

# SUSTAINABLE DEVELOPMENT ZONES

TOOLS FOR ECONOMIC DEVELOPMENT FOR COMMUNITIES  
IN MASS DISPLACEMENT SCENARIOS

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A CONCEPT PROPOSAL BY



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# INTRODUCTION

TURNING THE REFUGEE CRISIS INTO A DEVELOPMENT OPPORTUNITY.

## WE LIVE IN A WORLD OF UNPRECEDENTED HUMAN MOBILITY AND OPPORTUNITY.

Sadly, armed conflicts and natural disasters continue to drive people from their homes. Currently, more than 65 million people are considered refugees or internally displaced persons (IDPs). In addition, several hundred million people are fleeing to urban centers and across borders to seek better opportunities for themselves and their families. Most of this is happening within and between developing countries in the “Global South.”

Against this backdrop, UN member states in September 2016 adopted the New York Declaration for Refugees and Migrants, in which they committed to improve planning for and response to large movements of refugees and migrants, so that responsibilities will be shared better among states. As part of this process, later this year UN member states are to adopt both a [Global Compact on Refugees \(GCR\)](#) and a [Global Compact on Safe, Orderly and Regular Migration \(GCM\)](#). The latest drafts of these compacts draw on collective achievements like the New Urban Agenda.

GCM and GCR foresee a reaffirmation of international-law-based principles, including reaffirming the human rights of refugees and migrants and their protection, as well as operational improvements, especially through the GCR’s Program of Action and the GCM’s list of objectives and actionable commitments.

These draft compacts put migration and the role of migrants in a positive context, underscoring the power of migration to unlock human capital and promote economic development. They are focused on achieving long-term and sustainable development solutions, but they are open as to how this should be done.

The draft compacts also include a focus on meeting the needs of host communities as well as refugees and migrants. Along with this is a pragmatic focus on “making it work” at the local level (from the bottom up) as well as on the national and regional level (through regional organizations) in three ways:

1. By overcoming the still prevalent humanitarian – development divide;
2. By addressing additional funding needs; and
3. By pursuing a multi-stakeholder approach.

## THE GCR AND GCM ARE BOTH POSITIVE AND NECESSARY, BUT SPECIFIC CHALLENGES REMAIN.

We believe that the humanitarian response is still too focused on maintaining refugees as “objects of care” rather than empowering them to contribute directly to the development of their surroundings and host communities as citizens, consumers, and producers. This is true both inside and outside of refugee camps. We also believe that the preponderance of conventional providers of humanitarian and development assistance (UN agencies, IFIs, donors, and NGOs) has a tendency to crowd out innovative solutions. Such solutions are needed to bridge the humanitarian – development divide and to bring in more stakeholders in an ownership role. These stakeholders must include cities and municipalities, the private sector and, most importantly, host communities, refugees and other migrants themselves.

At the same time, we acknowledge that in recent years there has been significant progress in the right direction.

Key examples are:

- The Jordan Compact with its new paradigm of “turning the refugee crisis into a development opportunity” through EU trade preferences for designated special economic zones, and a steep increase in work permits for refugees, allowing them to work both inside and outside these zones.

- Uganda’s policy of welcoming refugees by making them land owners and granting them the right to work, both to develop its northwestern zone and to allow them to live with more dignity and less dependence on aid.
- Ongoing efforts of WFP and others to switch from in-kind aid for refugees to cash-based transfers, allowing them to live with more dignity and to make spending decisions that have the potential to induce demand-driven economic upswings, at least locally.



WFP debit card program in Turkey | Photo credit: WFP

Building on this progress, and working in the paradigm of “turning the refugee crisis into a development opportunity,” we believe that it is high time for a further-developed concept that we have termed “sustainable development zones”. Key elements of this concept, which we describe in the following pages, are foreseen in the draft compacts, in particular in the draft GCR’s paragraphs 74, 88, and 105.\*

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\* In paragraphs 74, 88, and 105, states and relevant stakeholders pledge to contribute resources and expertise to support inclusive economic development in refugee-hosting countries. Specific forms of support include job creation and entrepreneurship, private-sector and infrastructure investment, skills development, access to financial services, social protection systems, and many other elements that are central to the SDZ concept.



# I. THE SDZ CONCEPT

HELPING HOST COMMUNITIES RESPOND TO AND BENEFIT FROM MASS DISPLACEMENT.

The sustainable development zone (SDZ) concept is a tool for helping developing countries respond to the challenges of mass displacement scenarios in a sustainable way that will mutually benefit host communities and displaced people. SDZs are designated areas with special administrative frameworks, policies, and services designed to produce inclusive economic development.

SDZs serve as islands of good governance. They offer protection as well as humanitarian assistance and social services for refugees and other migrants, but they also leverage mass displacement for the benefit of the local population by encouraging entrepreneurship, self-sufficiency, and new investment in jobs and infrastructure.

SDZs are derived from two existing concepts for economic growth: (1) Special Economic Zones (SEZs) and (2) Displacement economies. SEZs encourage growth through special forms of governance, and Displacement Economies through the presence of new labor, ideas, and skills brought by displaced populations.

## SEZs

SEZs are designated areas designed to promote economic development through governance and physical infrastructure

that is distinct from the typical governance arrangements around them.

Distinct SEZ “governance” can mean distinct regulatory or administrative authorities, distinct public policies and laws, and distinct forms of public service provision. SEZs go by many different names, depending on their purpose and context. Traditional SEZs – including freeports, export processing zones, and free trade zones – have concentrated on tax and trade incentives. However, the most successful SEZs increasingly are taking a more comprehensive approach and addressing a variety of aspects of the business environment and living conditions.

For instance, existing and planned SEZs in China, the United Arab Emirates, and Honduras establish new kinds of administration, bodies of laws, judicial systems, and models for delivering public services.

## DISPLACEMENT ECONOMIES

“Displacement economies” is a term used to describe areas where economic activity is heavily driven by displaced populations. Despite numerous legal and practical obstacles, displaced people have often found ways of engaging in productive economic activity, whether informally or formally.

Refugees, for instance, are normally legally barred from working in the countries hosting them, yet many have formed businesses in small-scale trading, services, and agriculture within the refugee camps and informal settlements where they live, such as in Dadaab (Kenya), Za’atari (Jordan), and Mae La (Thailand). As mentioned previously, Uganda allows the 940,800 refugees living within the country to legally work without geographic restrictions. Refugees in Uganda live and work in the cities as well as in designated refugee settlements like Nakivale and Bidi Bidi, both of which host vibrant marketplaces. In most situations, these economies are a net benefit to the countries hosting them, by producing goods and services in short supply, generating income that is spent in the local economy, and creating jobs for the local population. Even when these economies are not a net benefit, they still serve to reduce dependence on humanitarian aid and social services.

Generally, the more the laws and general business environment support these economies, the more productive they are and the more they benefit the host community.

SDZs merge the concept of SEZs and displacement economies by creating spaces that encourage the economic activity of both locals and displaced populations through specialized administration, laws, and services.



Marketplace in Za'atari Camp, Jordan | Photo credit: Nina Keck / VPR



Marketplace in Mae La refugee camp, Thailand | Photo credit: RFA.org



Syrian refugees register with UNHCR in Lebanon | Photo credit: World Bank Photo Collection

## II. BENEFITS OF SDZs

UNLOCKING THE SYNERGISTIC POTENTIAL OF AFFECTED COMMUNITIES.

By creating attractive business environments, SDZs empower multiple parties –host countries, local populations, the international community, private investors, and also displaced people and their families. The synergies produced by SDZ can unlock the potential of the affected communities.

### HOST COUNTRIES

For communities hosting large numbers of displaced people, SDZs transform a perceived problem into an economic growth engine. Evidence shows that over the medium to long term, migrants tend to benefit the economies that host them, through starting businesses, earning income, and filling gaps in the labor market. However, most countries are not willing to allow large numbers of migrants to work legally because of short-term concerns over competition for jobs, housing, and other resources. SDZs overcome these obstacles by establishing new, geographically limited areas that attract new foreign investment, jobs, and urban infrastructure for the local population. Instead of having displaced people compete with the host population for a “slice of the pie”, SDZs quickly expand the size of the pie – creating more jobs and resources for all.

SDZs also provide governments with an effective alternative for the management of migration. Countries often try to manage mass migration through policing, camps, and detention centers. Camps help cluster migrants to facilitate humanitarian aid, prevent migrants from competing with locals for jobs, and ensure that migrants stay in a limited number of locations in the country, facilitating repatriation. However, despite countries’ best efforts at enforcement, migrants often leave or avoid camps because of the lack of economic opportunities there.

In general, migrants prefer to live and work in the cities outside the camps in the informal sector, though they and the host country benefit less from this than if they were working legally. SDZs create new economic opportunities and attractive living environments for both migrants and the local population, making the task of hosting migrants less burdensome, and even beneficial.

### INTERNATIONAL COMMUNITY

Providers of humanitarian and development assistance can use SDZs as a sustainable solution to mass migration.

Rather than providing ongoing temporary humanitarian assistance, SDZs create a platform for individuals to eventually become self-sufficient.

Additionally, development costs for the SDZs can be minimized by channeling private investment into real estate, businesses, infrastructure, and other productive assets that generate returns. Countries that are concerned with displaced people eventually crossing their borders will also support the formation of SDZs in the major refugee hosting countries in order to offer migrants an attractive alternative.

### **BUSINESSES AND DISPLACED PEOPLE**

Foreign and domestic businesses can find new markets and underutilized talent in SDZs, as well as a business-enabling environment brought on by the SDZ's special administration, laws, and services. SDZs also provide displaced people with the psychological, social, and financial benefits of meaningful work. This will allow them to be better guests of the host country, and prepare them to return home and rebuild their countries when or if this becomes an option.



Envoys meet over response to Syrian refugee crisis in Amman in February 2017 | Photo credit: Jordan Times / Petra Photo



The Brussels conference on Syria 2017 approved aid worth \$39.7 billion, including \$30 billion in loans, for Syrian refugees' host countries including Jordan | Photo credit: Jordanian Ministry of Planning and International Cooperation

# III. ADMINISTRATIVE FRAMEWORK FOR SDZs

MAXIMIZING EFFICIENCY AND QUALITY OF MANAGEMENT OF PUBLIC GOODS & SERVICES.

SDZ administration should be structured to maximize the efficiency and quality of public goods and services.

SDZ administrative institutions will be tasked with governance of the SDZ, including its overall regulation, development, and provision of public services. Generally speaking, most or all government functions within the zone should, if possible, be performed within the zone, without significant involvement from national administrations. This has similarities with the tested concept of UN interim administrations and can be informed by those experiences. For example SDZ administrations must include proper checks-and-balances, appeal mechanisms, and legitimacy, based on democratic participation by all stakeholders.

SDZs should have two main levels of governance:

- 1) An SDZ administrator, which will be an organization tasked with the overall governance responsibilities of the SDZ; and
- 2) An oversight board, to monitor the SDZ administrator's performance.

## ORGANIZATIONAL FRAMEWORK FOR AN SDZ ADMINISTRATION

### National Government (Host Country)

- Creates space for SDZ
- Adopts law establishing SDZ and delegating authority to SDZ
- Potentially helps acquire land
- Ensures gov't coordination & legal protections



### Oversight Board

Monitors actions of SDZ administrator, addresses complaints, and holds accountable.

- Consists of:
- Host gov't
  - Civil society
  - UN / IGOs
  - SDZ resident representatives



### SDZ Administrator

- Infrastructure and utilities
- Licenses and permits
- Internal regulations and enforcement (delegated authority)
- Has long-term lease / concession
- Leases parcels to businesses and residents
- Revenue from land rent



### Service Providers

- Deliver public goods and social services within SDZs
- Operate one-step shop for permits, licenses, etc. to residents and businesses
- Arranged by SDZ administrator
- Coordinated with host government, int'l orgs., etc.



## NATIONAL GOVERNMENT

The national government of the host country will play the key role in defining the physical extent of the SDZ and in establishing its institutions; comparable to Jordan's role when the Jordan Compact was established.

This will include delegating authority to the SDZ administrator, and also ensuring the administrator's independence. By doing so, the host government can create the physical and legal "space" for the SDZ to begin functioning. First, the host government should coordinate with relevant local authorities to adopt laws giving the SDZ a special status, distinct from the rest of the country. This special legal status should empower an independent SDZ administrator and oversight board (as discussed above) to independently perform many governance functions within the SDZ. This must include the power to establish new regulations that will enhance the business environment and encourage investment. It should also include the power to create new and more efficient mechanisms for service delivery. Importantly, the enabling legislation should also include a system of accountability that will establish a foundation of democratic legitimacy within the SDZ itself, without interfering with the independence that allows the SDZ to function. Finally, the special legal status should include greater flexibility for foreigners – including those without national legal status – to engage in economic activity within the SDZ alongside nationals.

These ideas have all been tested and implemented to one degree or another in various projects; what we propose is to combine them in one geographically delimited zone.

The host government will need to set aside the land for the SDZ, or land will need to be purchased. If the selected location is on government-owned land, the government should designate the land as an SDZ.

If it is on private land, the government should take responsibility for acquiring it, and then designate it as an SDZ. If the land is already occupied, the rights of the current occupants must be fully respected even if the occupants lack formal documentation of ownership, and relocations, if necessary, must be done in accordance with international best practices and accompanied by full compensation.

Once the SDZ is designated, the government should then transfer rights and responsibilities for the land to the SDZ administrator. The most likely form this transfer can take is a concession agreement or long-term lease. Under this arrangement, the government would retain ownership of the land, but would allow the SDZ administrator to develop and provide services within it and collect revenue in the form of rent, taxes and service charges.

## SDZ ADMINISTRATOR

The SDZ administrator should have the capacity and incentives to ensure the overall success of the SDZ.

This includes developing basic infrastructure and masterplans; regulating building standards; providing public services (e.g., power, water, and sanitation); issuing permits and licenses for residents on behalf of national authorities; and adopting and enforcing special rules and regulations for the SDZ. The administrator will most likely rely upon contractors for many functions, with financing (and some guarantees) from an SDZ development fund established by an international development institution. The administrator will submit an annual or semi-annual report to the Oversight Board.

## SERVICE DELIVERY IN THE SDZ

The oversight board and SDZ administrator should ensure the provision of a wide range of public goods and social services through coordination and contracting with the host government, other governments, firms, international organizations, and civil society.

These public goods and social services should include security, law enforcement, dispute resolution, need-based assistance, public transportation, healthcare, and education.

Necessary business services will include streamlined customs clearance, streamlined immigration, and swift and simple permitting.

The SDZ administrator should streamline the delivery of all services through a one-stop shop. At the one-stop shop, residents and businesses should be able to access a wide range of offerings through on-site representatives from the relevant organizations and agencies.

Additionally, the SDZ administrator should ensure the provision of high-quality infrastructure of all sorts. This could include electricity, water, wastewater treatment, solid waste management, telecommunication links, roads, rail and intermodal facilities, and public open spaces. Whenever possible, these services should be acquired from providers operating in the host country, and funds should be used to improve the reliability and capacity of those local providers, rather than creating parallel infrastructure.

An interesting related project is underway in Ulaanbaatar, where an organization is converting an existing informal settlement into an independent "microcity." The microcity will feature decentralized governance, direct democracy, and innovative approaches to public services.



## IV. DEVELOPMENT MODELS FOR SDZs

### VARIOUS OPTIONS & STYLES FOR SDZ DEVELOPMENT.

Broadly speaking, there are two models for the development of an SDZ.

An SDZ can be built as a greenfield development, which means the location chosen for the SDZ is currently undeveloped and unoccupied, and the site will be built from scratch. Alternatively, an SDZ can be built around an existing site (a “brownfield development”), which means the location is already occupied in some way and will be retrofitted for the SDZ. Each of these models for development are similar to the development of business parks and SEZs; the forms they can take are discussed below.

#### GREENFIELD DEVELOPMENT

A greenfield SDZ allows for a blank-slate approach in which the SDZ can be developed to meet the specific needs of the project or of a specific industry. Uncontested rights to property are much easier to acquire on unoccupied land and complications caused by previous construction can be avoided.

On the other hand, it can be difficult to find undeveloped land near existing population centers or infrastructure, which are important factors for the success of the SDZ. This may mean that greenfield SDZs will be further from labor, customs facilities, and markets for goods and services. It may also mean additional construction outside the SDZ itself, such as road and rail links, will be required. Finally, a greenfield site may be more expensive because the internal infrastructure and buildings will need to be developed from scratch.

There are two styles of development for greenfield SDZs:

#### 1. SITES AND SERVICES

#### 2. PLUG AND PLAY

## 1. Sites and Services

In a sites-and-services SDZ, the SDZ administrator will subdivide land into plots of varying sizes, provide basic infrastructure to the plots, and allow residents, businesses, and third parties (such as NGOs or developers) to self-build. This approach may promote economic efficiency because it affords occupants flexibility to develop structures according to their needs, while also lowering upfront construction costs. It also allows for incremental development, which is responsive to changing conditions.

In a sites-and-services model, the SDZ administrator will need to ensure occupants have the money to build and that there is an available supply of building materials and construction workers. The SDZ administrator can facilitate this by establishing supply chains and financing mechanisms. The SDZ administrator should also have the power to independently review building designs and monitor construction standards.

## 2. Plug and Play

In a plug-and-play SDZ, the administrator determines the types of structures and activities that will take place in the SDZ and contracts with a developer for pre-built factory shells, office space, houses, and apartments – all ready for tenants to move in. This form is useful for ensuring strong building standards, lowering construction costs for occupants, and allowing structures to be standardized so they are useful for later occupants in the event of turnover. It is also useful if one dominant industry has already been identified because the structures and the infrastructure can be purpose-built for that industry.

Types of Greenfield Development	Sites and Services ("Self Build")	Plug and Play
Pros:	<ul style="list-style-type: none"> <li>• Customized facilities</li> <li>• Lower upfront construction costs</li> <li>• Incremental development</li> <li>• More economic spillovers</li> </ul>	<ul style="list-style-type: none"> <li>• Easy entry for firms</li> <li>• Strong building standards</li> <li>• Standardized structures</li> <li>• Quick start time</li> </ul>
Cons:	<ul style="list-style-type: none"> <li>• More difficult for firms</li> <li>• Less control over business activities</li> <li>• May require financing and building materials</li> </ul>	<ul style="list-style-type: none"> <li>• Structures may limit types of businesses</li> <li>• High startup cost</li> <li>• Fewer economic spillovers</li> </ul>

**+ Recommendation: Combination - Some sites-and-services plots and some plug-and-play plots.**

Mixing plug-and-play areas with sites-and-services areas within a single SDZ can facilitate the emergence of a greater diversity of activities, and make the SDZ more economically and socially resilient.

## **BROWNFIELD DEVELOPMENT**

A brownfield SDZ is established in an area that is already partially occupied and developed. It can be centered on an existing residential area, such as an informal settlement, the outskirts of a city, or a refugee camp. It can also be centered on an existing industrial area, including an industrial park or port. The SDZ will increase productivity and create space for new opportunities for the area, with the current inhabitants and businesses more or less remaining in place.

Brownfield development is less costly than greenfield development because the sites have infrastructure and buildings already in place. However, it will be necessary to work with existing stakeholders when assembling land for large new buildings or orienting the SDZ around one dominant industry, if that is a priority (it may not be).

There are two styles of development for brownfield SDZs:

### **1. Conversion of an Existing Camp or Informal Settlement**

In a camp or settlement conversion, an SDZ would be established around an existing refugee camp or informal settlement.

Current occupants could be the initial employees, and the camp itself would be the initial residential district of the SDZ. The government would give the area a special status and transfer responsibilities to the SDZ administrator. The administrator would then work with residents to upgrade infrastructure, improve homes, establish formal businesses, and provide services. The administrator could also lay out new industrial and commercial areas following either the plug-and-play or sites-and-services model. The administrator would also set aside land for additional residential development as jobs are created for the local community.

## 2. Repurposing of an Existing Special Economic Zone or Industrial Park

Existing SEZs and industrial parks already have infrastructure and buildings in place, dramatically lowering startup costs for the zone.

A business cluster may already exist, which can be expanded, and additional industrial land can be developed to attract new businesses. Residents would be drawn from both displaced population and host communities. Because the SDZ combines industrial development with residential and commercial development, it can offer an environment that attracts potential workers and increases the available labor supply. In the case of an existing industrial park, streamlined import and export procedures and upgraded infrastructure would improve productivity.

Types of Brownfield Development	Existing refugee camp or informal settlement	Existing Special Economic Zone or industrial park
Pros:	<ul style="list-style-type: none"> <li>• Available labor supply</li> <li>• Some infrastructure already in place</li> <li>• Structures already in place</li> <li>• May produce economic spillovers</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure already in place</li> <li>• Established businesses</li> <li>• Low startup costs</li> </ul>
Cons:	<ul style="list-style-type: none"> <li>• Land assembly more difficult</li> <li>• More stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Need to relocate migrants and refugees</li> <li>• Unsuccessful zones may remain unsuccessful due to factors (i.e bad location)</li> </ul>

**+ Recommendation: Will vary by circumstances, but best option is probably existing industrial park located near existing refugee camp or informal settlement.**

When considering all the possible greenfield and brownfield approaches, the optimal strategy would be to establish an SDZ in **an existing industrial park that is near a refugee camp or informal settlement, with vacant land available for development.** This strategy would dramatically reduce the need for new construction of infrastructure and buildings, because much of the industrial and residential development would already be in place. New industrial structures and serviced land could attract key enterprises and foreign and domestic firms. New residential development could be tailored to attract workers from within the country to the zone, and rule changes could encourage upgrading of existing residential areas and the establishment of small businesses. This would maximize the synergies of the models and minimize costs.

# V. LOCATION OF SDZs

LOCATION OF AN SDZ WILL HAVE A MAJOR IMPACT ON ITS SUCCESS.

Subsidies, enthusiasm, and political will are all less important than location.

The main location-based factors that will influence the success of an SDZ or any development project are (1) proximity to existing infrastructure and markets and (2) access to a supply of land and labor. The SDZ creates conditions that allow these things to be efficiently combined, but it will not succeed without those underlying factors. The easiest way to get a working combination of these factors is to focus on sites that are near large and small cities, as these places are already exhibiting some level of economic success, and are already somewhat integrated into the national and global economy.

A precondition is that the local government supports the establishment of an SDZ, maybe in competition with other municipalities. Local actors, like mayors, might also take the initiative for establishing an SDZ, especially in the context of fragile countries.

Elements of optimal locations include:

- Supply of available land for development, allowing room for growth;
- Access to a seaport or an airport, by road or by rail, in order to minimize factor costs and shipping costs;
- Infrastructure connections to water, power, sewerage, waste removal, and telecommunications, which will reduce development costs
- Proximity to potential workers and consumers, including both displaced and existing populations;
- Low risk of natural disasters and low security risks, relative to other sites.

**SPECIFIC REGIONS** ➤

The Rohingya crisis in Bangladesh starting in 2015 caused a sudden influx of nearly 700,000 refugees into an under developed region of southeast Bangladesh.

This area, known as Cox's Bazaar, was a tourist destination for wealthy Bangladeshis and contained environmentally sensitive sites that were quickly overwhelmed by the influx. The Bangladeshi Army and international NGOs have been working to establish camps and facilities for the Rohingya, but the terrain and the weather have made it difficult. The current shelters are not suitable for the rainy season. Deforestation is occurring on the hillsides, water is being polluted, and the residents are totally dependent on aid.

Moreover, the rise of sea levels will displace 10-30 million people from the coastal areas, incapable of continuing their livelihoods. To avoid unmanaged urbanization, new population centers and settlements need to be developed.

An SDZ could cope with the needs of such large populations and could provide the Rohingya and the local Bangladeshis alike with living and working space. Export-oriented industries that already exist in Bangladesh, such as the garment factories, can be incentivized to set up shop in Cox's Bazaar or wherever space can be identified.

Currently, the refugee reception area has limited infrastructure and almost no prospects for formal sector employment. By attracting these industries, employment will rise among the locals and also among the new arrivals. The SDZ would also include household land assignments, creating a market for land and housing in the camps and allowing the Rohingya to build their own homes and to grow crops, remediating some of the environmental damage that has been done.

### POTENTIAL LOCATION: COX'S BAZAAR

This area is made up of 1.1 km<sup>2</sup> that appears to be unoccupied. It is located 2km from the Kutapalang refugee settlement and is bounded by roads. It is four hours from a significant port in Chittagong, and this could be reduced to three hours with the construction of a bypass around Cox's Bazaar. It is one hour from an airport that is currently domestic but is being accept international flights. There is a new 1200MW power plant under construction.





Libya faces simultaneous crises of governance, migration, and economy.

Formerly a destination for migrants from sub-Saharan Africa, the country has now become primarily a pass-through for many migrants on their way to Europe. Those migrants who do stay must work under difficult conditions and are largely unprotected. Criminal smuggler networks exist to bring refugees across the Mediterranean and are a common and destabilizing feature in coastal cities. The economy has contracted sharply since the fall of Gadhafi, with GDP at less than half of pre-revolutionary levels and hydrocarbon outputs at ¼ of pre-revolutionary levels\*.

In the face of the sudden collapse of the Libyan state and economy, local governments are fending for themselves and trying innovative solutions to improve governance, address the refugee crisis, and generate economic growth.

An SDZ in Libya will help local governments address these challenges. The SDZ will provide land for industry and housing, preferential infrastructure, and administrative services in order to stimulate economic activity and improve the quality of governance. This will bring resources and expertise into the area, helping to realize the human potential of refugees, IDPs, and migrants.

The SDZ will be an island of good governance, providing the most important precondition for private investment in Africa. It will introduce business-friendly regulations and will model good governance institutions that can be replicated throughout the country. International tenants will anchor the SDZ,

increasing demand for local goods and services and creating new opportunities for local workers.

A municipal capacity-building program will augment this activity to improve the quality of urban basic services for all residents, including migrants and refugees. Enhancing the ability of the municipality to attract and retain residents will create a zone of stability that will encourage migrants to stop, settle, and work under good conditions, rather than continue on to Europe.



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\* <http://www.worldbank.org/en/country/libya/publication/economic-outlook-april-2017>

The Horn of Africa faces cross-cutting refugee crises that are raising tensions in the region. The issues include refugees escaping from civil wars and sectarian violence, as well as increasingly frequent drought and food shortages that are causing displacement. Much of the region is isolated and it is difficult to provide services or security, and the delicate environment in the area is suffering from the presence of too many people on the land. Groups of armed men frequently cross the border between Sudan, Ethiopia and Kenya to steal food and cattle. National armies have had to intervene, raising the prospect of a broader regional conflict.

Delivery of aid has stabilized conditions in the refugee camps, but long-term funding commitments are difficult to secure, and the situation will not resolve on its own in the foreseeable future. Economic activity is limited to informal sector transactions and smuggling, and the camp environments are extremely basic. Assistance and service delivery to displaced and migrant populations, mostly surviving in informal settlements and slums, is minimal at best or nonexistent.

But the most attractive urban population centers of the region such as Mogadishu, Nairobi, Mombasa, and Addis Ababa are already growing exponentially and will struggle to accommodate these people. In the absence of better options, many of them will try to migrate to Europe or North Africa.

The SDZ model can provide a framework for the rapid expansion of smaller population centers in the Horn of Africa. SDZs can provide work and settlement opportunities at the nodes of transportation and communication lines. This would be in line with some of the recent initiatives by the Government of Kenya, especially its decision to establish new cities; by Ethiopia, with its focus on secondary cities as a major

pole of economic growth; by Uganda, with its progressive policies towards refugees; and with the discussions in Somalia on creating opportunities in and around Mogadishu.

An SDZ would also permit local infrastructure upgrades, improving conditions in the camps and slums. The areas with the most refugees are also logical transshipment hubs, and many of the camps are near proposed regional infrastructure projects. Providing industries in the SDZ with export and import preferences could leverage existing infrastructure and trade agreements to bring capital into the region. This will make the area more self-sufficient and connected, shifting the lead to governments and the private sector, and relieving the burden on aid agencies.

