Establishing Sustainable Development Zones in Libya

This proposal is about forming "Sustainable Development Zones" (SDZ) in Libya. SDZs build on the concept of the widespread Special Economic Zones (SEZs), some of which also exist in Libya. As a rule, existing legislation for the creation of SEZs can be used to create SDZs. It is also possible to convert existing SEZs into SDZs. In any case, SDZs would build on existing economic profiles and clusters to foster local economic development.

In a nutshell, SDZs are SEZs with a distinct social and sustainability dimension, they are about localizing SDGs in line with SDG 11.

By design, SDZs are planned "bottom up" and not "top down", so they would be very much in line with current proposals (e.g. from the Nicosia-Initiative) to re-build stability in Libya by strengthening the municipalities. Such proposals follow the philosophy that the current fragile political, security and economic environment in Libya calls for creating ring-fenced "islands" of stability and economic progress, rather than waiting for the overall political and security situation to improve. In turn, such "islands" would have the potential to positively influence the overall political and security situation since all sectors are interdependent.

In addition to the regular features of an SEZ, offering opportunities to national and international investors, an SDZ would offer such opportunities also to smaller local enterprises. New opportunities would also arise for long-term residents and migrants, including those migrants who have moved to urban centers in search of better livelihoods. In an SDZ, they would all have access to work and, where applicable, be assisted to transit from the informal to the formal sector of the economy. The latter would entail providing, under the SDZ administration's delegated authority, formal documentation, access to finance ("bankability"), land tenure, business skills and market linkages.

As mentioned, the legal framework proposed for the SDZs can build on existing SEZ legislation, and, if needed, on supplementary legislation. This means that the SDZ would benefit from certain legal SEZ privileges, e.g. regarding land tenure rules, and would develop institutions and procedures that are optimally suited for the development of a thriving formal sector local economy and society for people of all income levels. As a matter of course, SDZ governance would include citizens' participation and inclusive decision making according to good governance standards.

Very importantly, an SDZ is in itself designed to be bankable as an enterprise or a social enterprise. An SDZ Developer would lease or purchase the land in question, comparable to a real estate developer, develop a master plan and provide for infrastructure and services by contracting with third parties. In addition to the project proponents, government entities, especially at the municipal level, and SDZ residents, would all have equity stakes in the SDZ Developer and share eventual profits. The SDZ Developer would adopt a blended-finance approach including development financing with grants and concessional loans as well as private financing with Corporate-Social-Responsibility (CSR), social-impact and market-return-on investment layers. The SDZ would be bankable primarily through the revenue generated by the subleases to residents and businesses, reflecting true land value, which should enable the Developer to generate a modest return on investment. By generating income, the project becomes an excellent opportunity for new partnerships between national and international investors, including in particular CSR- and social-impact investors, apart from the bankability of certain infrastructure and services contracts.

Existing residents and enterprises of the area would benefit from an administration that overcomes the barriers to living, working, and operating successfully. Moreover, such residents would be shareholders in the SDZ Developer, entitling them to a share of its profit.

Low income residents, including most migrants, would first of all benefit from access to work and, where applicable, assisted transit from the informal to the formal sector of the economy. They would also benefit from a special focus on skill development, including in new technologies, especially for young people and women. In addition, such residents would also benefit from affordable rents (e.g. through issuing vouchers) and access to rights and social services through one-stop-shop referral centers and social outreach mechanisms.

The municipality and, where applicable, other government entities would also benefit and generate substantially more revenue under an SDZ scenario than against the baseline. Their revenue would include profit distributions as shareholders of the SDZ, and increased tax revenue, especially if they decide to concede tax collection on their behalf to the SDZ administration.

Given the rate of urbanization in Libya, SDZs could also serve as a model for optimized local governance, because they are not only *bankable*, but also *scalable* and *replicable*. Such a model is needed all the more since it could prove that urbanization is not the problem, but one of the solutions for managing the current crises.

Lastly, as mentioned, and different from SEZs, SDZs are designed to work in *fragile contexts* and to integrate *fragile groups*. This is why they would fit very well into Libya’s current political, economic and social landscape. SDZs could help build governance institutions for the country’s municipalities and national government to learn from and adopt, helping lay the foundation for a stable and prosperous society.