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The Rise of Economic Zones in the MENA Region

*A Telecommunications
Perspective*

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The Rise of Economic Zones in the MENA Region

A Telecommunications Perspective

Economic zones, which are designated areas in which residents and companies are exempt from certain laws and taxes, have been used around the world as an incentive to boost local business. The trend in some countries in the Middle East and North Africa (MENA) region, especially Gulf Cooperation Council (GCC) members, is to use these zones as vehicles for spurring economic diversification and decreasing dependency on the oil sector. Such zones can attract new types of tenants with skills and other resources to contribute to the investment and establishment of new, globally competitive industries, especially service-based industries. Some countries are developing grand plans that extend the traditional concept of zones to economic cities.

Developers of many of these new zones want to provide advanced information and communications technology (ICT) infrastructure and services in order to attract leading tenants. As more Gulf states strive to adopt similar diversification ambitions, there is greater competition to be the regional leader in some industries and therefore in ICT facilities and service offerings. To ensure advanced ICT facilities are available, some developers are considering taking a hands-on role in rolling out infrastructure and services for these zones. There are a number of ICT development and management models that could be considered by policymakers, regulatory authorities, and developers. The common denominator among all of the models,

however, is that in countries with liberalized telecommunications markets, there are no regulatory exemptions or special treatments for zones. Exemptions would be counterproductive and would, in practice, be the inverse of the purpose of the zone, which is to enable more liberalized commercial environments. Some regulatory changes, however, may be necessary: For instance, regulatory environments may need to be opened further to allow developers and other investors to be authorized to manage networks and provide services within zones. *Economic zones* should be vehicles supporting greater telecommunications liberalization, especially in terms of enabling fair and value-creating competition within the market.

The Challenge at Hand

Economic zones have existed for many years across the MENA region. Initially, such zones were free ports for customs duty benefits. More recently, some GCC member governments began adopting *economic zones* that have evolved beyond simple concepts such as a customs zone near a port, implementing more widespread incentives and creating important vehicles for driving economic diversification policies.

Gulf countries have recognized the need to develop their national economies beyond dependency on the oil sector. Many new zones are being introduced, which are centered on ICT, financial, and other service sectors. The policy objective is to build new national economic platforms based on specific concepts or industries for promoting growth, attracting new types of visitors and residents, and enabling employment opportunities.

Planners, developers, and national policymakers in the GCC want to have state-of-the-art ICT infrastructure and services in their zones, including the following:

- Availability of high-capacity, high-speed infrastructure
- Reliable access to advanced ICT facilities and services
- Provision of comprehensive ICT management services.

Developers believe that meeting these needs will help attract leading tenants that can boost spending and enable the introduction of globally competitive industries, investments, and growth to each country in which ICT-enabled zones are introduced. As more countries in the region adopt the concept of *economic zones*, the need increases to provide the best facilities and environment to attract premier residents¹ and visitors. This is especially the case where countries have competing objectives, such as to be the regional hub for specific sectors.

To implement advanced ICT infrastructures, some developers are considering taking control of their construction and rollout, as well as service provision, to tenants in these zones—a role that would normally be played by telecommunications operators. However, developers run the risk of coming up against regulatory barriers in implementing this approach. These barriers, depending on the country's regulatory framework, could include a lack of authorization or clarity of rights in regulatory regimes for nontelecommunications operators to construct or provide infrastructure or services within a defined area such as a zone.

To support the realization of advanced ICT infrastructure and delivery, it is necessary that national telecommunications authorities consider reassessing existing regulatory frameworks and obligations. Authorities may conclude either that the authorization regime could be further liberalized or that current practices are sufficient enablers. However, authorities should be cautioned against exempting telecommunications provision within zones from the national laws and regulations applied outside the zones. This is for the simple but significant reason that most countries have initiated or undergone liberalization

already. Instead, authorities need to consider whether further liberalization is necessary across the sector, which in turn would benefit the zones.

The objective of this paper is to consider the key factors for enabling advanced ICT infrastructure and service provision within *economic cities* and special zones, from the perspective of developers, operators, regulatory authorities, and policymakers. In this paper, *economic cities* and *economic zones* are regarded as offering important enablers in fostering economic development. Among these enablers are regulatory certainty and the opportunity for developers to have a role in telecommunications infrastructure and service provision. However, the provision of exemptions or special treatment for telecommunications would be contrary to the progressive liberalization practices being introduced. It is important to provide greater choice and opportunities for incumbents and for new entrants. At the same time, developers need to be given a chance to be providers or managers of infrastructure and service provision.

Introducing Economic Zones and Cities

Economic zones are designated areas in which residents and companies are exempt, in whole or in part, from selected laws and rules. Traditionally, these exemptions have included ordinary taxes and limitations on ownership and trade. The term *economic zones* is quite broad because there are different types or variations of zones.

The Organisation for Economic Co-operation and Development (OECD) studied economic zones and defined three main types, as follows:²

Free Economic Zones. This category covers the ground from free ports to export processing zones. FEZs are generally accessible to investors but do not go as far as offering a tailored regulatory environment.

Special Economic Zones. SEZs are basically ring-fenced, customs-free areas with a regulatory environment of their own. They are mostly backed by a piece of legislation establishing a governing council for each individual SEZ and mandating it to enact rules that shall apply to investors within the zone.

¹The term "residents" is used to cover both companies and households.

² From OECD, MENA-OECD Investment Programme, "Incentives and Free Zones in the MENA Region: A Preliminary Stocktaking," Working Group 2.

Industry Zones. IZs are basically free zones but targeted at specific sectors or economic activities. They may restrict the access of companies in nonpriority sectors, and their infrastructure is mostly tailored according to their sectoral targets.

The common element of all forms of zones is that they are typically used to encourage spending, investment, and development.

Presently, there are examples of *economic zones* in Asia, Latin America, the Middle East, and a few Eastern European countries. As an indication of the scale of these zones, the World Bank claimed in 2004, “Thirty years ago, 80 special economic zones (SEZs) in 30 countries generated barely [US]\$6 billion in exports and employed about 1 million people. Today, 3,000 SEZs operate in 120 countries and account for [US]\$600+ billion in exports and 50 million direct jobs.”³ Since these figures were published, there has been continued growth in *economic zones*, most notably in the MENA region.

Whereas *economic zones* are often areas attached to established cities, a newer type of zone is emerging in countries that have the geographical capacity to develop new zones as independent, all-encompassing urban centers. These can be classified as *economic cities*, constituting a fourth type of *economic zone*. However, this term is liberally used, as there are

examples of *economic cities* being small developments or zones designated for specific purposes.

“City” is commonly used to identify a distinct, highly populated urban settlement. However, the term can also indicate a special administrative or legal entity. In some countries, cities have legal foundations through formal establishment by a charter or by being incorporated. Most often these are run by a political entity separate from, but possibly subservient to, any other form of government. In other words, a political body, separate from a central or regional authority, would be responsible for running only the city. However, the expression *economic cities* has often been used in a broader sense that is more closely associated with “development” or subdivisions of a larger development.

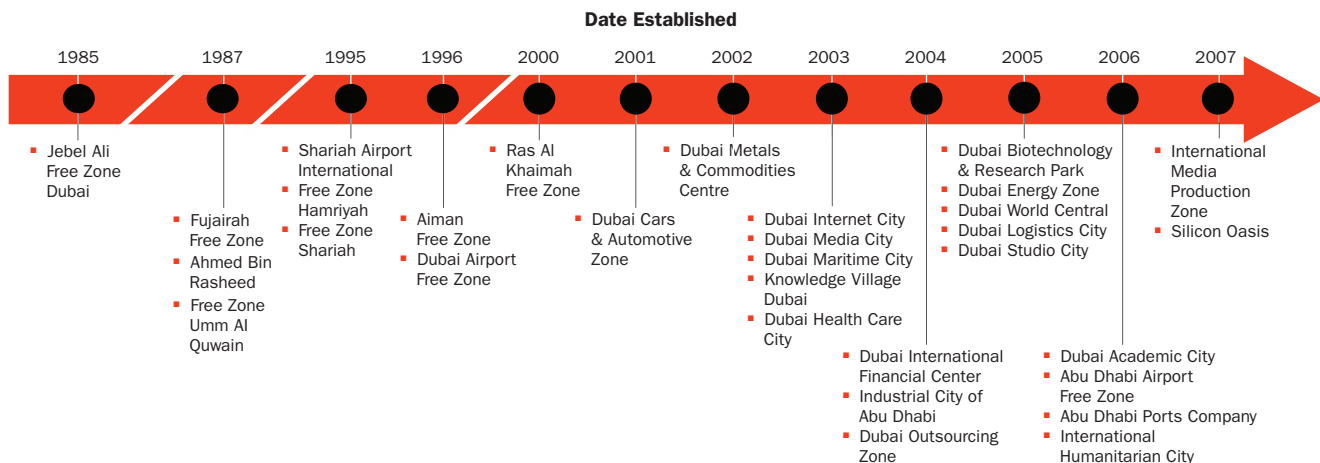
Growth of Economic Zones in the Middle East

Economic zones are quickly being adopted across the Gulf region to promote diversification of countries’ economies away from oil and to enable greater employment opportunities for nationals.

United Arab Emirates. The UAE was an early adopter of *economic zones*. Since introducing the concept in 1985, it has established or is in the process of developing at least 31 *economic zones*, ranging from media and entertainment to industrial to IT research and development (see Exhibit 1).

Exhibit 1

UAE Economic Zones Establishment Time Line



Note: This list is not intended to be comprehensive. The list and dates are for indicative purposes only. Many zones and cities established in the past five years are still under development. Sources: <http://www.uaefreezones.com>; Zawya; Booz Allen Hamilton

³World Bank, 2004, James Crittle and Gokhan Akinci, <http://rru.worldbank.org/Discussions/Topics/Topic40.aspx>.

The UAE's Jebel Ali Free Zone expanded from a port to a location for numerous industries and now has around 6,000 companies from 120 countries. Dubai's Technology and Media Free Zone was established in 2003 and contains the regional offices of leading broadcasting companies (e.g., AME Info, MBC, Reuters, CNN, and the BBC), as well as IT and telecommunications vendors (e.g., Microsoft and Siemens). In addition, there are numerous other large developments planned and being built.

Kingdom of Saudi Arabia. KSA is another example of a country with plans to extend zones to the scale of full-fledged urban centers. In 2005, the kingdom announced its intention to build the King Abdullah Economic City, where approximately 2 million people would live and work by 2020. This city would be divided into six areas: the sea port, industrial zone, central business district, resort district, educational zone, and residential communities.

KSA has since announced plans for further cities, including the Prince Abdulaziz bin Musaid Economic City, Knowledge Economic City, and Jazan Economic City, as well as developments in Tabouk and the Eastern Province. The plans to create a number of new *economic cities* include an expectation to create 1.3 million new employment opportunities by 2020. The Saudi Arabian General Investment Authority (SAGIA) expects the *economic cities* to contribute [US]\$150 billion to KSA's GDP by 2020.

Other Middle Eastern countries have increasingly been adopting zones to achieve similar diversification objectives. Here are some examples:

- Bahrain is developing the Bahrain Investment Wharf (BIW), in addition to its current two ports and industrial zones (Mina Sulman and North Sitra Industrial Estate). The BIW is expected to cost around [US]\$1.3 billion. The goal is to attract international investments to support the country's industrialization.
- Oman has a zone called the Knowledge Oasis Muscat (KOM) and plans to build a multidisciplinary city called Blue City, focusing on residential and high-end tourism facilities with the necessary supporting technical and social infrastructures. The estimated development costs are [US]\$1.8 billion. Oman is also

planning two other developments: the Salalah Free Trade Zone (FTZ) and the Sohar Port.

- Qatar plans to construct a development called Energy City Qatar (ECQ), which will aim to attract leaders in oil and gas production. It is also planning a zone called Lusail, which is intended to attract major businesses and entertainment. Other planned zones include near the Doha Airport, Doha Industrial Area, and the Mesaieed Industrial City.

To date, more than 55 *economic cities* or *economic zones* have been established or are under development in the GCC region. There are also nearly as many large-scale developments, and the investment climate indicates that a number of additional developments are under way.

Delivering Advanced ICT Infrastructure and Services

Developers can face regulatory challenges in the self-provisioning of telecommunications infrastructure and services. These challenges include authorization barriers to the construction of networks, management of networks, and service provision. Challenges might also come from existing operators unable to roll out networks in the zones within the necessary time frame or to the standard demanded by developers' plans. Therefore, it is necessary for all stakeholders—i.e., developers, operators, regulators, and policymakers—to address the barriers that affect ICT infrastructure and service development.

Developers. Telecommunications in all MENA countries are subject to laws and regulations. Developers can no longer expect exclusivity for ICT provision in selected geographical areas. Although there are examples of such arrangements in the past (e.g., Dubai allowing monopolistic privileges in selected developments), these existed prior to sector liberalization. In fact, such privileges are being revoked to comply with practices enabling market competition. Developers therefore need to consider their objectives in the context of an open, albeit regulated, telecommunications sector.

In principle, such open and competitive environments should meet developers' needs. Zones can attract providers with a contained and lucrative group of customers. Network and service providers would want to be the first to gain competitive advantages through early entry.

In fully liberalized markets, providers of telecommunications facilities and services typically require authorization. In the MENA region, many countries have adopted a managed approach in their evolution toward full liberalization, and still have restrictive regulatory practices for authorizing market entry. Most countries in the region limit the allocation of fixed network licenses. However, although mobile depends on the availability of spectrum and thus can support only a certain number of operators, managing the number of fixed network providers is driven by the eagerness of policymakers and regulators to avoid market fragmentation and sustain healthy growth and profitability for licensed market players. Developers that want authorization to enter the market need to be aware that it is common practice in such emerging and developing markets to impose conditions on the authorized operator (e.g., geographical coverage). Some authorization conditions might lie outside the developer's objectives.

Alternatively, the status of private networks could be a loophole to gain control or some exclusivity for an area. Typically, providers of networks and services to users on a commercial basis (i.e., at a price) require a public telecommunications license. However, the position of private landowners in granting exclusive access to network providers can conflict with the principles of telecommunications frameworks and the intention to provide consumers with a choice of providers. Some regulatory regimes may not be clear on what private networks are, or even if these are allowed. It is therefore important to define the status of private networks and the description of how they differ from public networks in regulatory frameworks.

International practices have been mixed as a result of the degree of empowerment of regulatory authorities. In some instances, regulatory authorities did not have the power to require that private landowners grant building access on a nondiscriminatory basis to operators.⁴ In other examples, property owners may operate in-building, noninterconnected systems and, until recently, were not permitted to aggregate

traffic, install switches, or otherwise engage in the resale of telecommunications services.⁵ However, some regulators are changing practices in order to enable tenants to have a choice of providers on a nondiscriminatory basis.⁶

Clarity is therefore needed on the legal position of property owners of *economic zones*. It must be clear as to whether or not telecommunications providers can access premises to install, maintain, and provide services. It also must be clear whether owners can restrict or apply selective access to their buildings, despite the fact that there may be a number of tenants with little or no common tie.

Where the environment does not allow private networks to manage and offer services on a commercial basis, developers could discuss opportunities to become licensed operators and service providers with the regulatory authority. Regulators should welcome interest from developers in rolling out advanced ICT infrastructure and services, since many governments are concerned about the generally low penetration of broadband. Developers may be the necessary stimulus toward changing this situation.

Operators. Some significant voices in the market are stating what they want and are indicating they are willing to self-develop and deliver these needs. It is therefore important that operators step up investments and offerings to ensure they can meet these customers' demands.

The alternative will be that competitors will gain the advantage or there will be greater pressure on regulators to license new entrants, among which could be the developer.

Operators not only face the prospect of further competition but even run the risk of exclusion. Some developers might seek the right to control access to the zones they develop; for instance, through a request for the exclusive right to manage who provides or manages the infrastructure as well as possibly what

⁴e.g., Canada

⁵e.g., Hong Kong

⁶In the U.K., prior to 2003, builders provided duct infrastructure in new buildings. The builders then sold access to BT, which provisioned construction with copper pair cable under its USO obligations. In 2003, new building regulations required that electronic communications services be readily supplied on a nondiscriminatory basis from the exterior of the building in most new construction. In the U.S., the Federal Communications Commission in October 2007 voted to ban exclusive deals between building owners and cable television providers to give apartment and condominium dwellers a greater choice of pay television services. A new rule nullified existing exclusivity provisions and prohibited any new ones. The FCC stated the deals are unfair and prevent new competitors from providing service in many buildings. The regulator's view is that there is no reason why consumers living in apartment buildings should be locked into one service provider. The new rule was backed by telecommunications companies, which have been pushing into the subscription television business around the U.S. by offering bundled packages of cable TV, broadband Internet, and digital phone services. (Source: http://today.reuters.com/news/articlenews.aspx?type=technologyNews&storyid=2007-10-31T170314Z_01_WBT007842_RTRUKOC_0_US-CABLE-FCC.xml.)

service providers the zone residents use. Exclusive rights could extend to the developer being the de facto telecommunications provider.

The idea of exclusivity is attractive to any operator. An operator that gains exclusive access to zones potentially derives some of the benefits of a monopolist. However, operators need to consider carefully before advocating for exclusivity. Operators might be given exclusivity but with a regulatory price, including full unbundling of the network to alternative network service providers and full access to any service provider.

However, there is also the risk that exclusive rights could go to a competitor. For example, a new entrant may be preferred, even by policymakers, as a way to help it gain market exposure and a revenue base.

Exclusivity of zones also introduces the risk for operators that any authorized right they hold to provide national coverage is, in practice, reduced—if not lost. Operators may want to partner with the developer in order to minimize this risk and benefit from monopolistic privileges.

Operators need to consider various regulatory scenarios and their implications, but these should be within the context of existing and ongoing liberalization initiatives. They need to recognize and take advantage of the demand for advanced ICT infrastructure and services, but will need to work with both regulators and developers to ensure they can deliver and benefit from these opportunities. Failure to proactively do so risks losing regulatory and commercial ground to competitors, including the developers themselves.

Operators therefore need to take a proactive interest in the ICT objectives of developers for these zones. There are commercial advantages to be had, but also regulatory risks that may require mitigation.

Regulators and Policymakers. *Economic zones and economic cities* may give rise to challenges for both regulatory authorities and policymakers. Although heavy advertising or promotion of the zones or cities may exert pressure on regulators and policymakers to offer them special treatment, a first challenge might concern whether these entities deserve, or could legitimately be allowed to have, special treatment.

Despite the ambition of developers, and the publicity surrounding these zones, such areas do not need to be given special treatment by telecommunications policymakers and regulatory authorities. Regulatory bodies must balance between promoting economic development inside zones and promoting the development of the telecom sector, one of the main economic pillars in the region. Furthermore, special treatment may be effectively illegal under some countries' telecommunications legal frameworks.

Exclusivity, other special treatment, or obligations to provide services are often reserved for areas in which telecommunications coverage and service provision is inadequate. Remote and sparsely inhabited areas tend to experience this. The reason is economic: It is less profitable to roll out and maintain a network in such places compared with high-density areas.

Economic zones and economic cities, by contrast, will be unlikely to experience such market failure in network rollout and service delivery. In fact, these areas are more likely to experience a high degree of competition. Operators and service providers are most likely to try to be the first to roll out in a development, using the latest technology to capture highly lucrative customers. There will also be higher levels of services and offerings.

Policymakers and regulators need to recognize that the purpose of free zones is in line with some of the principles of market liberalization by relaxing high market-entry barriers to trade and investment. The objectives of telecommunications market liberalization and competition should not be undermined. Such actions would challenge the credibility of the policymaker and regulator.

However, in markets in which there is a lag in the rollout of advanced ICT infrastructure and services, regulators and policymakers may want to assess how development can be accelerated and whether these zones can help the process. In many instances, this may be accomplished simply by reducing any excess regulatory management of market participation.

The only barrier to ensuring the maximization of advanced networks and efficient services is the regulatory regime itself. Policymakers and regulators should regard demands by developers as signals from

consumers about their needs and consider whether these demands are the result of the market being restrained in delivering them.

Regulators have a role in enabling participation in the markets. They should act by further opening up the market to competition by lowering unnecessary barriers to entry (e.g., licensing fixed networks, enabling full-service competition, and liberalizing the licensing regime to enable new entrants). This enabling role should be neutral, without resorting to exclusivity or exemptions, which can lead to market distortions and, ultimately, can disadvantage the communications user.

Authorities should also work with developers and operators in improving infrastructure sharing. This includes designing and constructing access-friendly ducts; requiring operators to share passive infrastructure (ducts and towers), working with other authorities to better enable right of access to public property and, if necessary, enabling developers the right to construct and manage and ease passive infrastructure.

Policymakers and regulators should therefore consider the state of market liberalization, opportunities to open markets, and infrastructure sharing, as well as the status of private networks, to identify the best approaches within existing mandates and frameworks.

Rolling Out ICT: Management Models for Economic Zones

There are a number of models that can be considered for the rollout of telecommunications infrastructure and

Exhibit 2

Benefits and Challenges of the *Private* ICT Zones Management Model

Benefits	Challenges
<ul style="list-style-type: none"> ■ Developer can self-determine: <ul style="list-style-type: none"> – Quality of the infrastructure to be installed – Operational model of the network – Services to be provided – Quality of the services to be provided ■ Developer can manage infrastructure and service modernization as demanded ■ Developer can generate additional returns from telecommunications services 	<ul style="list-style-type: none"> ■ Limited consumer choice ■ Conflict with licensing structure of telecommunications regulatory regime ■ Opportunity for anticompetitive practices, high prices, and inefficient operations and provision of services ■ No guarantee of quality of network operations and service provision ■ Conflict with market liberalization objectives and principles

Source: Booz Allen Hamilton

Exhibit 3

Benefits and Challenges of the *Exclusive* ICT Zones Management Model

Benefits	Challenges
<ul style="list-style-type: none"> ■ Because it determines the provider, developer can influence: <ul style="list-style-type: none"> – Quality of the infrastructure to be installed – Operation of the network – Services to be provided – Quality of the services to be provided ■ Operators and/or service providers bring in expertise 	<ul style="list-style-type: none"> ■ Limited consumer choice ■ Conflict with market liberalization objectives and principles ■ Opportunity for anticompetitive practices, high prices, and inefficient operations and provision of services ■ Asymmetrical treatment of consumers within and outside of zones: <ul style="list-style-type: none"> – Obstructs zone consumers from the benefits of personal choice of providers – Risk of benefits being prescribed at a central level rather than determined by individuals according to their own needs

Source: Booz Allen Hamilton

the provision of commercial services for ICT users in *economic zones*. These can be narrowed down to four: *private*, *exclusive*, *managed*, and *open*.

Private. In this model, the developer has full control of the operation of infrastructure and provision of commercial services to the residents of the zone (see Exhibit 2). The developer would:

- Construct the telecommunications—fixed and/or wireless—and IT infrastructure
- Manage the operations of the telecommunications network
- Provide telephony and Internet services, including voice, data, and TV services.

This model would be controversial and difficult to implement because it conflicts with market liberalization practices and does not guarantee optimal sector development.

If the private model were allowed, a number of regulatory problems would occur. A government attempting to exclude zones from national telecommunications laws and regulations would, in fact, be undertaking regressive actions to the detriment of telecommunications users and the overall liberalization objectives of the government.

Zones are typically used as a means to offer more liberalized conditions for zone residents; telecommunications open to competition are already achieving these objectives.

Exclusive. In the exclusive model, the infrastructure operator and commercial service provider are selected by the developer and given exclusivity rights within the zone (see Exhibit 3).

The exclusive model faces similar challenges to those cited for the private model. However, the exclusive model might be possible in markets that are still closed to competition. Very few MENA countries are still in such a position.

Managed. A managed model has regulatory limitations placed on access to an infrastructure operator but not on commercial service provision within the zone (see Exhibit 4).

Network operations are exclusive to an operator or a consortium of operators, which oversees a single network.

All licensed telecommunications service providers have the right to offer commercial services to any user in the *economic zone* over the provided network.

The managed model might be feasible, as long as the property remains under the ownership of the developer in terms of infrastructure rollout. However, regulatory regimes under liberalized market conditions could require the developer to allow access for other network providers so that they can reach the end user.

Open. The open model follows the approach that allows any licensed network operator and service provider to roll out and compete to serve users. Distinctions are not made between *economic zones*, nor between zoned and nonzoned areas (see Exhibit 5).

Exhibit 4

Benefits and Challenges of the *Managed* ICT Zones Management Model

Benefits	Challenges
<ul style="list-style-type: none"> ■ Because it determines the provider, developer can influence: <ul style="list-style-type: none"> – Quality of the infrastructure to be installed – Operation of the network – Services to be provided – Quality of the services to be provided ■ Allows for service competition and therefore choice for users in offerings and prices 	<ul style="list-style-type: none"> ■ Risk of enabling anticompetitive practices in network provisioning ■ Risk of long-term contracts due to infrastructure cost-recovery need <ul style="list-style-type: none"> – May limit effectiveness and quality of service provision ■ Conflict with a liberalization-based telecommunications regulatory regime ■ Inhibition of efficient operations and service provisioning ■ Risk of slower liberalization

Source: Booz Allen Hamilton

Exhibit 5

Benefits and Challenges of the *Open* ICT Zones Management Model

Benefits	Challenges
<ul style="list-style-type: none"> ■ Respond to market realities and commercially driven demands ■ Promote and encourage ICT infrastructure investment ■ Enable nondiscrimination between operators and service providers ■ Ensure unified application of telecommunications regulatory regime across the country ■ Ensure fairness, and choice for all consumers ■ Reflect market-driven needs 	<ul style="list-style-type: none"> ■ Developers have little influence in operators' business models ■ Open only to licensed providers ■ Underdeveloped or managed regulatory environment obstructs extraction of full value of competition

Source: Booz Allen Hamilton

Users may select their preferred network and service provider, service packages, and tariff plans, according to their own needs and priorities.

The developer is hands-off with no means to intervene. Its responsibility is in enabling access to premises for all providers, licensed by the responsible telecommunications authority, on a nondiscriminatory basis.

The open model is in line with market liberalization and fair competition. It encourages greater economic efficiencies than models based on exclusivity. Authorities would not incur legal challenges from existing licensees, which have the right to provide national coverage and services but which might face geographical and customer-access restrictions under other models.

Lessons Learned for Stakeholders

Economic zones will be a significant driver for telecommunications revenue growth over the next 10 years across the MENA region. In the GCC alone, *economic zones* are expected to generate more than 15 percent of telecommunications revenues by 2018. To capture this potential, the successful development of telecommunications infrastructure and services in these zones is of great significance.

Developers. Either as customers or as potential ICT infrastructure managers and providers, developers are important drivers in raising the expectations for ICT service standards and availability in the region.

However, developers cannot expect exclusive treatment, as this is not in line with market liberalization in the telecommunications sector. Instead, because of the size of investments in many developments and the importance of these investments to national economic

policies, barriers to entry should be lowered. This would allow for greater rollout opportunities and delivery of advanced ICT services and infrastructure.

Operators. *Economic zones* and other large-scale developments occurring in the region provide operators with new opportunities. In light of progressive liberalization policies, operators should take advantage of these by deploying as early as possible to capture the new customer bases that these zones will bring.

Operators should engage early on with developers to support the delivery of infrastructure and plan their long-term investments for the zones to meet expected service demands.

Operators will need to be cognizant of the risk to the scope and scale of their operating and service provision activities. Some developers may seek special rights to provide or manage these activities themselves, thereby restricting commercial opportunities for some operators. Therefore, operators will need to work with regulators to ensure their license rights are not compromised.

In some instances, operators might find that collaboration with developers makes economic sense. In such instances, operators may want to ensure this is possible from a regulatory perspective and that, in the meantime, such collaboration is not in breach of any anticompetition rules.

Policymakers and Regulators. Regulatory authorities and policymakers have a key role in supporting ICT development in these zones through further telecommunications liberalization, where necessary. However,

this role should be viewed as being part of ICT development throughout the country rather than in isolation.

Supporting ICT development might involve the further relaxation of restrictions on market-entry authorizations and, where necessary, the reduction of obligations such as geographical coverage requirements.

Regulators should review the status of property owners in relation to their rights in controlling access to premises for infrastructure installation and management, and any obligations in enabling access to service provision choice by tenants of their premises.

Economic zones or economic cities, despite the publicity in some markets, should not initially be looked at as warranting exemptions to liberalized telecommunications regulatory frameworks. In fact, these may be prohibited under the country's telecommunications regulatory framework.

It is critical to the growth of the sector, to existing sector investors, and to consumers that regulations are not asymmetrically applied between zoned and nonzoned areas. This could result in anticompetitive practices and unfair barriers to consumer choice within zones.

Regulators need to engage with developers and all licensed providers of public telecommunications networks and services to ensure that national ICT policies can be successful in zones and that various opportunities are available to meet the demands of market participants (e.g., developers) for advanced ICT infrastructure and services without obstructing other policy objectives, including competition.

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