



Sustainable Industrial Areas
INTERNATIONAL CONFERENCE

Addis Ababa | Ethiopia | 8th - 10th of April 2019

Company Strategy on Promoting Sustainable Special Economic Zones (SSEZ)

International Conference

Sustainable Industrial Areas

Addis Ababa, Ethiopia | 8 - 10 April 2019



Implemented by
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH





Today's Speakers



Gail Klintworth

SSEZ- Director

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Duties: Responsible for SSEZ platform strategy and senior international stakeholder engagement

Background: Former Unilever Global CSO and CEO South Africa



Robbie Marwick

SSEZ- Operations Director

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Duties: Responsible for overall execution, operations and zone development across geographies (Nigeria, Kenya & Ethiopia)

Background: Strategic Advisory, Human rights, Small holder farming economics



Ade Okuwoga

SSEZ- Country Manager (ETH)

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Duties: Responsible for Ethiopia zone commercial development and in country project management

Background: Strategic Advisory (Energy & Power infrastructure), Sustainable Energy

Please contact for follow-ups

SYSTEMIQ is an advisory and investment company working with multiple stakeholders to build and scale commercially viable solutions that will drive the delivery of the SDGs



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**BUILDING
COALITIONS**

We build and advise coalitions of leaders to drive policy and industry changes

**ADVISING
PIONEERS**

We design innovative business models for multinationals, governments and NGOs

**INCUBATING
BUSINESSES**

We partner to create, launch and demonstrate commercially viable and replicable business models

**DIRECT
INVESTMENT**

We invest in disruptive technologies and deploy flexible capital as mission-driven investor

**SCALE UP
CAPITAL**

We attract large-scale capital to nurture and grow commercially-viable solutions



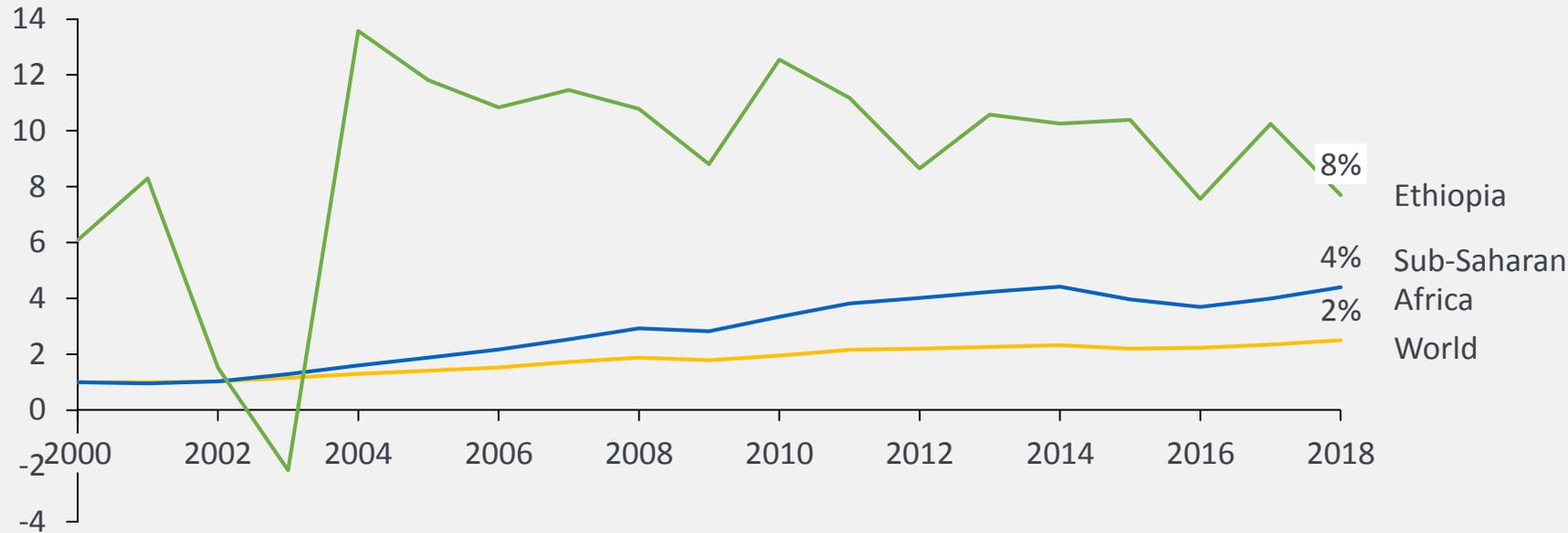
Our growth model is broken across the world, but Ethiopia has the opportunity to drive the SDGs by sustainable leapfrogging the models that have been historically destructive



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GDP growth since 2000 (CAGR %)



THE GLOBAL GOALS
For Sustainable Development



In theory, there is a \$1.1 trillion sustainable business opportunity in Africa, which would create 85 million jobs

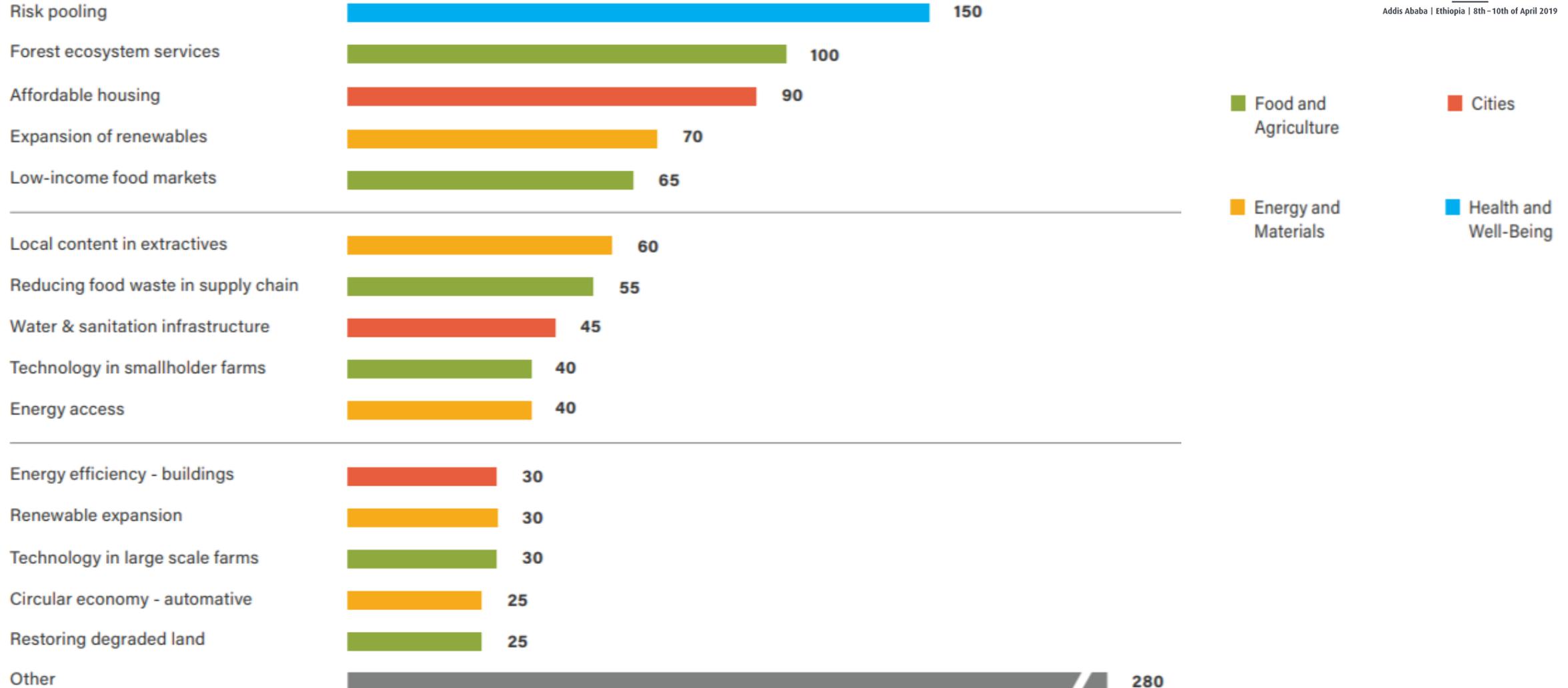


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Largest Opportunities

Size of incremental opportunity in 2030* \$US billions; 2015 values



And some businesses are already doing it by optimising for sustainability to drive real economic value
 – The benefits are not just social and environmental



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Drives growth & innovation - top line performance

50% of growth – sustainable brands



\$12bn rev– green products



80% growth – In electric vehicles



257m ppl reached – Hygiene stamped rotis



Drives operational improvements - bottom line performance

\$9.8bn in savings – water and energy



\$1bn in savings – efficient logistics



45% improvement – water usage



£600m in savings – eco manufacturing

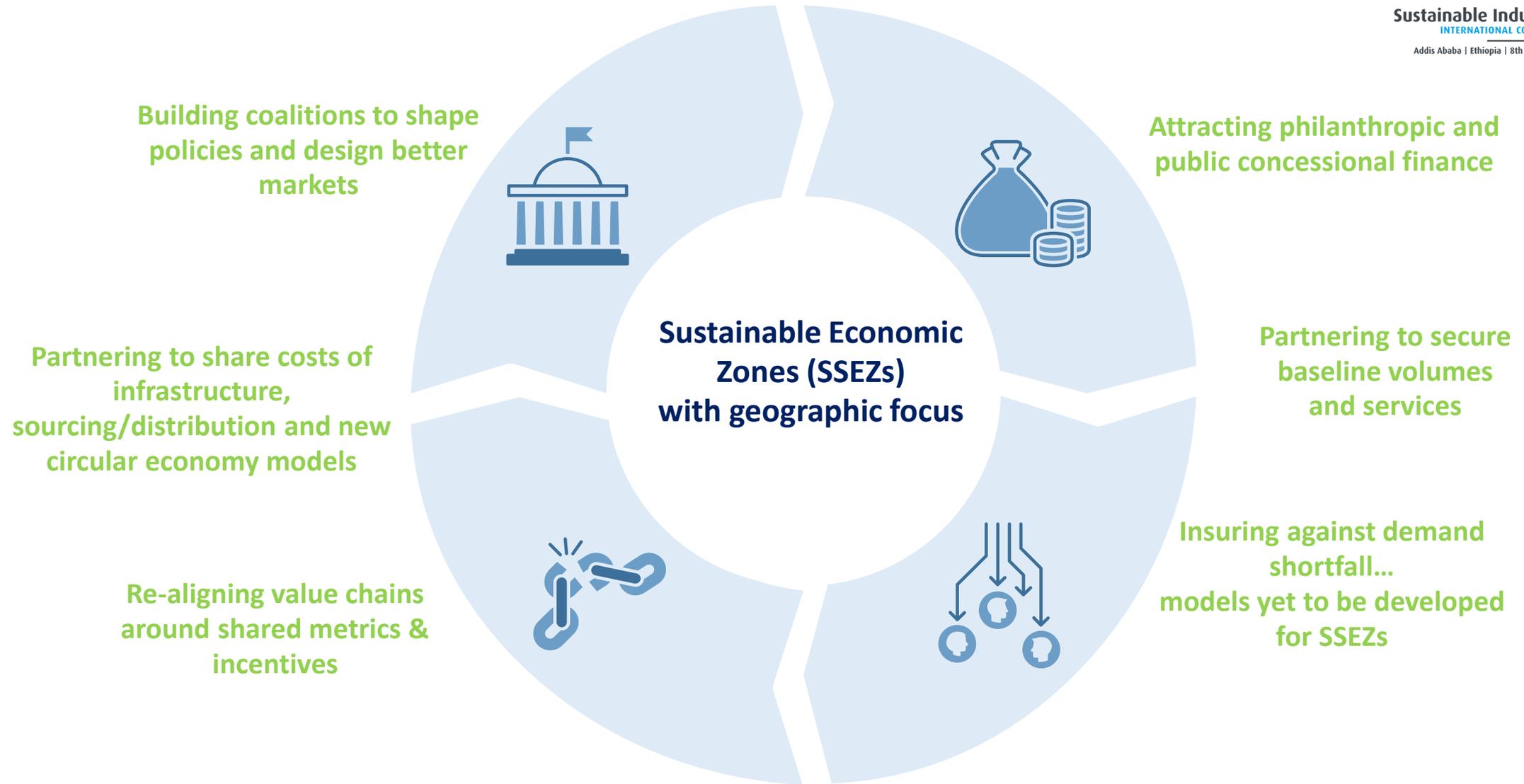


But, it is extremely difficult to drive this at a global or national scale so we need to develop “brightspots” that deploy these in a geographically defined area, e.g. Sustainable SEZs



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SEZs are one of the key industrialisation drivers around the world and while some have worked, many have been white elephants and/or have failed the environment and people



Number of SEZs in the world:

~5,000

Number of countries with SEZs:

130

SEZ global export value:

\$200 billion

Number of SEZ workers:

~100 million

1 of April 2019

SEZs are responsible for ~50% of Central America's exports

Since 2000, China has invested more than \$5 billion in the construction of more than one dozen SEZs across Africa

SEZs account for ~22% of China's GDP, ~46% of FDI and ~60% of exports

Shenzhen SEZ, China



Jawaharlal Nehru Pharma City SEZ, Andhra Pradesh, India



Suzhou Industrial Park (SIP), China



Number of Special Economic Zones (SEZs)

- 900+
- 300
- 200
- 50

SSEZs represent the next horizon in industrial development – Moving beyond “do no harm” to using industrialisation to drive positive commercial, social and environmental impact

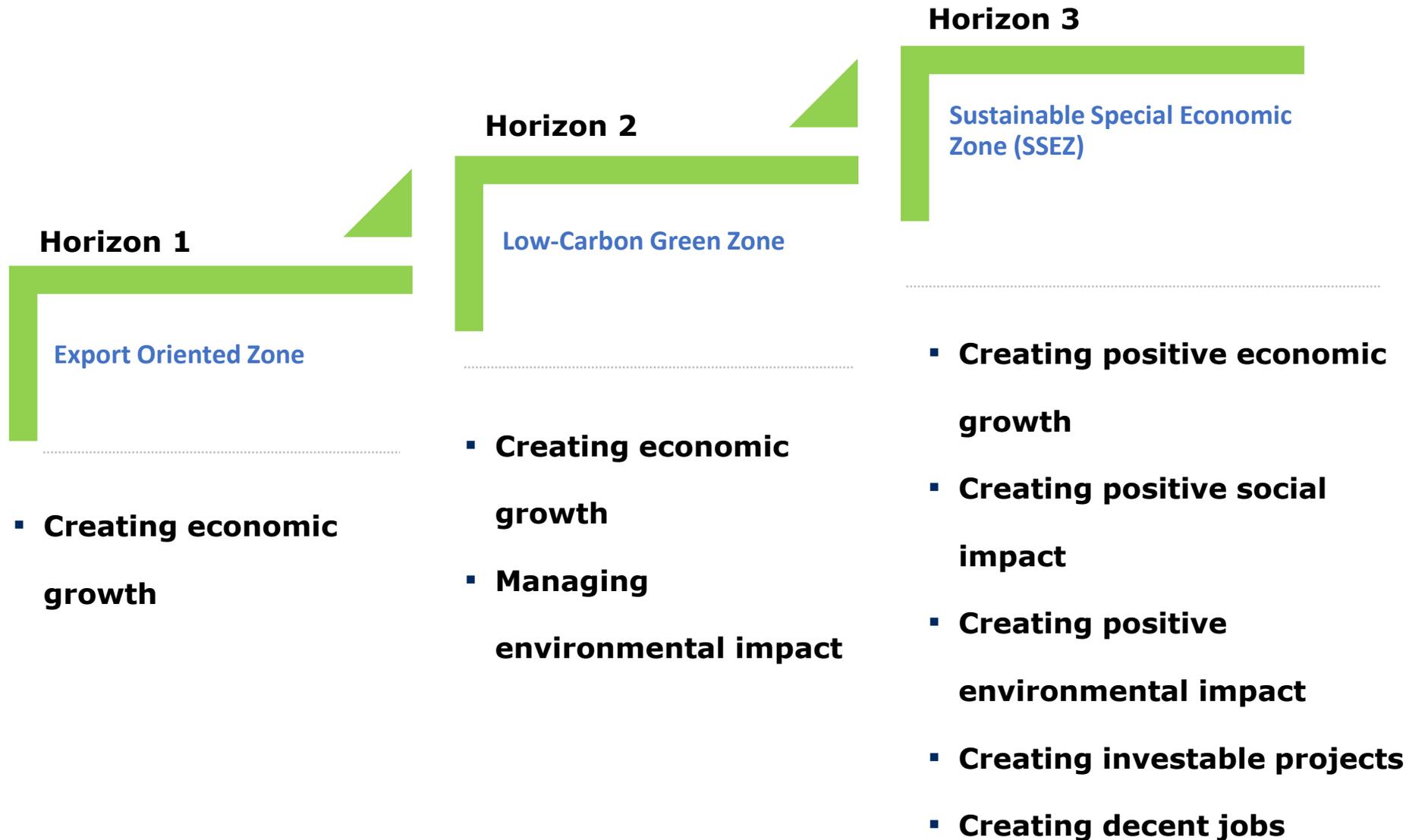


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In Nigeria, we are working with LADOL Free Zone to develop the world's first SSEZ, leading the way in delivering the SDGs across Africa through sustainable industrialisation



SEZs actively drives attainment of the SDGs by mandating sustainable operating principles, supporting inclusive businesses and developing impact orientated synergies



In practice this means three things

1) Mandating sustainable operating principles

- Circular principles are applied to core facilities and design of base
- SDG policies are mandated for all companies on site to ensure social and environmental protection

2) Supporting inclusive businesses

- Sectors are targeted that enhance social and environmental outcomes
- Companies are supported to develop sustainable and inclusive supply chains

3) Developing impact orientated synergies

- Assets and auxiliary businesses are developed to encourage inclusive business, support social mobility and facilitate resource optimisation
- Improved operational competitiveness through circular design



In Nigeria, we are working across eight tenant clusters that drive SDG impact while creating a diversified revenue pool for the LADOL Free Zone



il Areas
ICE
April 2019

Affordable Housing

Issue: 17 million unit housing deficit in Nigeria, estimated to grow to 23 million units by 2020
Opportunity: A modular housing fabrication site to service the regional affordable housing market
Jobs: ~800 direct jobs created
SDG Impact: Potential to fabricate 9,000 homes annually

Clean Technology

Issue: National electricity generation capacity is 40,000 MW short of demand, thus +45% of Nigerians live without power
Opportunity: A Clean Tech Hub driving energy access through local assembly, manufacturing & innovation
Jobs: ~350 direct jobs created
SDG Impact: ~100,000 off grid solar units produced annually

Agricultural Processing

Issue: Nigerian value-added per capita in agriculture has risen by less than 1% annually over the last 20 years
Opportunity: Agricultural processing facility that enables smallerholder farmers/cooperatives to access new international and domestic markets
Jobs: ~1100 direct jobs created
SDG Impact: 30,000 ton output of processed goods annually

World-class tertiary care hospital

Issue: Lack of quality Nigerian hospitals leads to poor national health outcomes and \$1bn annual health tourism
Opportunity: A specialist, world-class tertiary hospital offering subsidised access to those without access to care
Jobs: ~1,050
SDG Impact: Raising Nigeria from 187th (of 191) in WHO rankings, by providing subsidised medical access for low income households

Andela's Nigeria HQ

Issue: Upskilling the brightest young Nigerians in coding/developing, in LADOL Free Zone
Opportunity: Hosting Nigeria's most exciting technology company, upskilling the brightest young Nigerians in coding/developing, in LADOL Free Zone
Jobs: ~1,000 (on site)
SDG Impact: Training ~1,000 young Nigerians a year to use their skills to support enterprise throughout Nigeria

Sustainable Garment Factory

Issue: Nigeria spends \$2bn importing garments annually; local designers lack capital to meet growing demand
Opportunity: A sustainable apparel production hub set up on a co-creation model, with a mass market anchor tenant subsidising access to capital for individual designers
Jobs: ~8,000
SDG Impact: Leading on worker development/upskilling and gender equality with women-focused programmes

Bamboo Fabrication

Issue: Over 50% of Nigeria's forest reserve area had been lost by 2000, due to agricultural encroachment, illegal logging, planned agricultural development and urbanization.
Opportunity: A bamboo-fabrication facility that drives a sustainable supply chain and local materials production
Jobs: 450
SDG Impact: Provide sustainable alternative to forest based timber avoiding deforestation and supporting land reclamation

Upskilling Academy

Issue: Urgent need to create jobs in Nigeria: 25% are unemployed / underemployed; 40% youth unemployment
Opportunity: Expanding the Upskilling Academy to serve existing specialities, zone tenant industries, and priority Nigerian sectors – offering Academy graduates a full course-to-career service
Jobs: 100
SDG Impact: Creating fairly paid, quality jobs directly; 'training the trainer' model catalysing a multiplier effect throughout Nigeria and West Africa

Pathway to sustainable growth for existing businesses

Metal Fabrication	Ship Repair	Pipe Coating
<p>Moving towards...</p> <ul style="list-style-type: none"> Fully optimized processes integrating best in class circular economy principles Robust local pipeline and use of recycled metal Integration of other appropriate sustainable materials 100% waste capture and reutilization within the zone R&D pipeline prioritizes most critical regional infrastructure needs 	<p>Moving towards...</p> <ul style="list-style-type: none"> Full integration of best in class training programs and talent pipeline from zone Upskilling Academy Fully optimized processes integrating best in class circular economy principles 100% waste capture and reutilization within the zone Strategic partnerships with top global sustainable shipping companies to integrate best in class principles and technology 	<p>Moving towards...</p> <ul style="list-style-type: none"> 100% waste capture and guaranteed appropriate disposal (hazardous) or reutilization within the zone Fully optimized processes integrating best in class circular economy principles Integration of innovative business model offerings into long term strategy for business development and product offerings

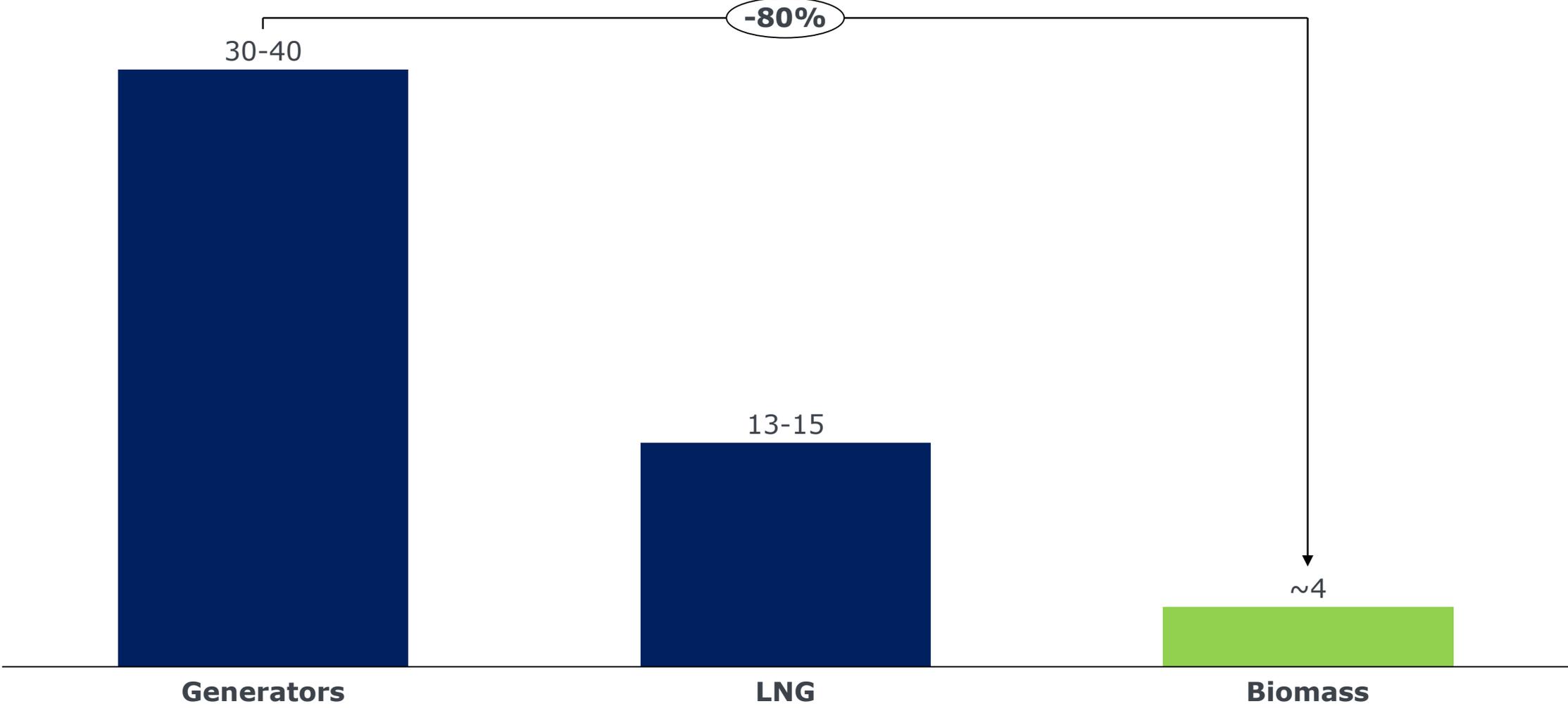
*NOTE: Tenant sectors are target sectors and does not convey that tenants for these sectors are fully secured

In Nigeria, we have reduced planned power costs by ~80% by developing a combination of sector synergies and renewable energy – transitioning from diesel to LNG to biomass



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Benefits of switching to biomass, price per kWh \$c



Partnering with P4G we are developing investment into Nigeria and scaling Sustainable SEZs/IPs into Ethiopia & Kenya across three zones



- USD ~235 million zone infrastructure
- USD ~1.5 billion FDI
- ~15,000 FTEs

Ethiopia

- Macro assessment of country/regional economic drivers and SDG opportunity
- Zone level analysis of competitive advantage, key sectors to target and potential tenants
- **Zone business plan**

- Detailed technical masterplan allowing for infrastructure and capex forecasting and planning
- Zone level sustainable policy and procedure mapping
- **Zone masterplan**

- **Zone execution** roadmap including tenant and funding strategy of zone
- Support with key tenant engagement and acquisition
- Support with approach and access to funding

Kenya

- Macro assessment of country/regional economic drivers and SDG opportunity
- Zone level analysis of competitive advantage, key sectors to target and potential tenants
- **Zone business plan**

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Some learnings to share from Sustainable Economic Zone development



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Stars

1 Strong leadership is key

2 Cracking the investment cycle

3 Circular design with flexibility

Shit Happens

1 Early anchors required

2 Asset class is complex

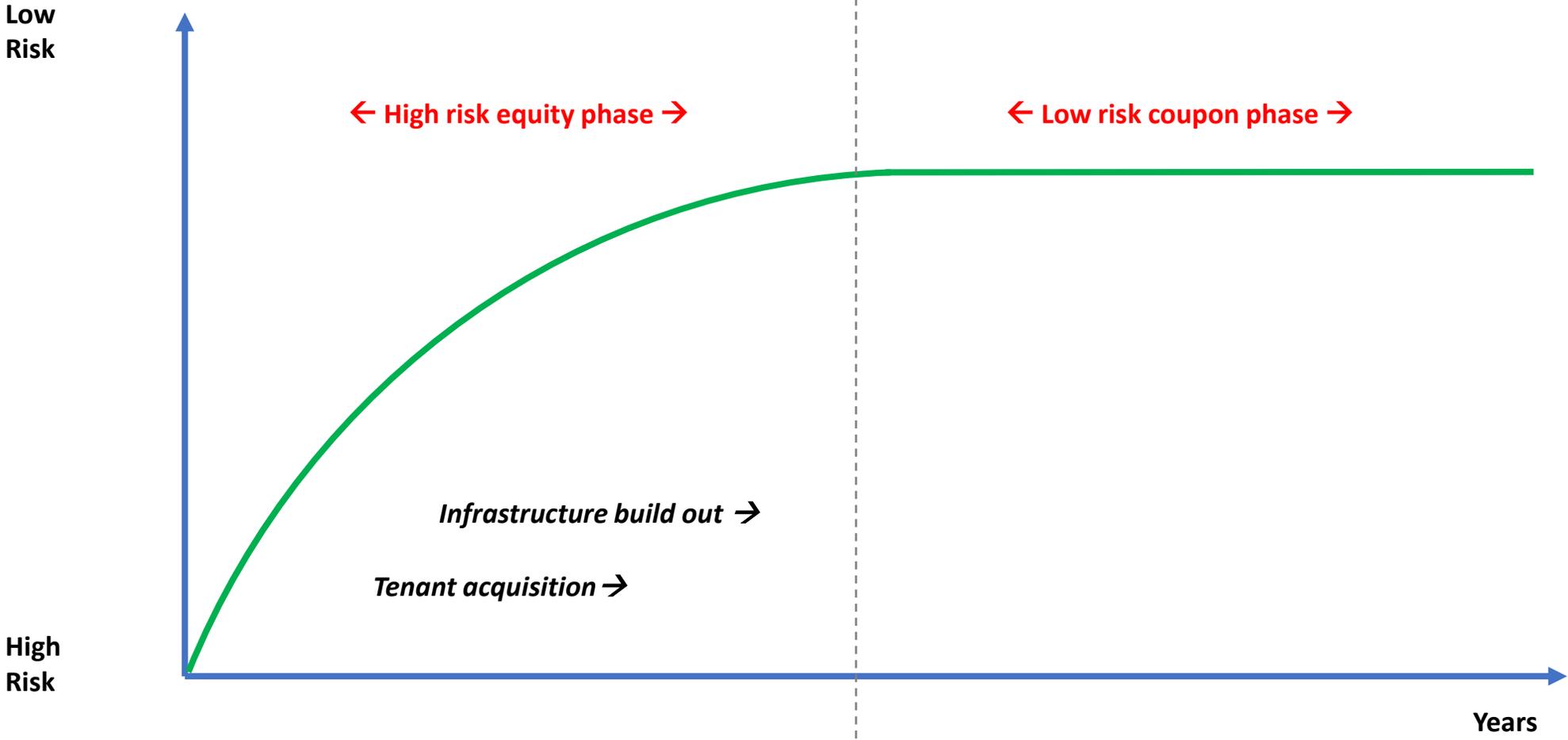
3 Find partners that share your sense urgency

Cracking the investment cycle – creating equity exit through transfer to low risk income bearing bond



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NOTE: Illustrative

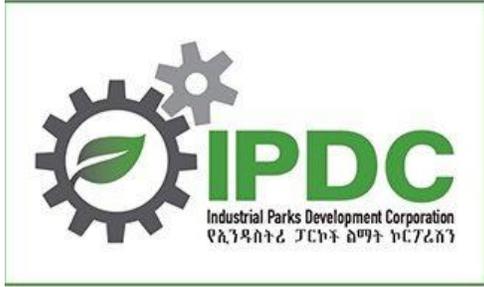
As an anchor to the Ethiopian development strategy, we are working with key stakeholders to drive sustainable solution to increase industrial competitiveness



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Who we are working with



"Become a lower middle-income country by 2025"

-GTP 2

"To be an innovative and leading eco-industrial parks developer and operator in Africa by 2025"

-IPDC Strategy

"To be a leading manufacturing hub in Africa and among the leading countries in the globe"

-FGE Ministry of Industry

IPs opportunities to explore¹

1

Increase Operational Efficiencies



- Explore renewable captive power opportunities to increase consistency and reliability of power
- Introduce water cascading principles to industrial park infrastructure

2

Capturing additional value

- Aggregating plastic waste to feed directly into existing industry (Agro. Textile etc.)
- Utilising bio-waste for power generation/ biogas supply to local communities

3

Enhancing value chains



- Clustering of textile sector services across private and public IPs
- Creating anchor off-taker opportunities for commercial and smallholder farming operations

1 Indicative of current opportunities being explored

Source: SYSTEMIQ

SYSTEMIQ





***THANK YOU
QUESTIONS ?***

