailing tax exemption benefits for manufacturers.

# Business operations and management

Because of the huge investment and longer pay-back period, zone and infrastructure developers (category A) should enjoy additional incentives.

To simplify the registration of business entities, there should be only two classes of businesses in the SEZ as follows:

- Limited Liability Companies (private, public or joint venture)

To oversee the company's strategic direction and policies, LLCs should establish a Board of Directors (BOD) of between 3 to 12 persons.

Companies may appoint a managing director (MD) or general manager (GM) to sit on the BOD. In a joint venture company board, the chairman and the CEO could be either a foreigner or a Guinean national or resident.

- Limited Liability Partnership (LLP)  
For LLP, all partners are responsible for the business's well being. One partner may be appointed as the GM responsible for daily operations. MDs or GMs can be either foreigners or Guinean nationals.

The requirement for the minimum sum of paid-up capital is as follows:

Class	Type of business	Min. paid-up capital
A	Zone and infrastructure developer (including utilities providers)	US\$ 50 mill
B	Zone manufacturer and ICT export service provider	US\$ 10 mill
C	Zone trade and service providers	US\$ 50,000

Paid-up capitals are divided into shares, with the minimum share value defined as GNF 50,000 per share.

Shares are transferred via private agreement and the Company is to be notified legally.



# One-stop Service Centre



A One-stop Service Centre will serve investors by allowing them to apply for investment approvals and complete all required registrations, all at one place. Having online application capabilities at the Centre will further improve productivity.

The Presidential Decree shall provide for a One-stop Service Centre to be established within the Guinea SEZ.

This office shall be administered by the SEZ Authority Office, and will have staff seconded from the various functional ministries to perform these services for investors.

**The One-stop Service Centre shall offer the following services:**

## **Compliance with SEZ regulations**

- Land acquisition and title application
- Master plan approval
- Construction permits approval
- Utility application
- Fire safety approval

## **Investor incentives**

- Foreign investment project approval
- Preferential policy application
- Tax entity registration
- Import and export license application

## **Business and operations**

- Company registration
- Business operation licenses application
- Property occupation title application
- Environmental impact assessment approval
- Foreigners entrants visa application
- Foreign expatriates working permit application
- Publication permit application

# Human resource management

HR policies should address the need to protect local workers while at the same time ease immigration procedures for foreign expatriates coming to work in Guinea.

We recommend that the Government embark on establishing policies that address the following, and incorporate them into the SEZ framework under the SEZ Presidential decree.

- A reasonable minimum wage policy for the local workforce
- Skills training schemes for local workers
- Foreign employee management
- Work permits for foreign workers and professionals
- Employer-employee labour relations
- Permanent residency (PR) status for foreign investors with investments over US\$5m
- Visa-on-arrival benefits
- Multiple-entry visas for foreign investors, of up to 24 months

# Other unique policies

Below are two unique policies that could be introduced in the zone. These can be described in greater detail in a separate dossier on SEZ regulations.

Proposed Unique Provident Fund	Establish a Tripartite Committee
<ul style="list-style-type: none"> <li>● Introduce a special or unique provident fund scheme for the SEZ.</li> <li>● Employees &amp; employers of the SEZ shall be required to contribute to this unique provident fund. Contributions will be deposited into the employee's accounts and will be managed by the Zone's Pension Fund Management Centre.</li> <li>● The monthly contribution rate shall be set at 25% each for the employee and the employer.</li> <li>● The Fund can be used by the employees to pay for buying housing units, medical expenses, insurance and training.</li> <li>● Zone employers shall be exempted from paying an apprenticeship tax.</li> </ul>	<ul style="list-style-type: none"> <li>● Tripartism refers to the collaboration among unions, employers in the Zone and the Guinean Government. This concept should be introduced in the SEZ.</li> <li>● A successful Tripartite should have:               <ul style="list-style-type: none"> <li>● Fair and progressive employment practices</li> <li>● Training and skills upgrading programmes for the local workforce</li> <li>● Wage and employment disputes management</li> <li>● Retirement and pension schemes</li> </ul> </li> <li>● Employers in the zone shall form a Zone Employers Federation (ZEF) while employees may join the respective union of their trades.</li> <li>● The tripartite partners are the Labour Ministry, the ZEF and the Union.</li> </ul>



## Chapter

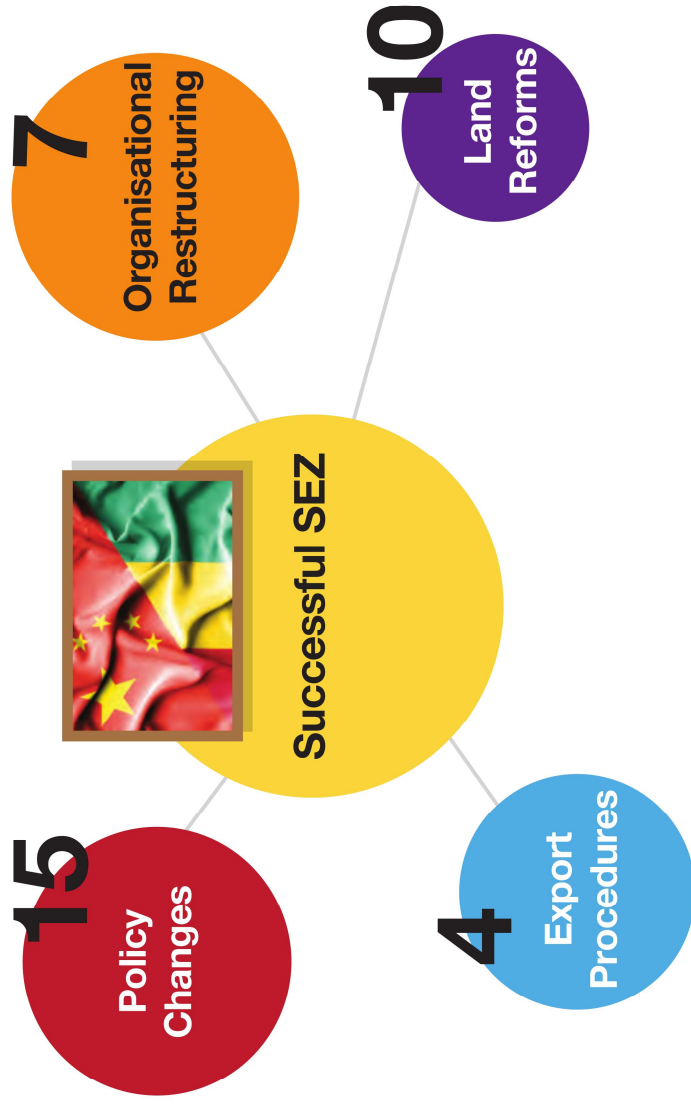
# 5

# Summary of Recommendations

What Guinea must do for a successful  
Special Economic zone

# For the SEZ to succeed, Guinea must embark on

The framework we propose contains many pragmatic recommendations supporting the development of the proposed Guinea SEZ project. However, the project requires further detailed investigation, stringent policy study and formulation, executive decision and careful implementation. Concerted efforts from all parties are needed to ensure that the proposed SEZ can be developed in a holistic manner so that the vision can be realised expeditiously.



# GUINEA to Enact 15 POLICY CHANGES

1. An SEZ Act to be drafted to regulate the proposed SEZ development.
2. The Act to be approved by the President via a presidential decree.
3. An SEZ Authority to be formed under the Presidency Office and to be administered by a Senior Minister designated by the President.
4. The Decree shall reinforce the Investment Code's provisions in investment protection, full shareholdings, fund repatriation and equal treatment.
5. Three tier level on investment project approval.
6. Three categories of zone investors to be established.
7. A series of highly competitive fiscal incentives to be formulated.
8. Two forms of business entities & their respective requirements to be established.
9. Land acquisition and resettlement regulations to be formulated.
10. Land acquisition and conduct the resettlement process be done by Govt.
11. Workable land size to be set at 20 Sqkm.
12. Land tenure to be set at 70 years.
13. Land development and asset management regulations to be formulated
14. Human resource management policies to be formulated
15. Customs and export policies for the SEZ to be formulated

# GUINEA to put in force 07 organisational changes

## ORGANIZATION

1. Two tier Government project management structure to be formulated.
2. Roles of Joint Working Committee to be decided
3. Local authority at the SEZ locality to be established.
4. One-stop service centre in the SEZ to be established.
5. Government owned companies to be invited to lead the SEZ development.
6. Guinean consortium to take no more than 25% stake in development company.
7. A board of directors with 11 members to be established.

# GUINEA to conduct 10 land reforms

## LAND

1. Land developer's right and obligations to be written in Decree.
2. Land master title be accorded.
3. Flexible land sub-lease period be allowed.
4. All sub-lease titles to be bankable.
5. Flexibility in handing over raw land to land developer.
6. Development control regulations to be formulated.
7. Gross plot ratio guide to be adopted.
8. Investment intensity requirement to be imposed.
9. Utility system providers be allowed to invest and operate utility systems.
10. Non-fiscal incentive to be accorded to facility management companies.



# GUINEA to make 04 changes to Export procedures

## EXPORT

1. Local custom authority and bonded zone to be established.
2. Green lane to be set up at Conakry Port.
3. Green lane policy to be allowed at SEZ designated ports.
4. Percentage of domestic sales without loss of incentive to be decided.

## SEZ FRAMEWORKS IN OTHER COUNTRIES

- POLICY ●
- ORGANISATION ●
- LAND ●
- EXPORT ●

## **P.O.L.E Framework**

---

P.O.L.E (Policy, Organisation, Land, Export) is a simple framework to guide the development and management of a Special Economic Zone.

The four key components that make up P.O.L.E. encapsulate the key considerations for any SEZ project, taking into account the needs and interests of various stakeholders such as governing authorities, commercial developers, investors, SEZ operators, business tenants and employees.

In this Annex, comparisons are made between SEZ experiences in developing China, India, Indonesia, Gabon, Kenya, Russia, Rwanda and Vietnam, using the P.O.L.E framework as a reference.

# P.O.L.E Framework

## POLICY

This refers to key government measures to support and drive the SEZ.

### Regulations

- The SEZ Act
- Establishing the SEZ Authority
- Land development and asset management

### Incentives

- Foreign investment and project approval
- Taxation and other preferential treatments

### Business environment

- Customs and export regulations
- Business operations and management
- Human resource management
- Unique policies

## ORGANIZATION

The authorities and agencies that control, regulate, manage and operate an SEZ.

### Public sector

- Governing authority
- Administrative ministries
- Local/ State governments

### Public/private sector

- Developer companies
- Utility operation companies
- Estate management body

## LAND

This is the primary asset in an SEZ project and includes issues related to both the physical land as well as supporting groundwork such as infrastructure.

### Land issues

- Land ownership
- Land tenure
- Land development regulations
- Land transaction

### Supporting groundwork

- Infrastructure development
- Development density
- Investment density
- Estates Management

Controls needed to ensure fundamental objective of a SEZ is not deviated.

## EXPORT

This is one of the key objectives for developing an SEZ and relates to profitability.

- Import and export regulations
- Custom operations
- On-site customs house
- Bonded zone
- Green lane
- Quantum dispute
- Domestic outflow
- Immigration procedures for labour and skilled personnel

Efficient custom operations is important to reduce business cost!

## The SEZ Act

This is the cornerstone legislative document. It is normally drafted by the country's administration and submitted to the highest legislative body for approval and enactment.

The mode of approval and/ or enactment of the SEZ Act varies between countries.

Country	Enactment by
China	National People's Congress Standing Committee
India	Presidential decree
Indonesia	Presidential decree
Russia	The State Duma (Russian advisory assembly)
Rwanda	President order
Kenya	Presidential decree
Gabon	Presidential decree

A typical SEZ Act covers the following essential provisions:

### Legal framework

- Where and how land can be developed and used
- Who has the authority to establish, manage and terminate an SEZ

### Investment bylaws

- How foreign parties can invest in the SEZ
- What are the incentives for investments
- What are the status, rights and obligation of SEZ's investors and residents

### Operations and management

- What is the concept of the SEZ and the types of industries allowed
- How operations can be established
- How human resources should be managed
- How trade (imports and exports) can be facilitated and managed

## Establishing the SEZ



### CHINA

When the first SEZ law was promulgated in 1980, it stated that the various SEZs should come under the direct management of their respective provincial governments.

At the SEZ locality, the local government formed an SEZ Administrative Committee (AC) to drive the SEZ project.

This model was subsequently adopted in all other Chinese SEZs including the latest Kashgar SEZ in 2010. Kashgar SEZ came under the direct management of the Xinjiang Provincial Government.



### INDIA



### VIETNAM

The central governments of India and Vietnam authorise the formation of a local SEZ Authority Office with power limited only to the administration of the Zone.



### INDONESIA

Under the Indonesian SEZ Law, a National Council is established to administer all SEZs in the country. At the provincial level, the Law provides for the setting up of a Zone Council to assist the National Council.

For each SEZ, the Zone Council will form a management organisation called the Administrator, to manage SEZ affairs.



### RWANDA



### KENYA

Governments in Rwanda and Kenya formally established their respective SEZ authorities to administer the SEZ Act and to regulate the operations of SEZs in their countries.

## Land Development and Asset Management

Land is the primary resource for any SEZ development. Four policy issues must be resolved right from the onset, namely, land ownership, size of land for SEZ development, land tenure and land development regulations.

### 1. Land Ownership



#### CHINA

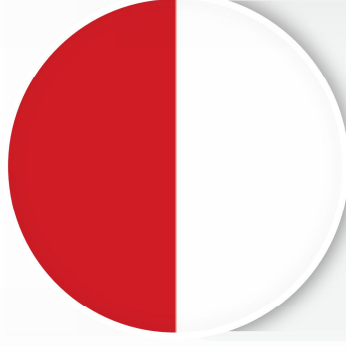
All land for SEZ development is acquired by the government (provincial or city level) before construction begins.

Such land is termed "Land for Construction Use", and the government sets a system of land tenure.



#### INDIA

SEZ proponents in India may seek approval for SEZ status and demarcation as SEZ land on privately owned land or land to be acquired. This practice differs from the other countries.



#### INDONESIA

The government allows SEZ development to be conducted on both private or government-owned land.



#### RUSSIA

The Russian SEZ Law specifies that an SEZ could only be established "on the land lots in the state and (or) municipal ownership".

#### Issues

How can the government acquire land for SEZ development? Two important pieces of legislation are the Land Acquisition Act and the Land Resettlement Act.

These legislations enable authorities to acquire private land through adequate compensation to residents and squatters. Without these in places, the SEZ project can easily run aground, so to speak, even before the groundwork is laid.

The acquired land has to be gazetted for land-use in SEZ development. Only then can land be transferred to investors for development.

## Land Development and Asset Management

### 2. Land area requirements

Different countries set different standards for the minimum land plots required for SEZ development.

Land sizes from 5 to 80 sq km offer economies of scale in industrial township development. Land parcels can be marked out for phase development, allowing SEZ operations to begin even before the entire land acquisition process is completed. Land sizes below 5 sq km can only be developed into industrial parks and not industrial townships, due to size constraints.

India	The India SEZ Law (2005) makes provision for the central Government to dictate the minimum plot size.	China	China does not have a law for SEZ land size. But its comfort range seems to lie between 30 to 100 sq km.
		Russia	The Russian SEZ Law specifies that no industrial SEZ should be larger than 20 sq km.

### 3. SEZ land tenure

The third important issue is SEZ land tenure. After acquiring land for SEZ development, governments allocate land lease periods to developers, some with respect to specific land-use as shown here:

Country	Land lease period (years)			
	Residential	Industrial	Commercial	Mix-Use
Singapore	99	30 or 60	60 or 99	30-60
China	70	50	40	50
India	Flexible period from 30 – 99 years			
Indonesia	50 years, extendable			
Vietnam	40 + 10 years extension			
Gabon	Freehold title			
Rwanda	Maximum 99 years			

For Guinea SEZ to be attractive to international developers, the government needs to decide on an appropriate land tenure. Rwanda and Gabon make good reference points due to their geographical proximity to Guinea.



## Land Development and Asset Management

### 4. SEZ land development regulations

A key question in land development is selecting the party(ies) who should conduct the acquisition, resettlement and develop the infrastructure.

The following table shows different approaches taken from actual examples:

Country	Land lease period (years)		
	Land acquisition	Land resettlement	Infrastructure development
Singapore Jurong Ind. Park	Government	Government	Government
China Suzhou Ind. Park	Government	Government	Joint Venture companies
Indonesia Batam Ind. Park	Government	Joint Venture companies	Joint Venture companies
Vietnam VSIP Ind. Park	Government	Government	Joint Venture companies

While there seems to be no fixed approach to developing an SEZ, our experience shows that for any SEZ to succeed, the driving party of the SEZ must be either the government or a government-owned company.

For the Guinea SEZ to succeed, the Guinea Government must carefully consider and set its own blueprint for development.

## Land Development and Asset Management

---

### 5. Development regulations

Regulations for land development in the SEZ should include the following:

- Minimum infrastructure requirements for all common infrastructures within the SEZ.
- Density of development (plot ratio, site coverage, height control etc).
- Environmental protection requirements.
- Minimum investment sum per hectare of SEZ land required of investors.
- Maximum time period allowable for development.

### 6. Asset management

- Delegation of land-use rights transfer to the local authority.
- Standardization of SEZ land registration, administration and regulation.
- Transferring of land-use rights and procedures.
- Sub-leasing of land parcels to tenants.
- Revoking land-use rights if development does not commence.
- Dealing with non-compliance of development requirements.
- Development requirement regarding mixed land-use projects.
- Penalties for breach of regulations.
- Land auditing and legal responsibility of lessees.

After land development, the local Authority has to decide who should manage the assets. In most circumstances, the responsibility rests with the developer.

In the Guinea SEZ project, these land development regulations and land management policies will need to be formulated once the Presidential decree is issued.

## Foreign investment and project approval

Policies that deal with attracting investment must be deemed to be welcoming, transparent, fair and internationally competitive.

International investors are concerned with the following aspects, all of which influence the overall business climate:

- Legal protection of their investment
- Favourable investment incentives
- Ease of project approval
- Freedom of business ownership
- Free currency conversion
- Ease of fund repatriation



### INDONESIA

The Indonesian Law of Investment (No.25 of 2007) spells out that foreign investment is protected and will not be nationalised unless by law, in which case compensation will be based on the market rate. The Law provides a clear definition of foreign investment and capital and qualifies that foreign investment must be in the form of a Limited Liability Company. The Law also allows for 100% foreign shareholding ownership.

The Indonesian Law of Investment also provides that foreign investors are free to transfer in or repatriate capital and profits in foreign currency.

The same Law allows the Indonesian Government the authority to stipulate separate investment policies for different special economic zones.

#### **Project approval**

The authority to approve the investment project rests with the President of Indonesia and he may delegate the authority to the Indonesia Investment Board (BKPM) for projects up to a certain size.

## Foreign investment and project approval



### CHINA

In China, foreign investments are protected by the Chinese Law (Presidential Decree no. 41-2000). Foreign investors are free to repatriate after-tax profits and legal incomes.

Foreign investors enjoy preferential policies applicable to them by law. An interesting provision is that when foreign investors re-invest their after-tax profits, they are entitled to seek rebates for certain portions of their income tax.

The provincial government can approve projects of investment level only up to US\$50m, beyond which one must apply to the central government.

Given the very special status of the Suzhou Industrial Park, the Park Administration was empowered to approve investment projects of up to US\$100m. This provision has greatly improved the efficiency of submission and approval of foreign investment projects.



### GUINEA

The Guinea Investment Code adopted in 2015 also provides among others, that foreign investors are guaranteed against nationalisation while they may hold 100% of the company's shareholdings and freely transfer in any currency, after tax profits and dividends.



### GABON

In neighbouring Gabon, foreign investments are protected from expropriation or nationalization. The 1998 investment code provides that foreign companies operating in Gabon enjoy the same rights as domestic firms have.

The Gabon SEZ Law (010/2011) also provides that investors can freely repatriate their profits generated from their operations in the SEZ and carry out foreign exchange transactions.



### RWANDA

In Rwanda, the Investment Law 2006 stipulates that the government is responsible for the protection of foreign investments. Expropriation of property may be carried out by the government only in the public interest with fair compensation.

In addition, foreign investors are allowed to repatriate the capital, profits derived from business activities, debt and interest on foreign loans, and proceeds from the liquidation of investments subject to meeting their tax obligation.

## Taxation and preferential treatment

---

Tax incentives provide one of the most attractive reasons for foreign investors to put money down in a new SEZ. Such incentives should not only cover profits after operations but also reduce business set-up costs prior to operations.

Business set-up costs typically refer to the cost of factors of production, namely, raw material, machinery, manpower and rentals.

Many forms of taxes and custom duties are related to these factors of production. Some key items are custom duties, taxes on import and export, and taxes on value-added, payroll, land and property.

Various countries have put in place tax incentives for SEZ operations. Countries like China, India and Indonesia offer creditable import tax and duty relief. However there are other related taxes not given due exemption.

## Taxation and Preferential Treatment

### Import duties and value-added tax in SEZ



#### CHINA

Incentives/ Full exemption of import duties for	Remarks
<ul style="list-style-type: none"> <li>▪ Production facilities, machines, tools and spare parts.</li> <li>▪ Office accessories, transportation vehicles and living consumables for investors' own use.</li> <li>▪ Machinery, equipment, construction materials and other basic accessories for the building of factories and warehouses.</li> <li>▪ Raw materials, components, parts and packaging materials, all for production use, with products to be exported.</li> </ul>	<ol style="list-style-type: none"> <li>1. Import duties and taxes are computed based on CIF (Cost, Insurance and Freight) value.</li> <li>2. Duty rates vary from 0 to 100%, averaging 12.5%.</li> <li>3. Imports are also subject to consumption tax and VAT.</li> <li>4. Consumption tax ranges from 1%-45% computed over CIF value plus customs duty.</li> <li>5. No time limit on exemption.</li> </ol>



#### INDONESIA

Incentives/ Full exemption of import duties for	Remarks
<ul style="list-style-type: none"> <li>▪ Import and export duties</li> </ul>	<ol style="list-style-type: none"> <li>1. Duty rates in Indonesia vary from 0% to 40%, with an average rate of 11%.</li> <li>2. Some products can be imported duty-free (e.g. books, laptops, and other electronic products).</li> <li>3. No time limit on exemption.</li> </ol>
<ul style="list-style-type: none"> <li>▪ VAT and sales tax on luxury goods</li> </ul>	<ol style="list-style-type: none"> <li>4. The standard VAT is 10%.</li> <li>5. The sales tax for luxurious goods (STLG) applicable for certain products ranges from 10% to 75% of the sum of the CIF value and duty.</li> <li>6. No time limit on exemption</li> </ol>

## Taxation and Preferential Treatment

### Import duties and value-added tax in SEZ



Incentives/ Full exemption on	Remarks
<ul style="list-style-type: none"> <li>Import duties and duties from domestic procurement of goods for the development, operation and maintenance of SEZ and SEZ units.</li> </ul>	<ol style="list-style-type: none"> <li>Import duty and taxes in India are computed based on CIF value. Duty is calculated on the sum of the CIF value and landing charges.</li> <li>Imports are also subject to other taxes and charges such as landing charges, countervailing duty, cess, and education cess.</li> <li>Duty rates vary from 0% to 150%, with an average duty rate of 11.9%.</li> <li>Other taxes and custom fees: Landing charges: 1 % CIF.</li> <li>Countervailing duty (CVD): 0%, 6% or 12% of [CIF duty + Landing charges].</li> <li>Cess (Education ): 3% of [Duty + Countervailing duty].</li> <li>No time limit on exemption.</li> </ol>

Incentives/ Full exemption on	Remarks
<ul style="list-style-type: none"> <li>Value-added tax</li> </ul>	<ol style="list-style-type: none"> <li>There is no sales tax in India for imported goods.</li> <li>VAT is levied on the sale of goods intra-state, at a standard rate of 12.5%.</li> </ol>
<ul style="list-style-type: none"> <li>Central sales tax</li> </ul>	<ol style="list-style-type: none"> <li>Central sales tax (CST) is levied on the sale of goods inter-state. Standard rate is 2%.</li> </ol>
<ul style="list-style-type: none"> <li>Service tax</li> </ul>	<ol style="list-style-type: none"> <li>Standard rate for other service tax is 12% plus cess of 3%.</li> <li>No time limit on exemption.</li> </ol>

## Taxation and Preferential Treatment

### Import duties and value-added tax in SEZ



#### GABON

Incentives	Remarks
<ul style="list-style-type: none"> <li>Full exemptions on from any customs fees, taxes and royalties for: Imports of equipment, materials, intermediate goods, raw materials, machines, office supplies and equipment, consumer goods and spare parts of companies admitted in the SEZ</li> </ul>	<ol style="list-style-type: none"> <li>Other exemption: taxes, royalties and fees collected by the Gabon Shippers' Council, the Directorate General for Competition and Consumers, and any administrative institution, except for the Gabon Port Authorities and port services.</li> <li>Vehicles other than those used by companies admitted in the SEZ are not subject to this exemption.</li> <li>Exemption time limit is 25 years from incorporation.</li> </ol>

Incentives	Remarks
<ul style="list-style-type: none"> <li>Exemption from VAT</li> </ul>	4. VAT exemption 25 years from date of admission.
<ul style="list-style-type: none"> <li>Exemption from land taxes for built or non-built real estate</li> </ul>	5. Land tax exemption 25 years from date of property registration.



## Taxation and Preferential Treatment

### Import duties and value-added tax in SEZ



#### GUINEA

In Guinea, under the current Code of Investment, investors are entitled to the following best case relief of import duties and charges as shown.

Incentives	Remarks
<ul style="list-style-type: none"> <li>▪ <b>Start-up phase (3 years)</b> Exemption from all charges and import duties for imports of equipment, materials and vehicles.</li> </ul>	<ol style="list-style-type: none"> <li>1. Vehicles subject to 0.5% Registration fee &amp; 2% of CAF value as Processing &amp; Liquidation fee (RTL).</li> <li>2. Current import duties comprise 4 categories for rates at 0%, 5%, 10% &amp; 20%.</li> <li>3. Exemption time limit is 3 years from incorporation.</li> </ol>

Incentives	Remarks
<ul style="list-style-type: none"> <li>▪ <b>Operational phase</b> Exemption from import duties.</li> </ul>	<ol style="list-style-type: none"> <li>4. Need to pay <b>RTL at 2%</b>.</li> <li>5. Need to pay a fiscal tax at 6%.</li> <li>6. Need to pay VAT at 20%.</li> <li>7. No time limit on exemption.</li> </ol>
<ul style="list-style-type: none"> <li>▪ <b>Unique Property Tax</b> Year 1-3: Exemption from corporate tax. Year 4-6: 50% tax reduction.</li> </ul>	<ol style="list-style-type: none"> <li>8. Current rates for the Unique Property Tax are: 10% of annual rental value for owner occupied buildings. 15% of annual rental value for rented premises.</li> </ol>

## Taxation and Preferential Treatment

Other taxes relating to manpower are not given relief in most countries operating in SEZs or special zones. Social security provisions required of employers are high in many of these countries. Such contributions are based on an employee's total wages.

Country	China	India	Gabon	Guinea
Personal Income Tax	Progressive 3% to 45% of global income  No tax on incomes at or below USD 530 per month	Progressive 0% to 30% of global income  No tax on incomes at or below USD 3,750 per year	Progressive 0% to 35% of global income  No tax on income at or below USD 2,520 per year	Progressive 0% to 40% of global income  No tax on incomes at or below USD 11 per month
Payroll Tax	Not applicable	Not applicable	5% of total salary	6% of total salary
Social Security Contributions	Up to 35%	12.5%	Total 20.1%: <ul style="list-style-type: none"> <li>▪ 16% for social security</li> <li>▪ 4.1% for health insurance</li> </ul>	Total 18%: <ul style="list-style-type: none"> <li>▪ 6% for family</li> <li>▪ 4% for work injury</li> <li>▪ 4% for medical</li> <li>▪ 4% for benefits</li> </ul>

## Taxation and Preferential Treatment

### Corporate Income Tax and other related taxes

Preferential schemes implemented by various countries in their SEZs are as follows:



#### CHINA

Incentives - Corporate income tax	Remarks
Full exemption of corporate income tax for five years, starting from the first profitable year.	<ol style="list-style-type: none"> <li>Prior to Jan 2008, corporate income tax was 33%, comprising national tax at 30% plus local tax of 3%.</li> <li>After 1 Jan 2008, China standardised the corporate tax to a uniform rate of 25%.</li> <li>Note that tax holidays start only from the 1st profitable year. This means that a company may attain profit only some years after its first year of incorporation.</li> </ol>
Thereafter, 50% off the current tax rate subject to a minimum tax rate of 15% tax, for the next five years.	



#### INDIA

Incentives - Corporate income tax	Remarks	
Corporate income tax for 10 years from the day of commencement of operations.	<ol style="list-style-type: none"> <li>India's corporate income tax is based on the progressive tax scheme.</li> <li>Maximum corporate tax is 30% for domestic companies and 40% for foreign companies.</li> <li>Notice that tax holiday in India starts from the year of operation rather than the first profitable year.</li> </ol>	
Minimum Alternate Tax		<ol style="list-style-type: none"> <li>The Minimum Alternative Tax is 18.5% for companies with declared taxes of 18.5% or below.</li> </ol>
Dividend Distribution Tax (DDT)		<ol style="list-style-type: none"> <li>The normal Dividend Distribution Tax is 16.995%.</li> </ol>

## Taxation and Preferential Treatment



### INDONESIA

Incentives - Corporate income tax	Remarks
Full exemption of corporate tax for 5 to 10 years for qualified pioneer industries with investments of at least US\$100m. Further tax reductions of 50% for up to 2 years after the expiry of the tax exemption period.	<ol style="list-style-type: none"> <li>The normal corporate tax rate is 25% after year 2010.</li> <li>Companies with revenue below US\$5.5 mil is entitled to some tax reduction.</li> </ol>

Under the present Investment Code of Guinea, the corporate and related tax relief schemes are as shown.



### GUINEA

Incentives - Corporate income tax	Remarks
Year 1-3: Corporate tax exemption. Year 4-6: 50% tax reduction. Year 7-10: 25% tax reduction.	<ol style="list-style-type: none"> <li>Total tax relief is applicable for 10 years at different rates.</li> <li>The same tax relief structure applies for the Alternative Minimum Tax.</li> </ol>



### GABON

Incentives - Corporate income tax	Remarks
Full exemption from taxes on industrial and commercial profits for the first 10 years, starting from the company's first sale, including the minimum tax. Thereafter, tax rate of 10% for the next 5 years. Tax exemption on dividends for 25 years, starting from the company's first sale.	<ol style="list-style-type: none"> <li>The current corporate income tax in Gabon is 25% to 35%.</li> <li>Land tax exemption 25 years from date of property registration.</li> <li>No time limit on exemption.</li> </ol>

## Customs and export regulations

Besides the import duties and taxation policies, the port management and customs operations are important aspects of customs and export regulations.



### CHINA

After many years of SEZ operations, Chinese SEZ authorities have accumulated a wealth of experience in custom controls and export regulations. Detailed regulations have been fully established.



### INDONESIA

Indonesian customs is governed by the Law on Custom (No. 17 of 2006). The Law defines a custom area as an area with certain borders at a harbour, airport or other place designated for the flow of goods, fully monitored by the Indonesian Directorate General of Customs and Excise (DGCE). The Law regulates all import and export procedures and clearly defines the duties and responsibilities of the customs office.

Within the ambit of their respective Custom Laws, SEZs in both China and Indonesia are authorized to set up local custom and bonded zones, fully operated by staff from the central custom office. This has greatly enhanced the operational efficiency of customs operations.

Port management and customs regulation for SEZ is particularly important in that it deals with many issues such as:

- Establishing the roles and responsibility of the port management authority.
- Establishing ICT networks with other national and neighbouring country's customs.
- Demarcation of the port and customs boundary.
- Inspection of imported goods and goods for export.
- Managing goods within any bonded zone.
- Fee collections for customs examination, inspection and quarantine.
- Set up entry and exit rules and regulations for visitors.
- Decorum of custom service staff.
- Dispute management.

## Business operations and management

There are many sources of investment funds in the different countries. In Indonesia, business entities are classified as:

- State-owned enterprises
- Regional government enterprises
- Cooperatives
- Private companies (foreign or domestic)
- Joint venture companies



### INDONESIA

The Indonesian Law of Investment requires that foreign investment (by foreign companies or individuals) must be in the form of a limited liability company (termed as PT - Perseroan Terbatas) limited by shares, but can be 100% foreign owned. Such foreign-owned companies are termed as PMA (Penanaman Modal Asing) companies. The minimum capital of a PT PMA for all industries is USD1.2 mil.

Foreign investors need to apply to Indonesia's Investment Co-ordination Board (BKPM) for all approval, licenses and permits to set up operations. As required by Indonesian Corporate Law, a PT company must establish a Board of Directors and a Board of Supervisors. The Board of Directors is responsible for the management of the PT company. Subject to certain conditions, a foreigner may become a board director or a board supervisor.



### CHINA

All foreign investments are to be approved by the State Department of Commerce or the respective provincial commerce department. Within the SEZs, there is always a section for foreign project approval set-up in the One-stop Service Office. The submission procedure is well standardized and the approval process is very efficient.

Four common forms of foreign invested enterprises in the China SEZs are:

- Wholly Foreign Owned Enterprise (WFOE)
- Sino-foreign Equity Joint Ventures (EJV)
- Sino-foreign Contractual Joint Venture (CJV)
- Foreign Investment Enterprises Limited by Shares (FELS)

The key differences are in the form of joint venture contract, the minimum share percentage of foreign partners and the obligations of both parties. However, all forms must conform to Chinese Company Law.

The Company law requires the setting out of a Board of Directors and a Board of Supervisors. The Chairman of the Board of Directors as well as the General Manager are regarded as two "legal persons" in the eyes of Chinese laws.

## Business operations and management



### GUINEA

There are many types of business entities in Guinea, and these are regulated by commercial company law. The common types are:

- Partnerships (SNC)
- Limited partnerships (SCS)
- Private limited companies (SARL)
- Public limited companies (SA)
- De facto companies
- Joint ventures companies
- Economic interest groups (GIE)

Public and private limited companies can be established by one or more individuals or legal entities. These individuals can be either Guinean nationals or residents.

The minimum share capital of a private limited company is GNF 10 million, divided into shares with a value of at least GNF 50,000. The minimum share capital of a public limited company is GNF 100 million.

The capital is made up of shares, fully allocated when the company is set up or when subsequent funds are raised. Shares can be transferred by private agreement with amendment done to the company's Articles of Association.

In terms of management, a private limited company can be managed by one or more individuals (Manager), who can either be the owner or an employee, and can be either Guinean nationals or residents.

The Manager holds a mandate to act on behalf of the company in all circumstances, except where it is expressly stated that the owners have overall responsibility.

If a Manager lives abroad, he must nominate a local representative who will liaise between the company and the local authorities.

For a public limited company, a Board made up of at least three and no more than 12 members can be established to administer the company.

## Human resource management

Besides attracting investment, one other important objective of SEZ is to create employment for local citizens. Countries like China, Indonesia and Vietnam offer abundant local labour force at competitive wage rates compared to that in developed countries.

This is attractive to foreign investors who are likely to employ local labour in the production process. On the other hand, foreign investors will also bring their management and technical staff to the SEZ to start up operations and manage production.

To protect workers' rights and benefits, both China and Indonesia have promulgated laws and regulations on labour management and relations.

Guinea would have its own labour regulations and its workforce is already protected with the minimum wage policy. What is needed here are policies concerning expatriate immigration and management issues.

Liberal expatriate policies will attract more foreign talents to work in the Guinea SEZ project.

Key policies to be considered include:

- Policy for managing foreign workmen
- Work Permit System for foreign workmen and professionals
- Granting visa on arrival
- Approve multiple-entry visas of up to 24 months for foreign investors
- Granting immediate permanent residency (PR) for foreign investors with investments over US\$ 5 mil
- Training of local workforce
- Labour relations management



## SEZ Management Structure

Many countries establish an SEZ management authority to administer their SEZs. However, their organisational structures differ somewhat due to the different functions assigned to them.

### China

The Guangdong Provincial Special Economic Zone Management Committee which administered the first four China SEZs in the early 80's, had its roles as follows:

- Formulate and implement the SEZ's development plan.
- Assess and approve investment proposals by investors.
- Execute business registrations and land parcel allotments in the SEZ.
- Co-ordinate the working relationships of various institutions including banking, insurance, taxation, customs, immigration and telecommunications in the SEZ.
- Provide workforce resources to enterprises.
- Protect the legitimate rights of workmen.
- Establish education, cultural and health facilities and provide social amenities.
- Maintain law and order and protect the people and property according to law.

Due to this wide scope of responsibility, the Committee ended up as a huge organisation with staff seconded from many provincial or municipal agencies.

### Indonesia

Indonesia's SEZ Law makes provision for a National Council to be formed to administer the SEZs. Its key role is to examine SEZ proposals and make recommendations to the President of Indonesia for approval. The Law defines the roles of the National Council as follows:

- Compile the National Master Plan for SEZ.
- Formulate SEZ policies.
- Set the standards for infrastructure and services in the SEZ.
- Assess the SEZ development proposals and make recommendation.
- Review and recommend development proposals for less developed areas.
- Resolve strategic issues.
- Monitor and evaluate SEZ sustainability.

To support the National Council, a Zone Council is formed in every province where an SEZ has been approved. The Zone Council helps to implement the SEZ policies and appoint an SEZ administrator in every SEZ to execute the day-to-day functions.

## The SIP Management Structure

---

The Singapore Suzhou Industrial Park's (SIP) organisation structure was unique. As this was a government-to-government project between China and Singapore, the Chinese Central Government and Singapore Government formed a Joint Steering Council (JSC) and a Joint Working Committee (JWC).

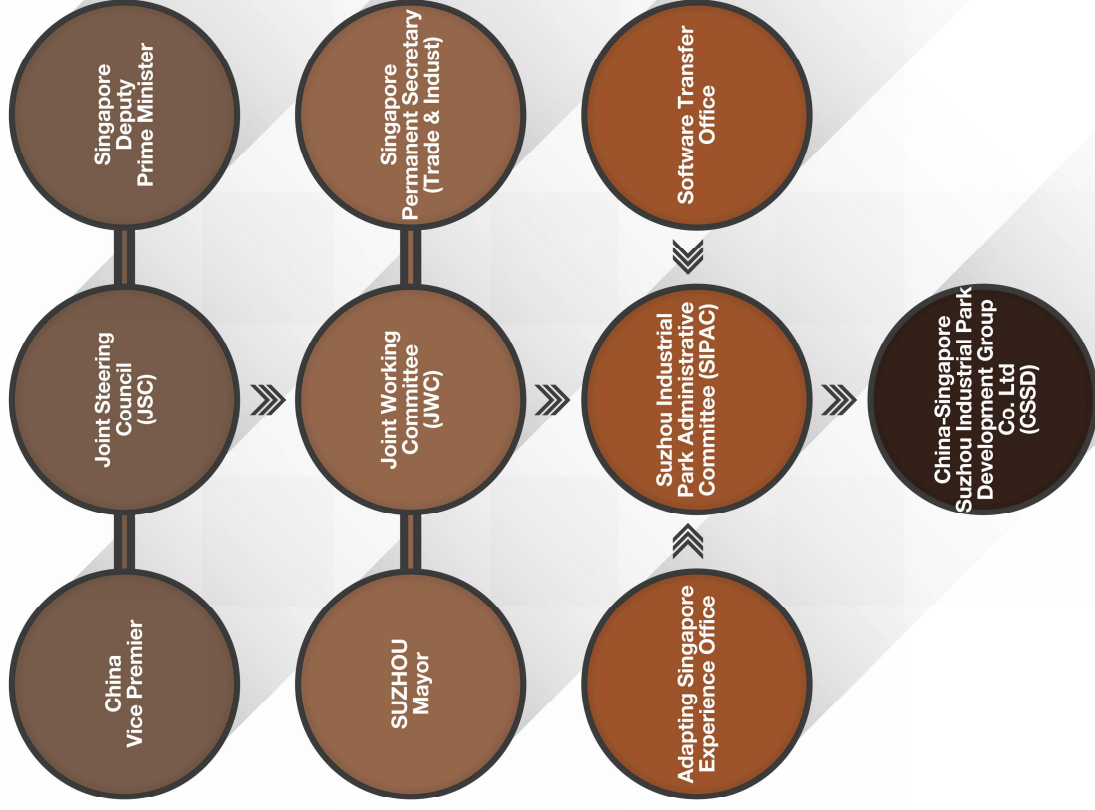
The JSC, jointly headed by a Chinese Deputy Premier and a Singapore Deputy Prime Minister, was to provide policy guidance and support to the SIP project.

Subsumed under the JSC was the JWC with senior officials from both countries. Its role was to co-ordinate and oversee the software transfer process to the Suzhou Industrial Park Administrative Committee (SIPAC) and to monitor and support the development of the joint venture SEZ.

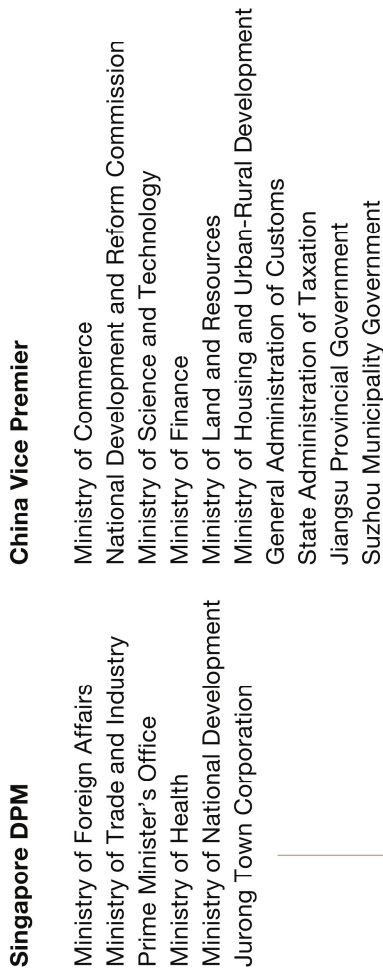
The SIPAC was a local authority set up by the Suzhou Municipal Government to govern the 70 sqkm SIP and the surrounding five townships of 186 sq km. Hence it was equivalent to a district government, but with direct support and close monitoring from the central government.

# The SIP Management Structure

The functional relationship of the management structure is as shown.

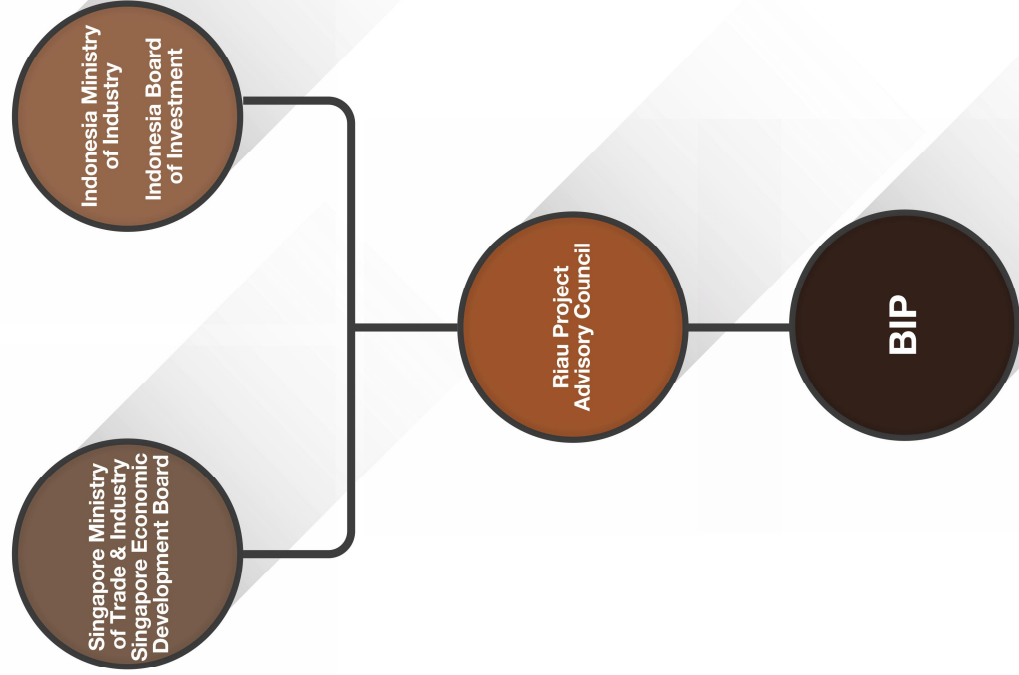


Composition of the Joint Steering Council (JSC)



## The BIP Governance Structure (BatamIndo Industrial Park)

The BatamIndo Industrial Park (BIP) was another joint venture project between an Indonesian conglomerate and a group of Singapore government-owned companies. The BIP governance structure is established as shown.



## Joint Venture (JV) structuring

### JV structuring – Key issues to consider

#### Which local entity/entities should be shareholders in the JV?

- International practice separates the regulatory body from the business entity. Hence a statutory board or an authority should avoid taking direct investment.
- The foreign investor, usually a large company, is likely to use one or more of its subsidiary companies as shareholder.
- The local party can be a government owned company (GLC) or a group of GLCs and private companies.
- It is important to consider the financial standing and business expertise of the local entities, due to the long-term nature of the project.
- Host should study above factors and decide early.

#### A direct JV or a consortium JV model?

- A One-to-One JV model is the simplest model.
- For considerations of financial capacity, business or operational expertise, the host country may want to consider nominating more than one local company as JV shareholders.
- If only two local entities are considered, a simple direct JV is preferred.
- The foreign party can similarly nominate more than one entity as JV shareholders.
- Host should consider such options early in tandem with the selection of participating entities.

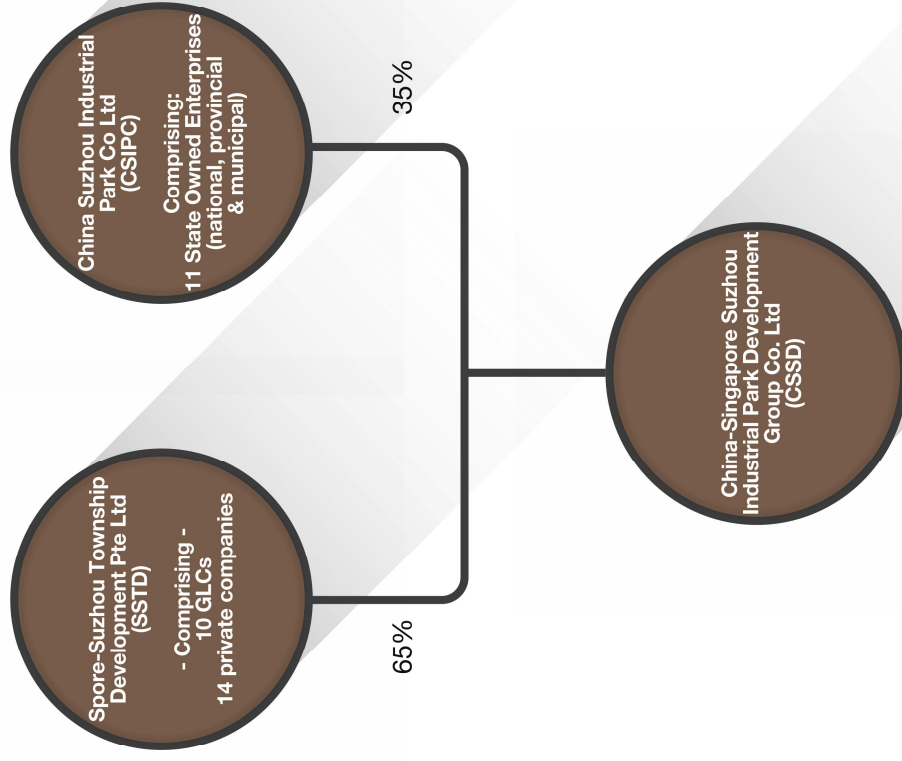
#### What is the workable shareholding ratio ?

- Factors to consider when deciding on an appropriate shareholding ratio:
  - Size of the project (cost)
  - What each party can contribute
  - Financial sustainability
  - Market potential
  - Operational expertise
- Whether strategic control is necessary.
- Shareholders' preference on whether the JV should be a subsidiary or associate company.
- In Singapore's experience, it is to the advantage of the host country to hold a majority share in the JV.

## Joint Venture Company Structure

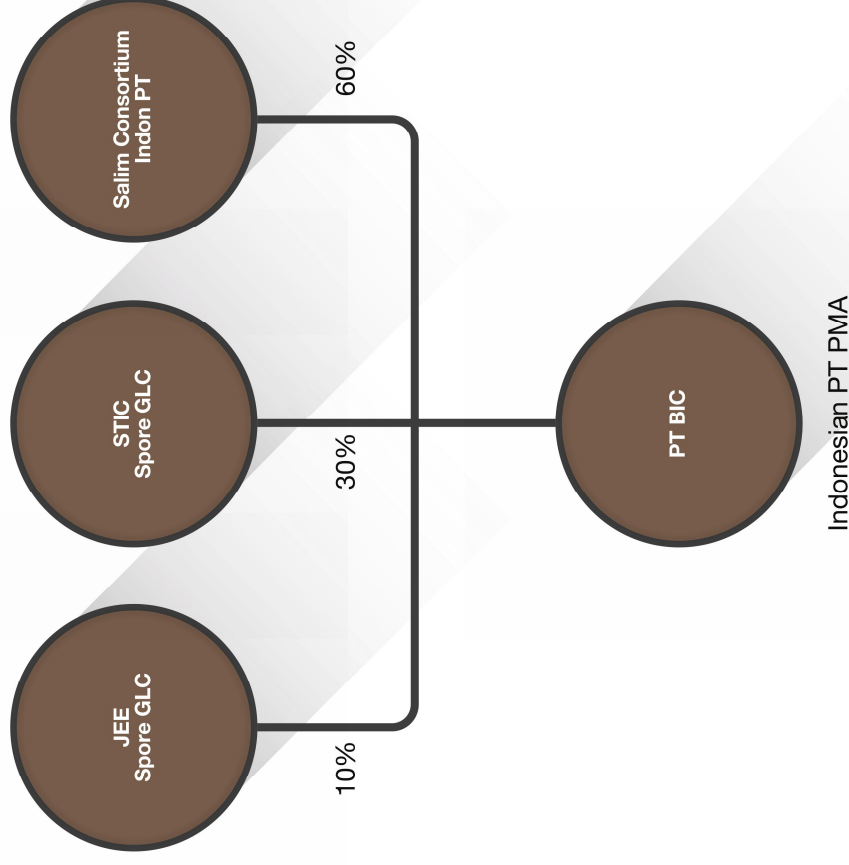
### The SIP Joint Venture Company Structure

At the joint venture level, the participating companies from both countries formed one consortium each and joined hand to undertake this mega project. The initial shareholding was 65:35 in favour of the Singapore consortium. The ratio was reversed in later years.



### The BIP Joint Venture Company Structure

At the joint venture level, two Singapore government-owned companies and one Indonesian private consortium took part in the project. The initial shareholding was 60:40 in favour of the Indonesia consortium.



## One-stop Service Office

The One-stop service concept has been adopted by almost every country with SEZ operations. It essentially involves establishing a central office within the SEZ to process investment and development permits and licenses for investors.

The concept calls for all relevant government departments to second staff a central office set up by the SEZ Administration Committee. The key function of this one-stop service centre is to service all SEZ investors directly on all regulatory issues and applications. This improves SEZ operational efficiency significantly.

The creation of a one-stop service concept is mandated by many countries' SEZ laws, including the Gabon SEZ Act.

Indonesian SEZ Law stipulates that the granting of permits and licenses shall be carried out through one-stop integrated services.

China established their one-stop service centre through a special SEZ regulation. Such centres are managed by staff seconded from various government departments such as commerce, land resources, environmental control, customs, immigration, taxation and public works.

The SIP One-stop service centre founded in September 2001 is particularly successful in that it now has its own dedicated building in SIP, with more than 100 service staff, processing more than 80 kinds of applications. The Centre can complete 85% of processes in one day and 100% of applications within 7 days.

The essential services provided by the one-stop service centre include:

- Foreign investment project approval
- Company registration
- Business operation licenses application
- Land acquisition and title application
- Master plan approval
- Environmental impact assessment approval
- Construction permits approval
- Utility application
- Fire safety approval
- Property occupation title application
- Imports and exports license application
- Tax entity registration
- Preferential policy application
- Foreigners entrants visa application
- Foreign expatriates working permit application
- Publication permit application

The SEZ developers can also provide their version of one-stop support services to assist their clients (tenants) in the process of starting up operations in the zone. This can include preparation of application forms, seeking accommodation for expatriates and even finding schools for their children.

Such one-stop support services normally reside within the Developer's customer service department.

## The primary asset in any SEZ

Key issues include:

- Land ownership.
- Land tenure.
- Land development regulations.
- Infrastructure development.
- Development density.
- Investment density.
- Land transaction.
- Estates Management.

Controls are needed to ensure that the SEZ's fundamental objectives are kept.

Land is a valuable resource. It can be defined and is measurable. In Singapore, land is defined as the surface of any defined parcel of the earth, all substances there-under and the column of airspace above the surface, and includes any estate and all vegetation growing thereon and structures affixed thereto.

Land can be valued, sold or leased. But it must first have a valid title deed and a tenure assigned to it and it must be a parcel that can be developed. This enables the land to become a bankable assets and transferable.

When the SEZ land is acquired by the Government and squatters resettled, the land will be ready to be leased to investors who have the financial capacity and technical capability to develop, market and operate the Zone.

The Government should specify, under the SEZ Act, the rights and obligations of a land developer.

### Rights

- To act as the land developer and facility operator.
- To develop utility systems and act as a utility provider.
- To possess land lease title and other relevant business licenses.
- To lease, sub-lease or sell land or buildings to licensed SEZ enterprises.
- To hire foreign professionals and workmen to work in the SEZ.
- To enjoy all preferential policies applicable to SEZ land developers.

### Obligations

- To invest the promised capital in land development.
- To comply with investment regulations.
- To comply with land-use policies, development control and building regulations.
- To develop quality infrastructures and facilities.
- To maintain the estate under reasonable condition.
- To comply with all taxation, customs and immigration regulations.



## Land

### Transaction of SEZ land parcels and properties

Computing land tenure in SEZs can be complicated, leading to uncertain land or property prices. This is usually due to inconsistencies in land policy and mixed tenure with regard to the plot in question.

In this proposed SEZ project, we have recommended that the Guinea Government issue a land tenure of 70 years. The start date of this tenure should be the date when the SEZ land developer signs the development contract.

The land transfer contract should clearly state that at the end of the 70-year lease period, the Government could decide whether to take the land back from the developer in its existing state, or allow an extension of the land tenure.

To provide maximum flexibility, the SEZ land developer should be allowed to sub-lease the divided land parcels to investors for various land uses for any reasonable lease period ranging from 30 years to the period which coincides with the end-date of the master lease. Given such an arrangement, investors will be absolutely clear about the land tenure.

Land development requires substantial time. Governments should allow the land developer to develop the SEZ land in phases. A phase development approach has the following advantages:

- It allows the developer to plan their budget for the land acquisition.
- The land will not be abandoned if the developer falls into arrears as the land can be developed in phases.

Experience shows that three phases for development is ideal.

### Examples of phasing of handing over of land

Example 1 – Batam Industrial Park (320 Ha)			
Phase	I	II	III
% of Land	31.2	46.9	21.9

Example 2 – Suzhou Industrial Park (7,000 Ha)			
Phase	I	II	III
% of Land	12.6	31.1	56.3

## Development Controls

Development control regulations are among the most important SEZ regulations. The essential elements in this regulation are:

- Type of land-use assigned to each land parcel.
- Gross plot ratio allowable in each land parcel.
- Building set-back guideline.
- Height limits.
- Green coverage.
- Environmental controls.
- Permitted period of construction allowable.
- Penalties for non-compliance.

Most countries design their development control regulations based on existing rules as well as experimental guidelines.

In the proposed SEZ project, it will be good that the design of the regulations take reference from Singapore and China where best practice are exhibited in their SEZ projects.

### Industrial land-use zoning

In Singapore, the industrial land zoning is categorized into three classes, base on extent of environmental impact after development. Business park is meant for service industries, including R&D and business outsourcing services.

Business 1 Class is meant for light and non-pollutive industries, warehousing and service industries. Business 2 Class is for general and heavy industries where there is certain degree of pollution and preventive controls must be exercised.

## Development Controls

Classification of industries by the National Environment Agency (NEA) Singapore

Class	Buffer Zone	Air Pollution	Water Pollution	Sound Pollution	Smell	Hazardous substance
Clean Industry	Not Required	Nil	Nil	Nil	Nil	Minute quantity
Light Industry	50m	No fuel oil burning	Minute quantity	Low Noise	Minimal	Small quantity
General Industry	100m	Minimal	Minimal	Minimal	Minimal	Controlled quantity
Special Industry	500m	Must be controlled	Must be controlled	Must be controlled	Serious	Large quantity

### Gross Plot Ratio (GPR)

Defined as gross building floor area over gross site area, the GPR is the most important parameter for controlling development density.

In both China and Singapore, common GPR ranges are as follows:

Land-use	Industrial	Commercial	Residential
Gross Plot Ratio	0.6 – 1.4	1.0 - 2.8	1.4 – 2.8

Example of Development Parameters presented to factory developer

Key site parameters	
Location	See plan
Site Area	32,000 sqm
Lease period	30 years
Allowable development	B2
Permissible Gross Plot Ratio	1.00
Maximum Building Height	63.5m AMSL
Project Completion Period	60 months



## Investment

### Investment Intensity

Land is a valuable resource. Investors should be encouraged to invest a minimum amount of funds in land that is being set-aside for development, in order to realize the full potential of the land value.

Many countries stipulate investment intensity for land leased for industrial development. Examples are:

- Singapore: S\$400 per sqm (S\$4 mil per ha) or (US\$320 per sqm)
- China: RMB 1 mil per mu or (US\$242 per sqm) for a non-high tech factory
- China: RMB 2 mil per mu or (US\$484 per sqm) for a high-tech park

This unit rate takes into account all the cost of land, buildings, production machinery and equipment.

For the proposed SEZ project, the Government must consider setting an appropriate target investment intensity in US\$ per sqm. An investment intensity of US\$200 per sqm seems appropriate for the time being.

### Investment, development & operation of utility systems

Besides constructing basic infrastructures like roads, drainage, sewer lines, water reticulation system, power distribution system, telecommunication and data transmission lines, most SEZ land developers are capable of building utility source plants too.

Utility source plants refer to power generation system, water treatment plant, effluent treatment plant, solid waste incineration plant, telecom transmission plant etc.

However, some SEZ developers prefer to leave these systems to utility system providers and operators to develop and operate. This is because these utility systems require regular maintenance and effective operations to meet customer needs.

Some governments prefer to package such utility installation and supply projects as external investment projects or public-private partnership projects.

Beside enjoying the fiscal incentive policies, utility system providers will be looking for freedom to set a tariff structure. As utility tariff is one important competitive factor for SEZ industries, the Government and zone developer must carefully formulate terms and control measures, to ensure a win-win situation such that the tariffs are attractive to zone manufacturers and the investment returns are justifiable to the utility system investors.

In the proposed SEZ project, the Government can consider allowing the power plant investor to upload their surplus power to the national grid during the early stage of the SEZ development while allowing them to draw certain amounts of power into the SEZ at the later stage, if the internal capacity is below demand. This is another win-win collaboration for SEZ development.

## Facility management

---

### Facility management

Facility management (FM) refers to the management and preventive maintenance of high value operating assets operated by developers or manufacturers.

These assets include electrical sub-stations, stand-by power installations, central air-conditioning systems, building intelligence system, fire detection and fighting systems; and building security installations.

Specialised technical expertise is needed in facility management. SEZ administrators, land developers and industrial companies usually contract FM companies for such work.

Hence the Government and zone developer should regard FM services as one essential service and offer further non-fiscal preferential policies to attract such companies to operate in the SEZ.

## EXPORT

Increased trade, in particular exports, is one of the key spinoff economic benefits arising from an SEZ.

To export goods manufactured in the SEZ, efficient custom operations is important to reduce business costs.

### Customs authority in the SEZ

SEZ development sites may be away from a sea port or other customs check points. For operational efficiency, many SEZs have customs authority set up within the SEZ boundary.

For effective control, a customs bonded zone is set up as a fenced up area inside the SEZ.

There are many successful examples of customs bonded zones, such as the Batam Industrial Park SEZ in Indonesia, and the Pudong Development Zone and Suzhou Industrial Park in China.

These “in-park” customs authorities are empowered to inspect, certify and seal the product containers, after which containers can go through the port customs many miles away without any further customs check. This improves the export processing time tremendously.

### Imports and exports operations

Customs authorities often encourage logistic companies to set up warehousing operations in the bonded zone within an SEZ. Goods can be brought in and stored without paying duties till they are taken out for delivery to factories. Duty-paid goods imported from domestic sources can qualify for duty refund.

Highly computerised systems can be installed within the bonded zone. This will further improve efficiency by reducing logistics costs and down time from transporting goods.

Such an arrangement is highly recommended for the proposed SEZ project in Guinea.

## EXPORT

### Establishing a green lane

Green lane refers to a system where goods can flow freely between a port customs and an SEZ customs with customs check only at the SEZ customs. Such a system can overcome congestion at port customs effectively. Both BIP Indonesia and SIP China have set up green lanes to facilitate exports very successfully.

The green lane concept may also apply to immigration control to facilitate the entry and exit of expatriates working in the SEZs. The BIP green lane system allows SEZ expatriates holding green lane passes to clear immigration even without showing their passports.

The Green lane concept may be applicable to the Conakry Port in the proposed SEZ project.

### Outputs for domestic consumption

Almost all countries with SEZs allow manufacturers in the SEZ to sell a certain portion of their output in the domestic market, subject to local duties and taxes. This allowable portion and the computation of duty and taxes may vary from country to country.

In BIP Indonesia, the customs authority allows at most 25% of output for sale in the Indonesian market, subject to prevailing duty and taxes. In SIP China, the customs authority allows outputs to be sold in China with some conditions.

In the Gabon SEZ, the SEZ Act has specifically allowed manufacturers to sell 25% of their goods to the domestic market without losing their tax exemption benefits from the SEZ.

For the proposed Guinea SEZ, the government will need to carefully consider the percentage allowable for domestic sales and whether or not to recover the duties from the manufacturers.