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Reimagining Zambia’s Mining Towns as Thriving New Cities

Mwanda Phiri-Mwewa
ZAMREAL Property Forum: Forging Ahead
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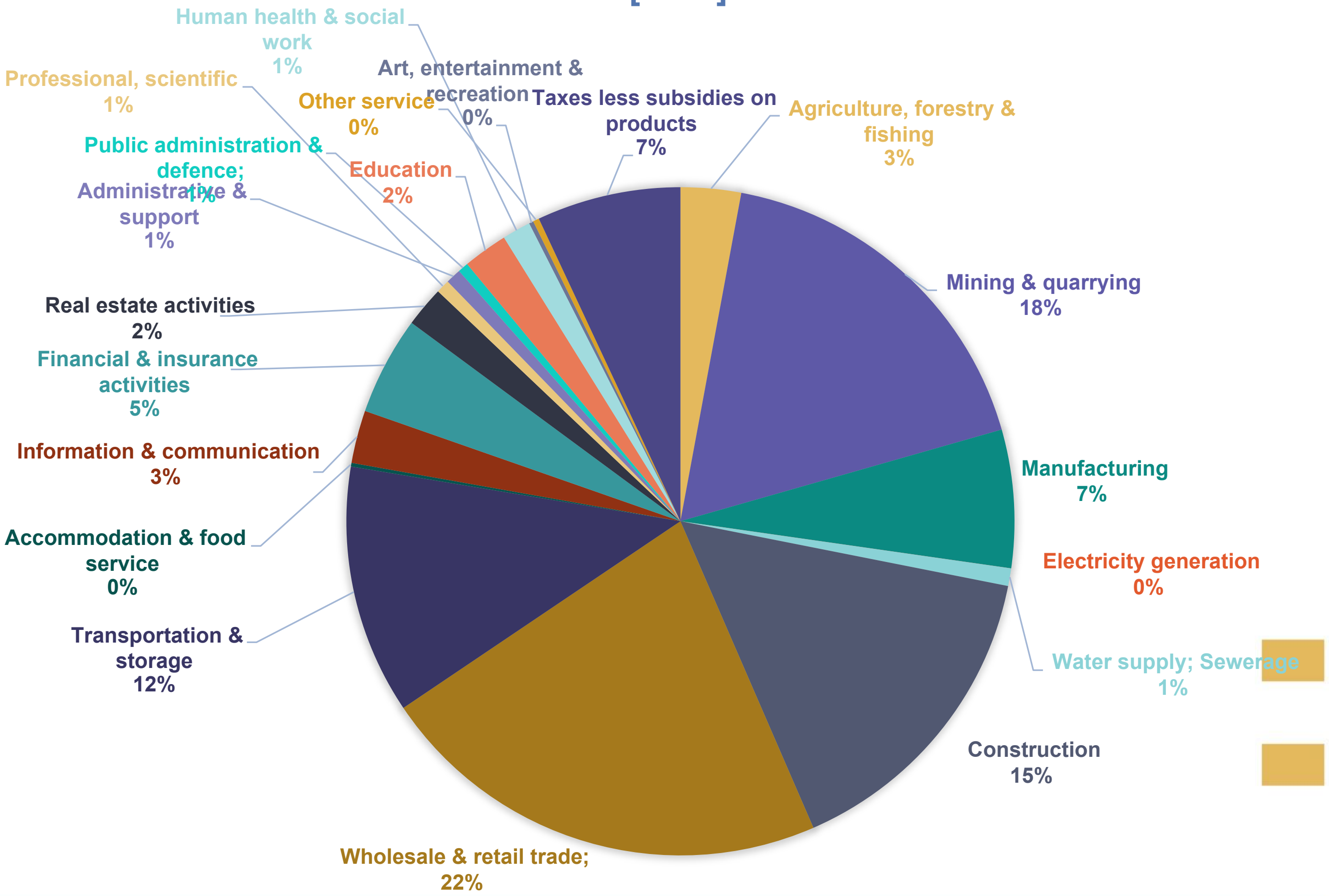
The Paradox of Plenty

…problem of transforming towards diversified & sustainable economies…

- Economic dependence on a single industry: lack of economic diversity
- Vulnerability to commodity price shocks: economic instability (boom-bust cycles)

COPPERBELT: DISTRIBUTION OF GDP BY ECONOMIC ACTIVITY [2022]



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The Paradox of Plenty

…problem of transforming towards diversified & sustainable economies…

- Economic dependence on a single industry: lack of economic diversity

- Vulnerability to commodity price shocks: economic instability (boom-bust cycles)

- Urban and economic decline: contractions in production & investment, relocation of capital, unemployment and population loss

- Socioeconomic problems: low growth rates, inadequate infrastructure, poverty, low human development

Introducing Charter Cities

… New Generation of Special Economic Zones/Cities…

- New Cities, with New rules that drive growth
- Large geographic area
- Multi-industry
- Residential Component

- Devolved Authority
  - To create a new governance system
  - Responsive to evolving needs, institutional gaps and interests of local communities
    - Policy experimentation
- PPP development model

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Why Charter Cities?

… Rationale Resembles Rational for SEZs…

1) What do we want to see for Africa/Zambia?

2) What prevents us from achieving this aspiration?

3) Are there some reforms we can pilot to change this situation?

4) Would the reforms be more tractable if they were implemented in a small city or zone?

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Why Charter Cities?

… Rationale Resembles Rational for SEZs…

Market-Enhancing & Growth-Enhancing Governance approach…

- **Market-enhancing 'good' governance -** creating efficient markets through property rights, contract enforcement, and control of corruption.
- **Growth-enhancing institutions** emphasize **state intervention** to promote industrialization, innovation, and structural transformation.

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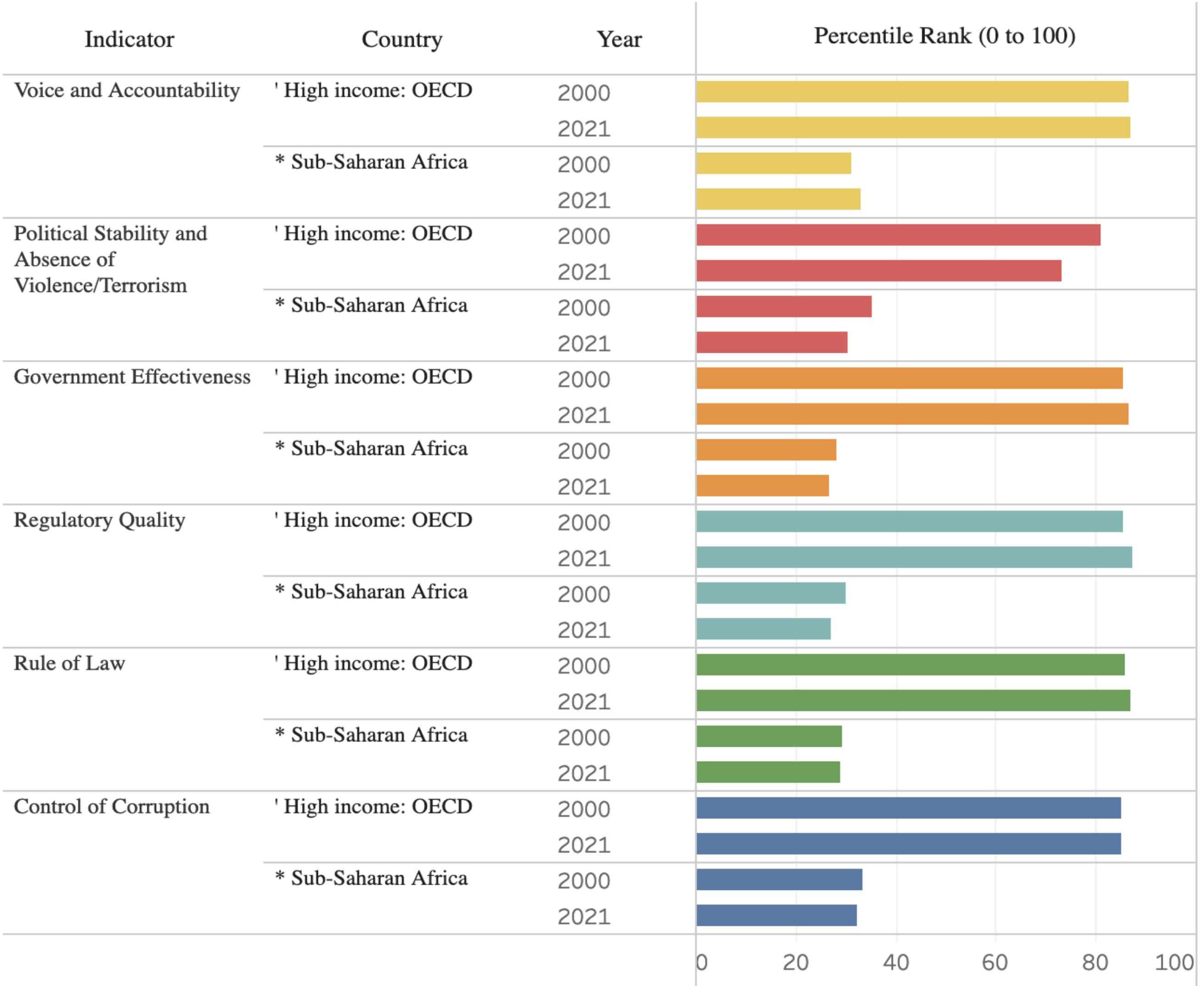
The ‘Failed’ Good Governance Agenda

- Figure shows mainly stagnation or decline in measures of good governance in Sub-Saharan Africa
- Despite strong emphasis on the good governance agenda over the years, no big impact
- Politically tractable method to create a new city with new rules in a delimited geographic area than to change an entire country’s institutional framework

Worldwide Governance Indicators: Percentile Rank



Source: https://info.worldbank.org/governance/wgi/Home/Reports

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"The charter city approach is about implementing policies that deliver the greatest economic and social transformation."

Precedence: Tapping into the Magic of Cities

- It is the Singapore, Hong Kong Shenzhen, Dubai story…

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Precedence: Tapping into the Magic of Cities

Singapore

- Grew from poor fishing island in 1965 to the future of cities

Shenzhen

- Was fishing village of ~300,000 residents in 1980, now manufacturing capital and tech hub

Hong Kong

- Went from poor colony in 1945 to global city and top 20 financial centres

Dubai

- 30% literacy in 1971. Now the business, financial and tourist hub of the Middle East

Shenzhen
Average Yearly Income

1980: $137 USD

2017: $13,997 USD

Singapore
GDP per Capita

1960: $428 USD

2018: $64,582 USD

Hong Kong
GDP per Capita

1980: $5,700 USD

2018: $46,193 USD

Dubai
UAE GDP

1980: $75 billion USD

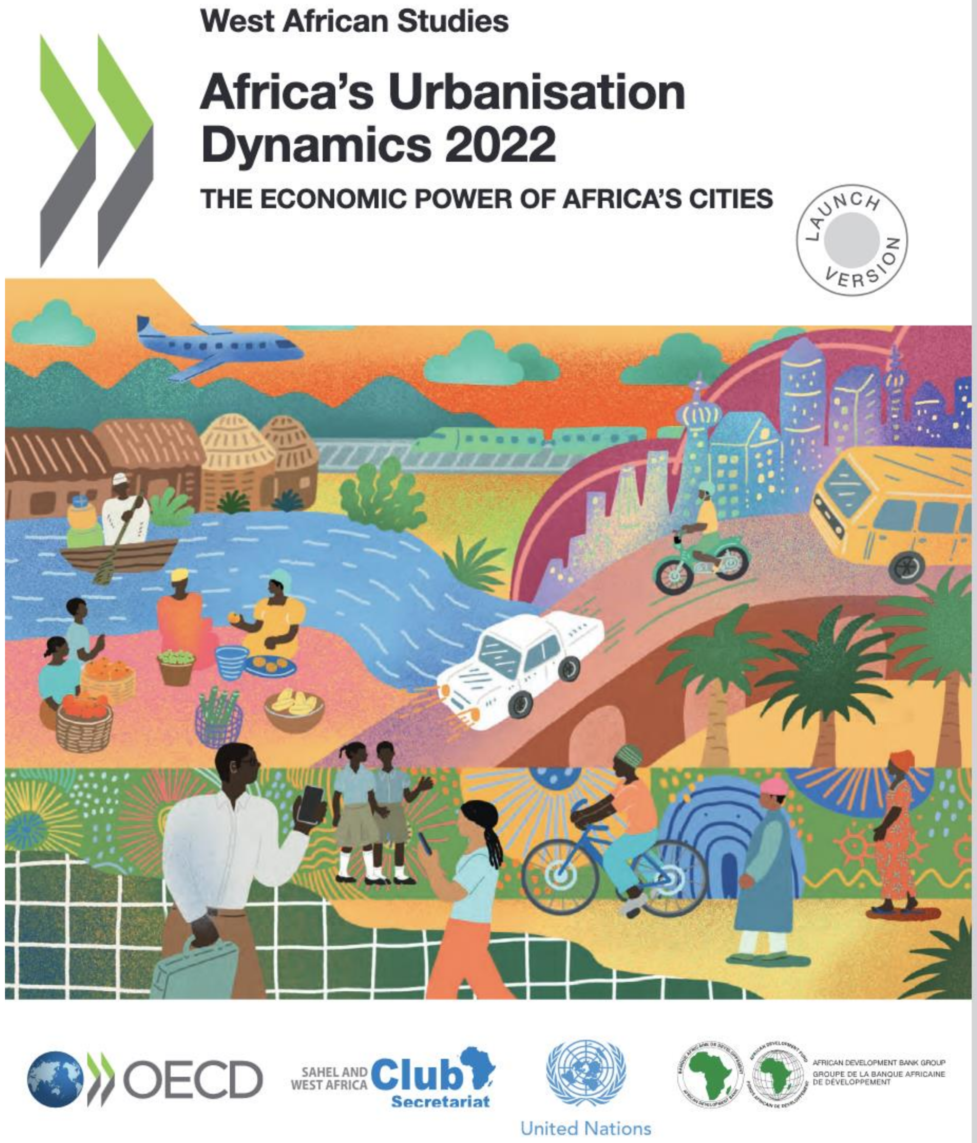
2017: $689 billion USD

Precedence: Tapping into the Magic of Cities

- ❑ It can be Africa's story…

  - ❖ Bright spots in Africa, evidence of a positive and higher contribution of African cities to :

    - GDP per capita growth
    - Wages
    - Educational outcomes
    - Infrastructure and service provision




Shenzhen 1980
Average Yearly Income, 1980:
$137 USD

Shenzhen 2017

Average yearly income, US$13,997

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The Market and Timing

...Leveraging Rapid Urbanization...

Africa's Population growth to 2050

2023	2050
Africa Population 1.2 Billion	Africa Population 2.3 Billion

1+ billion new people – 41 million per year – means hundreds of bankable new city projects are urgently needed in Africa.

120 planned new cities across 40 African countries as of 2019

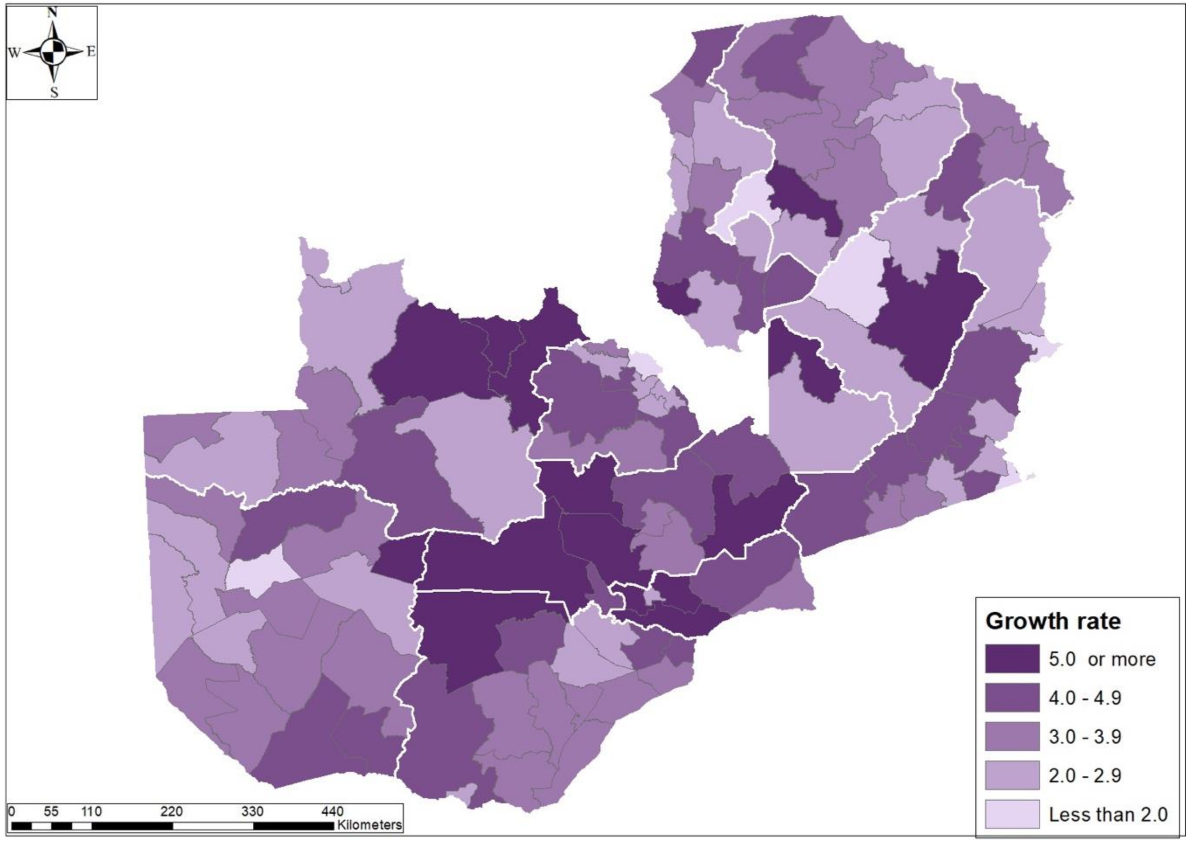
The Market and Timing

...Leveraging Rapid Urbanization...

Zambia's Population projected to grow to 26 Million by 2035

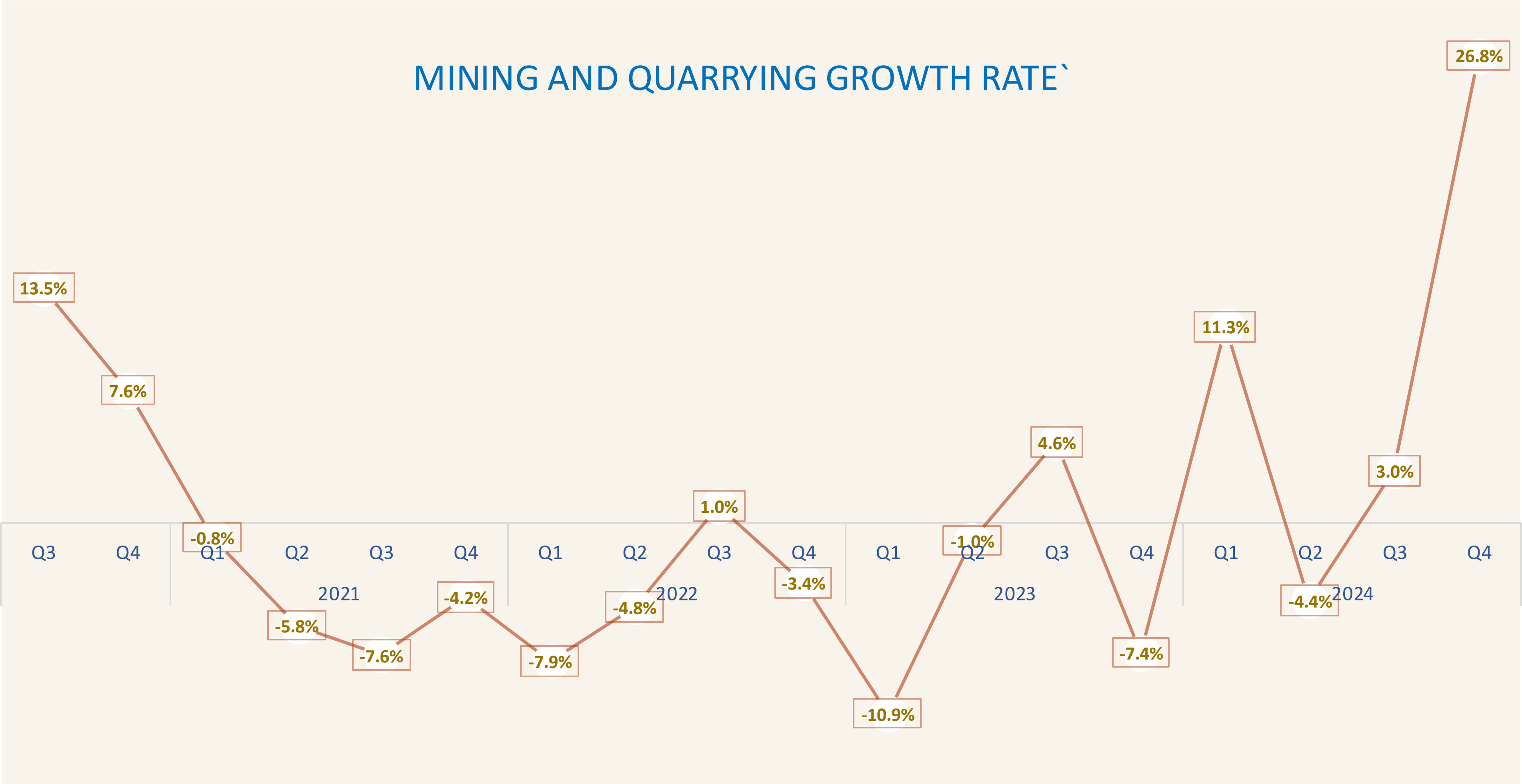
1969	2022
Zambia Population 4.1 Million	Zambia Population 19.6 Million

Average Annual Population Growth Rate by District, Zambia 2010-2022 (3.4% country growth rate)



Mining Rebound

…Leveraging Mining Growth & the Green Transition…



Reimagined Mining Towns

… Some Examples …

- **Ruhr Valley, Germany:**

Reindustrialized post mining economy, evolving from a coal and steel powerhouse to a region embracing cultural, technological, industrial and environmental advancements.

Reimagined Mining Towns

… Some Examples …

➢ **San Francisco, USA:**

Evolved from extractive industries to high-value knowledge economies marked by rapid growth, cultural innovation, economic change, and social evolution.

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Reimagined Mining Towns

… Some Examples …

- **Johannesburg, South Africa:**

Metamorphosis from a dusty gold mining camp into South Africa's largest city and a global financial and service centre

~1886

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Reimagined Mining Towns

… Some Examples …

- **Johannesburg, South Africa:**

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Now

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Reimagining Zambia's Mining Towns

… Thriving Inclusive Diversified Mining Cities…

- **Reimagine Zambia's mining towns as powerful engines for investment attraction, infrastructure development, job creation and inclusive and sustainable growth**
  - **Develop cities/SEZs that go beyond industry silos/enclaves**
    - Leverage mining as a key anchor to foster linkages with key economic sectors and long-term urban development
    - Plan for long-term urban infrastructure and housing
    - Public-private partnerships and inclusive governance

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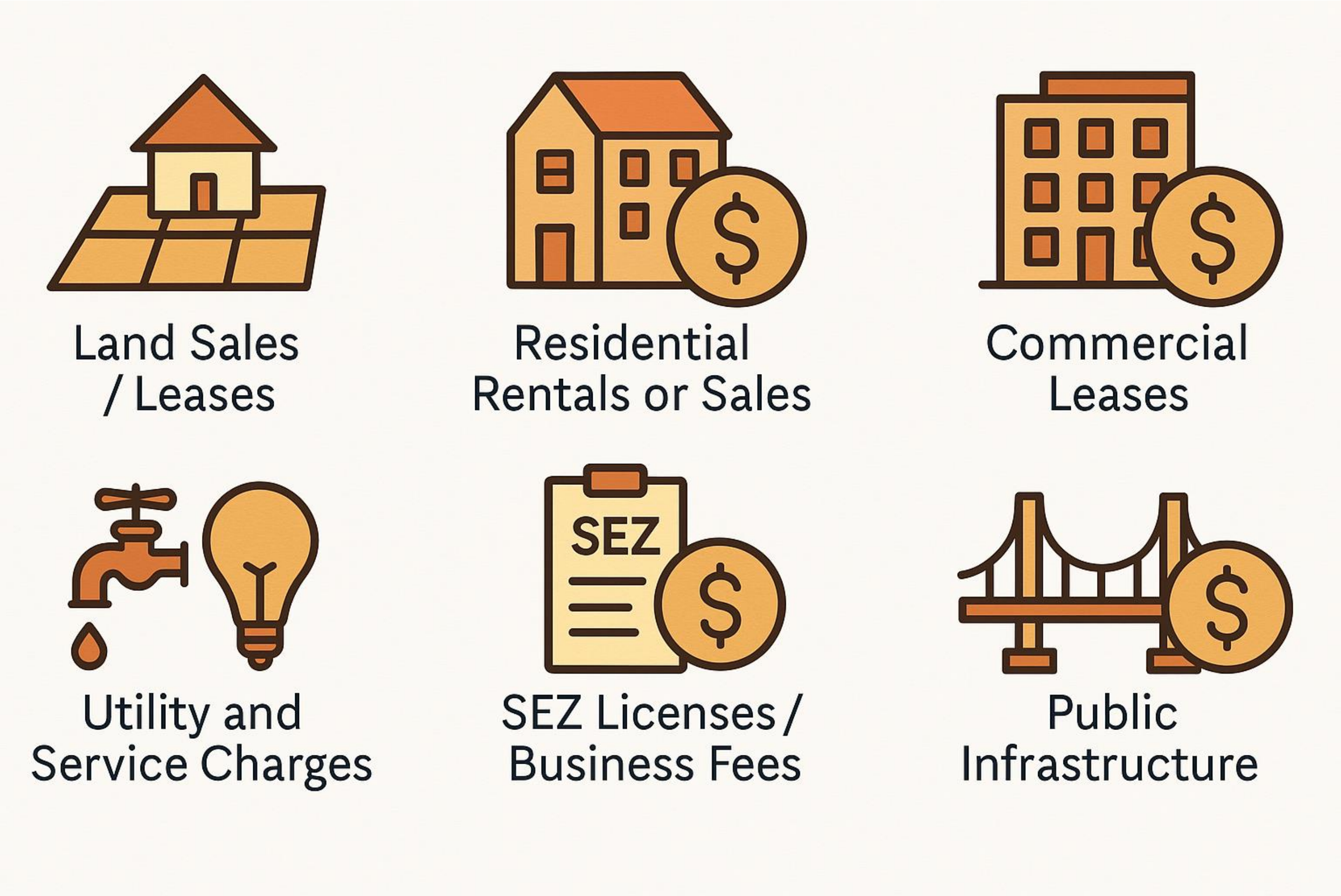
A New Investment Asset Class

… Potential Revenue Sources…

- **Land Value Capture**
  - Land sales and leases: Selling or leasing serviced land to developers, businesses, or residents.
  - Appreciation capture: Capturing the increase in land value resulting from infrastructure and regulatory enhancements i.e., land value taxes.

- **Real Estate Development**
  - Residential sales & rentals: income from unit sales, long-term rentals, and short-stay services.
  - Commercial property: Office parks, retail centres, and industrial buildings provide rental income and capital gains.

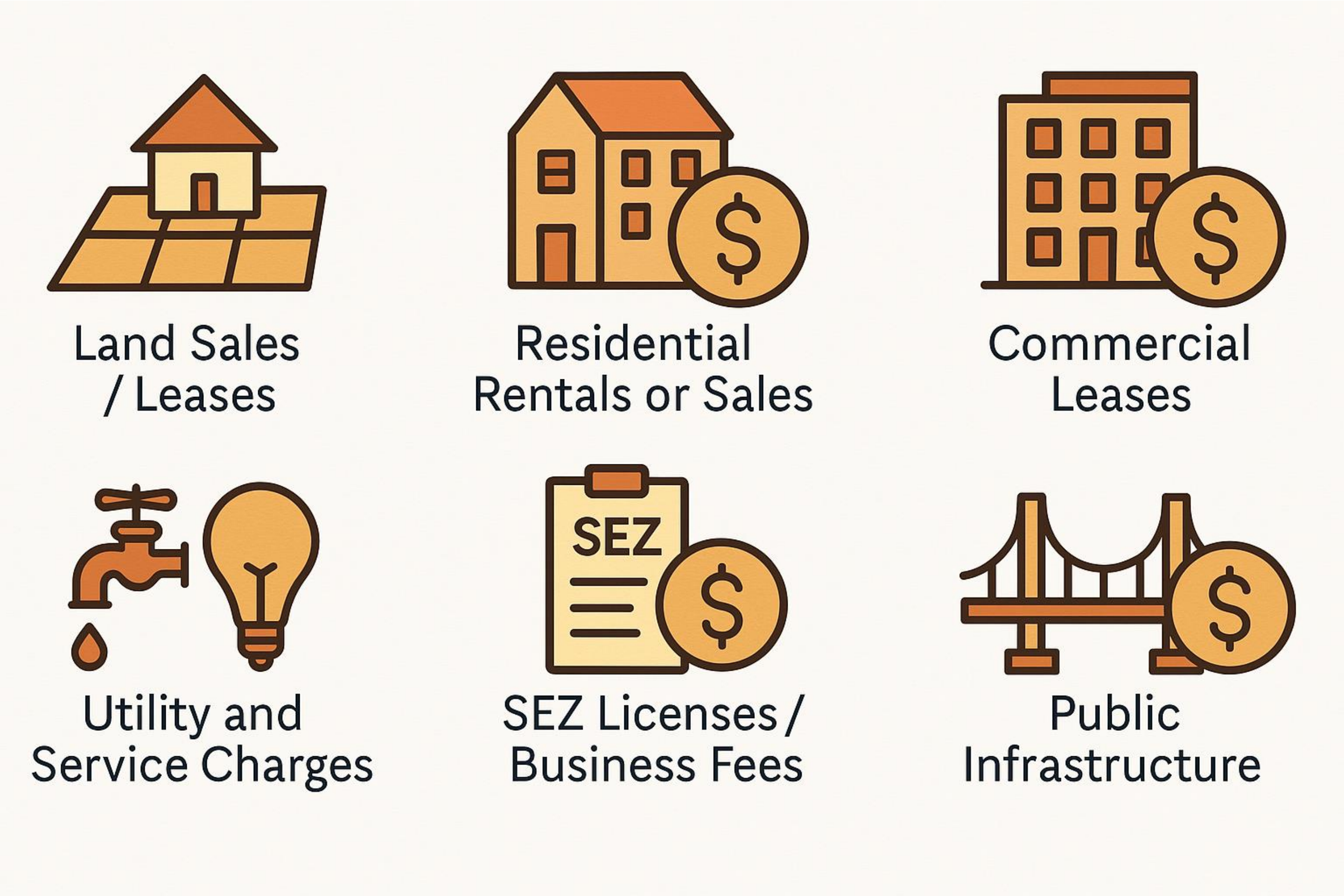


A New Investment Asset Class

… Potential Revenue Sources…

- **Special Economic Zone (SEZ) Fees**
  - License and registration fees: Charged to businesses operating within the SEZ or charter city.
  - Utility and service charges: Revenue from electricity, water, waste management, and ICT infrastructure.

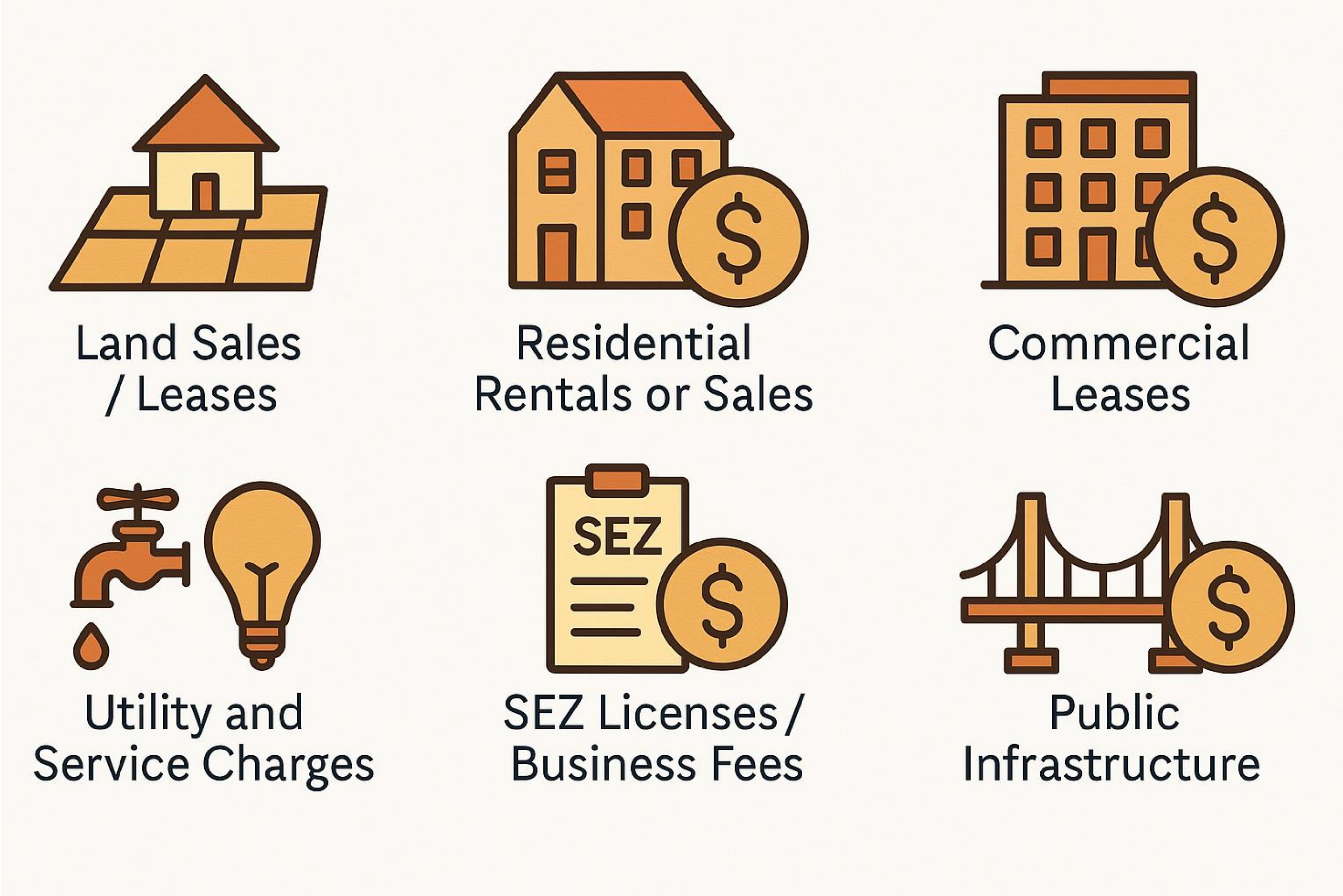
- **Infrastructure and Utility Concessions**
  - Toll roads or bridges: User fees from transport infrastructure.
  - Power generation or distribution
  - Water supply and waste treatment



A New Investment Asset Class

… Potential Revenue Sources…

- Tax Revenue (Subject to revenue sharing agreement and incentive structure)
  - Corporate income tax: Phased or performance-based tax collection from businesses.
  - Value Added Tax and property taxes on commercial activity and land use.
  - Withholding taxes or payroll taxes on employment within the zone



Thank You

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