JustJobs NETWORK

Boosting Urban Job Creation Beyond Lusaka: How to Catalyze Balanced, Job-Rich Urbanization in Zambia

By Gregory Randolph

April 2018

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THE ECONOMICS ASSOCIATION OF ZAMBIA

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Cover Photo: "Capitalism"
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Executive Summary

Despite the impressive, sustained rates of economic growth that Zambia has achieved since the start of the 21st century, and its relatively swift recovery from an economic downturn in 2015, the country's ongoing structural transformation and urbanization processes are yielding highly uneven results. A growing working-age population is demanding more and better jobs, and inequality is rising steeply, with the Gini coefficient increasing from 42.1 to 57.1 between 2002 and 2015.

This report argues that attention to the spatial dimension of these challenges is critical to tackling them. More specifically, it asserts that promoting job creation and economic development in Zambia's secondary and tertiary urban areas is key to an inclusive future in the country. If systemic issues of sluggish job creation and regional and inter-urban inequality are to be addressed – and if the Zambian government is to fulfill its promise, outlined in the Seventh National Development Plan, to "deliver a prosperous middle-income economy that offers decent employment opportunities for all Zambians of different skills and background" – policy frameworks must seek to unlock the unrealized economic potential in towns and cities beyond Lusaka. This requires tying decentralization and diversification policies to the economic empowerment of secondary and tertiary cities. Moreover, it requires a reinvention of flawed policies around industrial development.

Promoting job creation and economic development in Zambia's secondary and tertiary urban areas is key to an inclusive future in the country.

Lusaka's growing primacy

While Zambia once hosted a balanced urban system with a vibrant network of smaller towns and cities, Lusaka's primacy has increased steadily in recent decades. Between 2000 and 2010, as the country's economy expanded rapidly, Lusaka witnessed average annual population growth of 6.1 percent. The populations of secondary city districts, meanwhile, grew at only 2.5 percent – slower than any other urban or rural geography in the country. In contrast to the dominant narrative among government officials, Lusaka's rapid growth is not simply a result of rural-to-urban migration, but also urban-to-urban migration – from declining cities to the capital. Between 1990 and 2010, the share of Zambians living in rural and mostly rural districts changed little; the major demographic shift was from secondary and tertiary towns and their peripheries to Lusaka. Whereas other countries in the region at similar stages of economic development have begun to see secondary and tertiary cities "catch up," Lusaka's expansion is projected to outpace that of its smaller urban counterparts until 2030, when it will host nearly 40 percent of the country's urban population.

These trends are grounded in the divergent labor market experiences of Zambian cities. While economic decline at the end of the 20th century hurt small and medium-sized cities disproportionately, the high-growth period of the 2000s benefited Lusaka far more than it did secondary and tertiary towns. In other words, as compared to other urban centers, Lusaka is better positioned to weather storms and harness windfalls.

This report presents a wealth of data analysis to illustrate the divergence of fortunes between Lusaka and non-primary cities in Zambia. For example:

- **In the 1990s, when Zambia faced major economic turmoil and an average GDP growth rate of just 1.3 percent, the share of unpaid workers rose rapidly in urban areas throughout the country – but it fell in Lusaka.** In that era, secondary and tertiary cities witnessed an astounding loss of wage employment, and many workers returned to agriculture, while in Lusaka the movement of workers out of agriculture and into industry and services continued unabated.
- During the period of macroeconomic stability and growth in the 2000s, fortunes changed far less for workers in non-primary urban areas as compared to those in Lusaka. **In 2010, 40 percent of workers in secondary city districts were still engaged in agriculture – double the share in 1990 – suggesting an enduring structural "reversal" in the labor market.** While many secondary city economies rely heavily on mining, the resurgence of the copper industry in the 2000s did not bring a recovery in mining employment: **by 2010, still only 7.3 percent of workers in secondary city districts were engaged in mining, compared to 17.9 percent in 1990.**
- According to recent data from the economic census, **four in 10 of all the enterprise-level jobs in Zambia are in and around Lusaka. This is greater than the number of enterprise-level jobs in the next three largest cities – Kitwe, Kabwe and Ndola – combined.** The smaller, tertiary cities of Chipata and Solwezi each host about 2 percent of all of Zambia's enterprise-level jobs.

Towards balanced, job-rich urbanization in Zambia

Some policymakers in Zambia are focused on "decongesting" Lusaka and have even suggested moving the national capital elsewhere. Others believe that the solution to Zambia's uneven development lies squarely in promoting government schemes in rural areas. Both of these policy ideas are well-intentioned, but they are misguided. **Zambia's pathway to inclusive growth lies in promoting economic development and job creation in its secondary and tertiary urban areas.** This diverse collection of towns and cities includes declining settlements on the Copperbelt, which require reinvestment and reinvention, as well as emerging towns like Chipata and Kasama, which need government support to become viable urban centers. Supporting these urban areas is not disconnected from supporting rural Zambians; in fact, urban prosperity in small and medium-sized cities and rural development are mutually reinforcing, as extensive research has shown. **A successful, balanced network of cities and towns will generate a growth pattern that benefits more people in more places, maximizing the potential for economic symbiosis between rural and urban Zambia.**

Current policy priorities such as decentralization and diversification could serve as valuable levers in promoting the success of secondary and tertiary cities in Zambia. Decentralization has the potential to shift much needed revenue-generating authority to local governments and to give them more autonomy to pursue local economic development strategies. Diversification holds the possibility of supporting sectors such as agro-processing that might locate in urban areas outside the capital. But these reforms are not silver bullets and their positive possibilities are not automatic; in order to serve as catalysts for towns and cities beyond Lusaka, they must be implemented with close attention to their spatial consequences. Moreover, such policies ought to be paired with other, place-based initiatives, such as multi-stakeholder regional development agencies, that can support economic development in regions like the Copperbelt – which hosts underutilized infrastructure and unrealized economic potential.

A successful, balanced network of cities and towns will generate a growth pattern that benefits more people in more places, maximizing the potential for economic symbiosis between rural and urban Zambia.

Meanwhile, other policy frameworks currently in place require major reformulation in order to be pillars of a successful strategy to improve the prospects of secondary and tertiary cities. For example, **Multi-Facility Economic Zones, which attempt to replicate an approach to industrialization borrowed from a very different context, have little potential to drive long-term economic transformation in Zambia** or support its struggling small and medium-sized enterprises, which are disproportionately located in smaller towns and cities. The current MFEZ strategy has done little more than provide tax breaks and superior infrastructure to foreign companies – mostly in the mining sector – creating only 10,000 jobs between 2007 and 2016. A more successful industrial development strategy would utilize place-based policies to incentivize both foreign and domestic investment in lagging regions while providing desperately needed affordable credit to Zambian enterprises.

Policy recommendations

Based on extensive secondary data analysis, a series of in-depth interviews with a range of stakeholders in Zambia, and a review of international best practices, this report makes the following policy recommendations toward catalyzing balanced, job-rich urbanization in Zambia:

1. **Incorporate a stronger focus on job creation in the implementation of the National Decentralisation Policy.** *In pursuing decentralization, the Zambian government must place greater emphasis on empowering local councils to drive efforts for local job creation – both in policy formulation and policy implementation.*
2. **Activate leadership and innovation at local levels of government.** *Implement a set of "activation policies" aimed at incentivizing local councils to develop innovative programs around local economic development and job creation.*
3. **Increase transparency in fiscal architecture and rationalize subnational transfers.** *Zambia must strengthen its intergovernmental fiscal system – opening geographic targeting to greater public scrutiny, stepping up support for emerging urban centers, and requiring Lusaka to generate more of its own fiscal resources.*
4. **Introduce place-sensitive policies to spur investment in underperforming urban economies.** *The Zambian government must seek to shift the cost-benefit equation of firms' locational choices in favor of secondary and tertiary cities, especially those with unrealized potential for industrial development. This requires moving away from a broken MFEZ policy that is unlikely to spur long-term sustainable development for Zambian businesses.*
5. **Reform urban planning priorities to benefit local businesses and workers.** *Zambia requires a new urban planning culture that emphasizes mobility over "decongestion" – enabling the growth of local enterprises and better labor market matching. Further, councils must provide incentives for local enterprises to join the formal economy.*

The growing divergence between Lusaka and other urban centers has been one of the most defining trends of Zambia's development over the past three decades, and the Zambian government will struggle to deliver on its biggest promises – job creation, economic diversification, decentralization, and even rural development – unless it realizes that these priorities are bound up in the fate of its secondary and tertiary cities. The evidence and recommendations included in this report aim to support policymakers in forging a more balanced, job-rich urbanization process in Zambia – critical to the path of inclusive growth.

Introduction

As in many other world regions, countries across Sub-Saharan Africa are grappling with chronically high levels of wealth inequality. The region hosts six of the world's 10 most unequal countries, as measured by their Gini coefficients.[1] And while countries throughout much of the region have witnessed strong, sustained rates of economic growth and urbanization since the turn of the century – leading some observers to forecast an "African century"[2] – these processes of structural transformation are yielding highly uneven outcomes. Examined regionally, almost 40 percent of the total gain in consumption between 1993 and 2008 came from the wealthiest 5 percent of the population of Sub-Saharan Africa.[3] In Zambia, the Gini coefficient rose from 42.1 in 2002 to 57.1 in 2015, according to the World Bank, and the Zambian government's Gini estimates are much higher.[4,5]

Researchers must investigate not only the ways in which the fruits of economic growth are distributed across different kinds of people, but also how they are distributed across different kinds of places.

As these uneven patterns of development receive increasing attention from governments and civil society both within and outside Africa, it is crucial to examine them not only through macroeconomic and demographic lenses, but to understand the spatial manifestations of inequality. Researchers must investigate not only the ways in which the fruits of economic growth are distributed across different kinds of people, but also how they are distributed across different kinds of places. From a labor-market perspective, questions of inequality relate not only to the kinds of jobs being created and the kinds of people who can access them. Inequality is also a factor of where different kinds of employment opportunities are created, and where they are not.

The policy discussion of spatial inequality often stops at crude statistical comparisons between urban and rural, which obscure important distinctions between the experiences and trajectories of different urban and rural geographies. For example, median per-person household expenditure jumped 54.9 percent in Lusaka between 2010 and 2015 in real terms, and declined by 9.6 percent in secondary city districts[i]– a clear demonstration of large disparities in income growth between different urban areas.[6]

When observing the distribution of economic opportunity, a more particular challenge becomes apparent in some countries. Urban primacy is the dominance of a single "primate" city in patterns of

[i] *Such place-based statistics do not negate the fact that the income distribution in these cities may also be shifting in favor of income convergence or divergence.*

urbanization and, by extension, the processes of economic growth and structural transformation. In policy dialogue, the issue of primacy is often conflated with –even confused with – a wider range of problems that result from poorly managed urbanization, such as congestion, pollution, and housing and sanitation challenges. To develop policies that adequately address both, concerns over the pace of urbanization should be distinguished from questions over the distribution of urbanization – that is, whether or not cities of different sizes and economic functions are growing, prospering, and creating opportunities for their populations, both native and newcomer.

While Zambia once hosted a balanced urban system with a strong network of secondary and tertiary cities, the primacy of Lusaka has been increasing over the last three decades – in contrast to the evolution of urban systems in other countries of the region.

While the problem of primacy has received inadequate attention over the last three decades, this report builds on a return among researchers to questions of urbanization's spatial distribution. A 2017 report by the United Nations Economic Commission for Africa highlighted the need to address the "tendency of urban primacy in African countries and enable more balanced national urban systems."[7]

This report will utilize a range of different indicators to examine the labor markets of secondary and tertiary urban areas as compared to Lusaka's over the last two decades, demonstrating that the labor market in Zambia's capital is more resilient in the face of economic downturns and more likely to benefit during periods of economic recovery. While Zambia once hosted a balanced urban system with a strong network of secondary and tertiary cities, the primacy of Lusaka has been increasing over the last three decades – in contrast to the evolution of urban systems in other countries of the region. The report will discuss some of Zambia's biggest development priorities in light of evolving dynamics of urbanization and urban labor markets, arguing that current policy objectives – such as decentralization and diversification – must be examined and addressed through the lens of secondary and tertiary cities if systemic issues of spatial inequality are to be addressed. Indeed, these economic and governance strategies are far more likely to lead to inclusive growth if they unlock unrealized economic potential in many of the smaller towns and cities outside the Zambian capital.

Ultimately, the report's objective is to attend to the geography of job creation and economic growth in Zambia, calling on policymakers to do the same. Furthermore, it hopes to shift the dialogue on urbanization and economic opportunity in Zambia, away from a myopic focus on "decongesting" Lusaka or a policy framework aimed squarely at promoting rural development, and toward the importance of driving sustainable job creation and inclusive economic growth in the country's secondary and tertiary cities.

Why Does the Distribution of Urbanization Matter?

The history of research and policy on primacy

Before understanding the specific patterns that have characterized change in Zambia's urban fabric, we must first address the question of why primacy – or, more generally, the distribution of urbanization – should concern those who seek to generate inclusive growth and job creation in the country.

Most scholars and researchers date urban systems research to Central Place Theory, which was proposed by Christaller in 1933 and further elaborated by Losch in 1941.[8] These scholars developed a theory of urban hierarchy, based on city size and function, to explain how households, workers and firms locate in the spatial economy. In their model, places located at the highest ranks of the hierarchy attract industries with the greatest scale economies and most highly specialized goods and services. While these theories were useful to a certain extent, they also spawned a "rank size rule"[9] that was deployed in overly prescriptive ways by researchers who saw Central Place Theory as describing an ideal urban system that all countries – regardless of local economic, geographic or political conditions – should strive to create. Beginning in the 1960s, where scholars saw urban systems of a different character – primarily in the global South – they classified this phenomenon as "over-urbanization,"[10] stimulating a persistent anti-urban bias and attempts to slow urbanization by hindering rural-urban migration. In short, countries focused on stopping the growth of their primary cities, as opposed to boosting growth and opportunity in their secondary and tertiary towns. This misguided approach to urban policy still persists in many countries today.[11] Nearly three-quarters of African governments have policies in place to reduce rural-urban migration[12] – despite the fact that evidence shows such efforts are largely futile.[13]

While scholarship and policy advice in the 1980s briefly gave attention to spurring growth in small cities, many initiatives undertaken in that era failed to address the root causes of stagnation and decline in secondary urban centers.[14] Local strategies for growth were often disconnected from national policy structures that continued to systematically advantage primary cities.[15] The failure of these policy initiatives – combined with the sharp criticism of earlier scholarship that advanced a one-size-fits-all approach to urban systems – led in recent decades to a broader neglect of questions around the distribution of urban populations. Meanwhile, the new, provocative work on "global cities" by scholars like Saskia Sassen has heightened the focus on major metropolitan areas, as opposed to secondary and tertiary cities and towns.[16]

However, examinations of primacy and the distribution of urbanization are slowly re-emerging[17] as more scholars acknowledge the importance of balanced urban growth - not only across different demographic groups but also across different places.[18] These analyses are highly policy-relevant, as governments seek to combat rising inequality in all its various forms. Moreover, another positive development is that researchers today are emphasizing the importance of stimulating growth in secondary and tertiary cities and towns – rather than calling for the kinds of 'closed city' policies, aimed at restricting in-migration, that countries throughout the global South enacted in their primary cities during the 20th century.[19] Finally, due to the greater availability of local labor market data, these analyses can be nuanced beyond the simple metric of population growth, which may be an imperfect proxy for the economic well-being of a place. This report attempts to build on this renewed interest in the distribution of urbanization and economic opportunity.

Researchers today are emphasizing the importance of stimulating growth in secondary and tertiary cities and towns – rather than calling for the kinds of 'closed city' policies, aimed at restricting in-migration, that countries throughout the global South enacted in their primary cities during the 20th century.

Rural-urban linkages and the importance of small and secondary cities

The consequence of how urban space is distributed relates to the important linkages between the rural and urban economy. While many governments, multilateral institutions, and even researchers operate within a rural-urban dichotomy, the deep relationships between agricultural and non-agricultural economies are powerfully embedded in the processes of economic growth, job creation and poverty reduction. As structural transformation unfolds, the economic interdependence between the agriculture sector and urban sectors – manufacturing, wholesale and retail trade, and various service sectors – intensifies. As agricultural productivity expands, it raises rural households' purchasing power and increases the surplus crop that can be processed by manufacturers; meanwhile, as urban economies expand, they offer employment opportunities for rural households looking to grow and diversify their incomes. This mutually reinforcing, positive feedback loop is a well-established and well-documented phenomenon, fundamental to processes of economic development.[20,21]

The importance of urbanization's distribution emerges here: given the positive, circular forces at work in the relationships between rural and urban economies, policymakers seeking to induce economic development and structural transformation have an interest in maximizing these linkages across space. When urbanization takes place across a wider geographic area, the scope for these positive forms of rural-urban symbiosis grows. The benefits of development – rural and urban – reach further in space. In a country like Zambia, where nearly 60 percent of the population lives in rural areas and over three-quarters of the rural population lives below the national poverty line,[22] these positive, poverty-reducing linkages between rural and urban economies become all the more important.

Research suggests that the interconnectedness of rural and urban economies is particularly strong in and around secondary and tertiary cities.[23] Their size and proximity is an asset for rural households for many reasons, such as:

Research suggests that the interconnectedness of rural and urban economies is particularly strong in and around secondary and tertiary cities.

- Smaller towns and cities often play the role of a traditional market town, offering small-scale farmers an accessible location for selling agricultural goods.
- Proximate towns offer workers looking for non-farm employment an accessible labor market. For example, agricultural workers located near small cities are able to commute daily for employment opportunities in the town.
- Secondary and tertiary cities in many countries represent a more practical destination than large primary cities for rural-urban migrants seeking economic mobility, given their proximity, lower costs of living, and their likelihood of offering family and kinship networks.

For reasons such as these, strong evidence from across the developing world demonstrates a close relationship between poverty reduction and strong secondary and tertiary cities.[24,25] In a study of 51 countries, scholars found that rural diversification and secondary town development may be more effective strategies in promoting inclusive growth than "metropolitanization" – or the growth of big cities. In Tanzania, the study found that about half of those who exited poverty did so by joining the non-farm economy in small towns, while only one in seven escaped poverty by migrating to a large city.[26] Some scholarship has actually found evidence that excessive primacy also constricts economic growth.[27]

Small cities also have an indirect impact on facilitating growth and job creation by playing important service-provision functions.[28] Increasingly in countries like Zambia, local government officials are responsible for administering basic services such as primary health care, education, agricultural support, and water and sanitation infrastructure. In small and intermediate towns, these local governments are often governing a space that includes both an urban core and a large rural periphery. These cities are extremely important as administrative centers capable of reaching underserved populations. However, their fiscal and governance capacity determines the quality of services these small urban centers provide – an issue this report will explore in detail.

Secondary city interventions: Lessons from the past

Despite the heavier emphasis on "decongesting" large primary cities, some policy interventions over the past several decades have sought to improve the economic prospects of secondary and tertiary cities. However, many of these attempts at balancing urban growth are considered failures. It is essential to learn from these past mistakes in developing a more effective strategy for realizing the growth and job creation potential of smaller urban centers in today's Zambia. Three key lessons emerge from studying the history:

1. **Policymakers have often been unwilling or unable to see the spatial dimensions – or foresee the spatial consequences – of macroeconomic policy.** Targeted interventions aimed at lifting up particular geographies are often contradicted and counteracted by more influential policies governing the national economy. For example, trade and agriculture policies in many countries have an embedded primary-city bias. As Satterthwaite and Tacoli point out, where agriculture sectors have been centrally controlled, with prices kept low, this has discouraged more localized processing activities and encouraged subsistence farming.[29]

2. **Firm-side policies aimed at stimulating growth and job creation have often failed to take into account the specific needs of small and medium-sized enterprises, which constitute a large share of the private sector in secondary and tertiary cities.** For example, special economic zones that offer tax, regulatory and tariff advantages – referred to in the Zambian context as Multi-Facility Economic Zones or MFEZs – typically have implicit or explicit minimums for capital investment. In such an environment, the only firms able to leverage these special privileges are either foreign-owned or the largest domestic companies, which are generally based in the primary city rather than smaller towns.[30] The policies are not benefiting the firms in most need of the support.

3. **The structure of government and the location of revenue-raising and decision-making power has often undermined efforts at supporting economic development in secondary and tertiary cities.** While governments in the latter half of the 20th century emphasized improving local governance in support of smaller towns and cities, policy interventions often de-concentrated public sector employment rather than devolving decision-making power and revenue-raising authority. An increase in government employment in secondary and tertiary cities can provide a short-term boost to the local economy, but without more structural change in governing authority, this boost is unlikely to evolve into long-term, sustainable economic development.

This report strives to account for these past failures in policy interventions aimed at supporting economic development in secondary and tertiary cities. Identifying that smaller cities have "fallen behind" in a country like Zambia, and recognizing the importance of secondary and tertiary towns for poverty reduction and inclusive growth, are far simpler tasks than proposing solutions that could actually turn the tide. In the policy recommendations section of this report, the need for measured change with consistent policy dialogue and assessment is emphasized. Ultimately, discovering the right policy framework for supporting equitable urbanization and growth is more of an art than a science, and policy interventions are almost never universal in their applicability. This does not undermine the place of good research: rigorous evaluation and data analysis are essential for Zambia in shaping its process of urbanization.

Methods

The research in this report relies on a combination of primary and secondary data collected and analyzed between March and August 2017. In explicating key trends related to population growth, migration, labor market outcomes, and economic activity across Zambia, I rely on secondary data – primarily from the Population and Housing Census, but also from the Living Conditions and Monitoring Survey (LCMS) and the Economic Census. Much of the analysis is also corroborated or complemented by other sources, including government reports and academic scholarship on Zambia.

To investigate more deeply the mechanisms and the "why" behind these secondary data, and to add greater texture and insight to the report's analysis, approximately 25 qualitative interviews were conducted in Zambia with a range of relevant stakeholders in May and June 2017. These respondents included key government officials at the central and local level, leaders of civil society and labor organizations, fellow researchers, staff of international and multilateral agencies, and private sector representatives. These interviews took place in Lusaka as well as secondary and tertiary cities in the Copperbelt.

Moreover, the research process involved a special multi-stakeholder meeting, co-hosted in Kitwe by the JustJobs Network and Copperbelt University. In this consultation, government officials and other stakeholders offered their perspectives on key issues facing the Copperbelt Province in building a more dynamic, job-rich urban region. The insights from the discussion have also informed the report.

A note on methodological constraints

The figures presented in this study are based on Zambian government data. For an analysis of this kind, which seeks to examine the universe of subnational labor markets in Zambia, government data represent the most reliable source. Nevertheless, the available data places many constraints on the analysis, which are necessary to note for the reader.

First, the evidence that follows is a comparison across districts in Zambia – not cities. While this report is primarily concerned with secondary and tertiary cities, and how they relate to processes of regional and national economic development in Zambia, data constraints do not allow an examination of labor markets at the city level in Zambia. Therefore, it is important to note that the descriptive statistics presented here describe not primary, secondary and tertiary cities, but rather the districts that they are contained within – in other words, the city and its periphery, which extends to different degrees depending on where district boundaries have been drawn.

Second, because a trends analysis requires consistent geographical boundaries over time, this analysis utilizes 1990 district borders through 2000 and 2010, even though many districts have been added since 1990. This is important to keep in mind when interpreting the findings, especially for secondary and tertiary city districts that may have included a much larger hinterland in 1990 than they do today.

Third, even though the analysis utilizes district-level rather than city-level data, many of Zambia's government-administered surveys are not representative even at the district level. The country's most extensive labor market data – from the Labor Force Survey (LFS) – cannot be relied upon for generating district-level estimates. The LFS is only representative at the provincial level, a scale too large for our investigation. For this reason, the analysis primarily utilizes a sample of Population and Housing Census data,[ii] with some selective use of the Livelihood Conditions and Monitoring Survey (LCMS) and the Economic Census. The disadvantage of relying on census data is the limited range of labor market variables available. Moreover, even with this most reliable of data sources, there is a relatively high incidence of missing data.

Partly to address these data constraints, the evidence here is reported through the framework of a typology. By reporting, for example, an indicator of an aggregated set of secondary city or tertiary city districts, we are able to produce a more reliable estimate. The typology is further explained in the next section.

[ii] *This sample is sourced from the IPUMS-International, a database of government data from around the world made available by the University of Minnesota.*

Evidence: An Analysis of District-Level Labor Markets in Zambia (1990-2010)

This section will present a comprehensive body of evidence tracking the fortunes of subnational labor markets in Zambia over the 20-year period from 1990 to 2010. The value of this trends analysis lies in understanding the pathways of different types of places from the perspective of work and opportunity. With this grounding, we comprehend better the particular opportunities and challenges that confront Zambia's cities and towns today.

As an analytical framework, this section utilizes a typology of Zambian districts, elaborated in **Table 1** and **Map 1**. In terms of empirical investigation, this report is primarily concerned with understanding how secondary and tertiary cities have evolved vis-à-vis Zambia's primate city of Lusaka and its rural geographies. The typology, therefore, relies on city size to divide Zambian districts into groups, or types. A range of labor market indicators across different district types are examined. Type 1 includes only Lusaka, as it is Zambia's only primary city and the only district that meets the threshold outlined in **Table 1**. In other words, comparisons between Type 1 and Type 2 districts are, in effect, comparisons between Lusaka and secondary cities. A full list of districts by type is included in **Appendix A.**

Population distribution and growth: Where do Zambians live?

The story of Lusaka's primacy begins to emerge when examining shifts in population distribution over time in Zambia. As **Figures 1-3** demonstrate,

Table 1
District Typology for Zambia

Type	Description	Definition	Examples
1	Primary City District	Presence of an urban settlement containing 500,000+ residents as of 1990	Lusaka
2	Secondary City District	Presence of an urban settlement containing 100,000-500,000 residents as of 1990	Chingola, Kabwe, Kitwe
3	Tertiary City District	Presence of an urban settlement containing 10,000-100,000 residents as of 1990	Chipata, Kalulushi, Livingstone, Mansa, Mazabuka, Mongu, Solwezi
4	Small Town + Hinterland District	Presence of an urban settlement containing 10,000+ residents as of 2010 but not as of 1990	Chinsali, Kalomo, Kawambwa, Lukulu, Siavonga
5	Rural District	No urban settlement of at least 10,000 residents as of 2010	Chilubi, Kasempa, Lufwanyama

Note: Historic population figures are sourced from the database at www.citypopulation.de.

Map 1

Zambia by District Typology (1990 Boundaries)

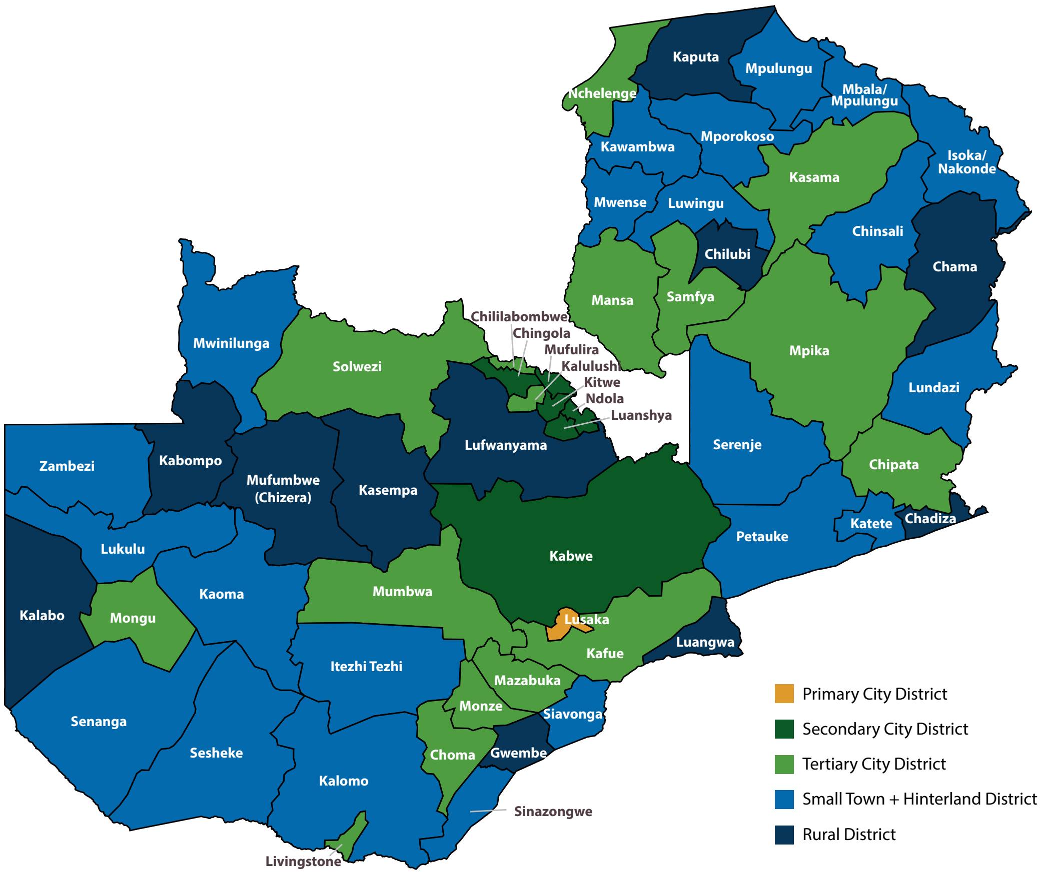


Figure 1-3

Population Distribution Across District Types (1990, 2000, 2010)

the share of Zambians living in district Types 4 and 5 – in other words, the most rural districts – has remained relatively consistent throughout the period 1990 to 2010. However, there has been a significant shift in population from Types 2 and 3 – secondary and tertiary city districts – to Type 1, i.e. Lusaka.

In 1990, about 10.1 percent of Zambians lived in Lusaka and 51.6 percent lived in secondary and tertiary cities and their peripheries (district Types 2 and 3). By 2010, these figures had shifted to 13.2 percent and 46.4 percent, respectively. In other words, among Zambians living in the most urbanized districts – those containing primary, secondary and tertiary cities – the share living in Lusaka jumped from 16 percent in 1990 to 22 percent two decades later.

Figures 4 and 5 show this evolution in terms of population growth rates. Between 1990 and 2000, the average annual population growth rate in Lusaka was surpassed only by the rate in the most rural districts (Type 5), where high fertility rates drove rapid population expansion. By the period 2000-2010, Lusaka's growth rate had far outstripped that of any other type of district. Averaging 6.1 percent per year, the population of Lusaka expanded nearly twice as fast as it did in any other type of district. In both time periods, secondary city districts (Type 2) saw the slowest population growth.

Taken together, these data demonstrate not only that Zambia is witnessing increasing primacy in its urbanization process, but that sluggish growth in secondary and – to a lesser extent – tertiary cities is driving this primacy.

Taken together, these data demonstrate not only that Zambia is witnessing increasing primacy in its urbanization process, but that sluggish growth in secondary and – to a lesser extent – tertiary cities is driving this primacy. Rural and mostly rural districts – Types 4 and 5 – have actually seen their share of the national population increase slightly. Meanwhile, secondary and tertiary cities have clearly lost ground to Lusaka.

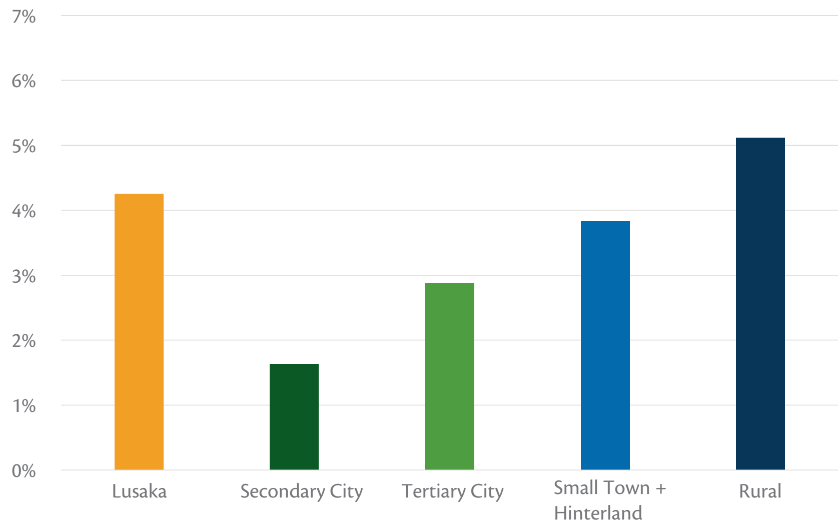
Zambian primacy through a comparative lens

In a comparative sense, the pattern of primacy in Zambia is not necessarily unique. As several scholars have previously noted, primacy is one of the defining features of African urbanization in general.[31] However, the trajectory of Zambian primacy does stand out. Whereas many of its regional comparators have begun to see secondary and tertiary cities "catch up," Lusaka's growth appears destined to outpace that of its smaller urban counterparts for decades to come.

Measuring primacy by its conventional definition – the share of the urban population residing in the largest city – a majority of African countries with stable political and economic systems have

Figure 4

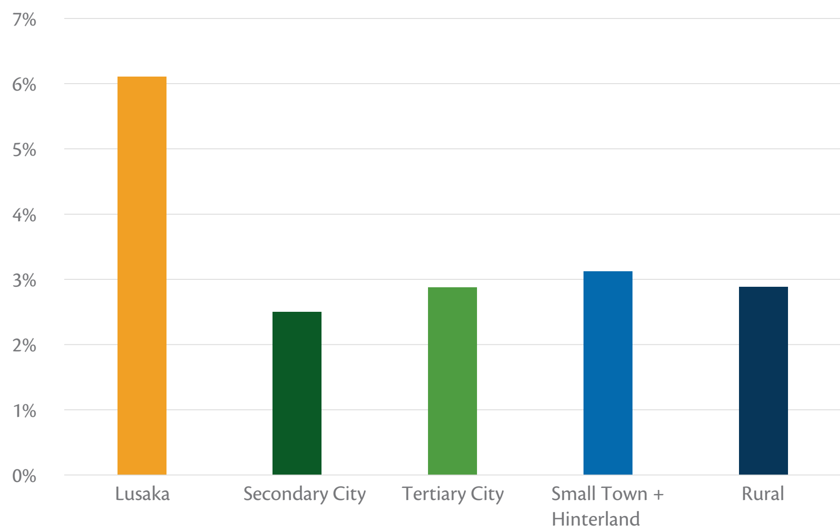
Average Annual Population Growth Rate (1990-2000)



Source: www.citypopulation.de

Figure 5

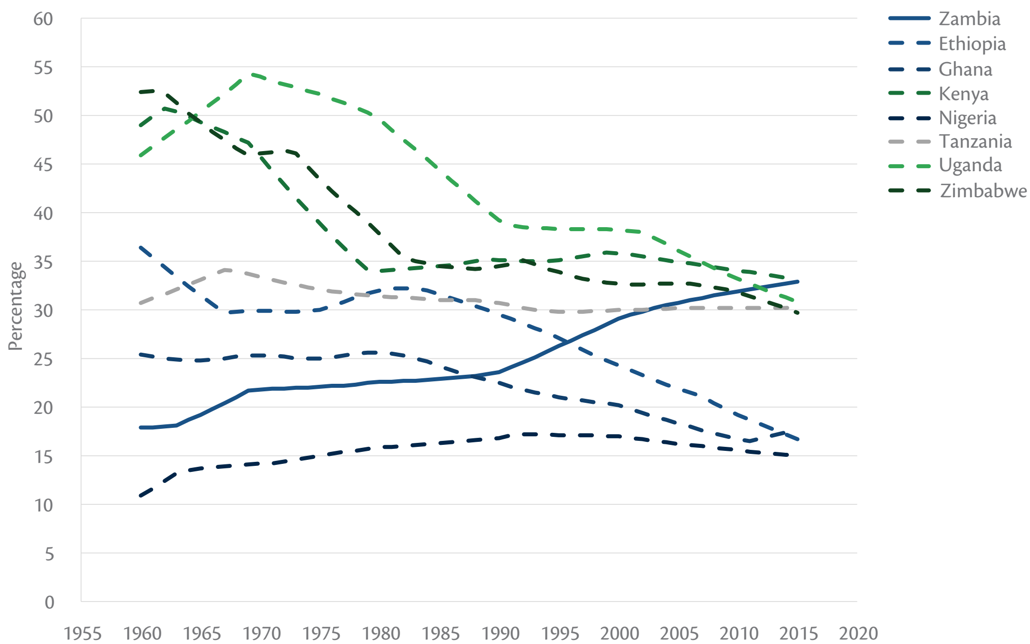
Average Annual Population Growth Rate (2000-2010)



Source: www.citypopulation.de

Figure 6

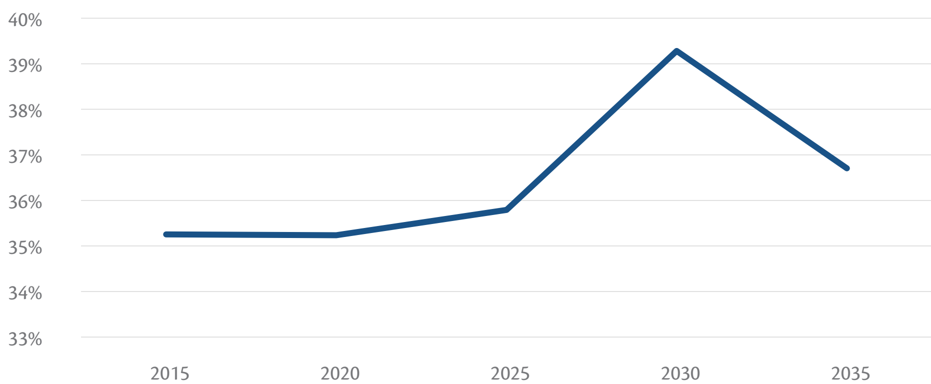
Primacy Across Selected Sub-Saharan African Countries (Share of Urban Population Living in Largest City)



Source: World Bank Development Indicators

Figure 7

Projected Share of Zambia's Urban Population in Lusaka (%)



Source: Population and Household Census – 2011-2035 been witnessing declining primacy over the last half-century. As **Figure 6** makes plainly evident, Zambia is the outlier. Ethiopia and Uganda are among those countries where primacy has most significantly decreased. The share of Ethiopia's urban population living in Addis Ababa was over 30 percent as recently as 1991, but in 2015 the figure stood at only 16.7 percent. In Uganda, primacy peaked in 1969, when over half of urban Ugandans lived in Kampala. By 2015 only about 30.8 percent of the country's urban population lived in the primary city. Since the 1960s, the numbers in Zambia have gone the other way. Whereas just 17.9 percent of Zambia's urban population was concentrated in Lusaka in 1960, that figure had nearly doubled by 2015 – reaching about one third. As **Figure 7** shows, not until 2030 do Zambian government demographers expect Lusaka's share of Zambia's urban population to begin declining – six to seven decades after most of Africa's other stable and growing countries. While many African countries at comparable stages of economic development appear to follow Kuznets' "inverted-U" hypothesis about urban concentration[32] – that primacy will increase in the earliest stages of structural transformation and then peak and decrease – Zambia is witnessing the opposite pattern. Its once-vibrant network of secondary and tertiary cities has eroded in favor of Lusaka's primacy.

While many African countries at comparable stages of economic development appear to follow Kuznets' "inverted-U" hypothesis about urban concentration – that primacy will increase in the earliest stages of structural transformation and then peak and decrease – Zambia is witnessing the opposite pattern. Its once-vibrant network of secondary and tertiary cities has eroded in favor of Lusaka's primacy.

To break this down further, we can also examine growth rates of cities of different sizes across countries to understand the "source" of growing or declining primacy – i.e. is sluggish growth in secondary cities or tertiary cities more responsible? **Table 2** shows growth rates for available inter-census periods across Ethiopia, Kenya, Tanzania and Zambia. In this analysis, rapid growth of primary cities is clearly a common feature across the four countries – with the exception of Addis Ababa's relatively slow growth rate during the 1994-2007 period (2.3 percent). Moreover, tertiary cities were growing rapidly during many of these periods of observation across the four countries. Where Zambia stands out is in the population growth rates of its secondary cities, which stood at less than 1 percent annually between 1990 and 2000 and recovered to only 2 percent per year between 2000 and 2010. The rebound of Zambia's tertiary cities is also notable; while they grew even more slowly than secondary cities between 1990 and 2000, their growth rate in the 2000-2010 period comes closer to matching that of tertiary cities in the other three countries. This report will later discuss the mixed story of labor markets in tertiary cities and discuss the implications of current and future growth in these emerging urban centers.

This more granular look at growth patterns across cities of different sizes in the region further illustrates the particularly poor performance of secondary cities in Zambia – assuming that population growth rates are reasonably strong proxies for economic well-being. The following sub-sections will analyze this underperformance through various labor market indicators, returning to the typology as a framework for analysis.

Inter-district migration in Zambia: Negative net-migration in secondary cities

Over the past three decades, the decline of secondary cities and the growing prominence of Lusaka has motivated migration from both rural and urban areas to the national capital. Measured as a share of its population, Lusaka's rate of inter-census net-migration – that is, migration in the past 10 years – rose to nearly 10 percent in 2010. In other words, over the 10-year period from 2000 to 2010, Lusaka's population increased by almost

Table 2

Population Growth Rates Across Selected Sub-Saharan Countries, Various Inter-Census Periods*

Zambia

City	Average Annual Growth Rate	
	1990-2000	2000-2010
Primary (Lusaka)	4.1%	6.1%
Secondary	0.8%	2.0%
Tertiary	0.6%	5.2%

Ethiopia

City	Average Annual Growth Rate
	1994-2007
Primary (Addis Ababa)	2.3%
Secondary	4.9%
Tertiary	7.1%

Kenya

City	Average Annual Growth Rate	
	1989-1999	1999-2009
Primary (Nairobi)	6.2%	4.6%
Secondary	3.4%	3.7%
Tertiary	7.1%	6.8%

Tanzania

City	Average Annual Growth Rate	
	1988-2002	2002-2012
Primary (Dar es Salaam)	6.7%	8.7%
Secondary	7.3%	5.3%
Tertiary	5.9%	7.4%

Source: www.citypopulation.de
***Note:** Measures of secondary and tertiary city growth rates are arithmetic means of the growth rates of cities falling into those size classes. Secondary cities are defined as those with populations of 100,000-500,000 in the year of the first observation (e.g. 1990 in Zambia). Tertiary cities are all urban settlements not classified as primary or secondary.

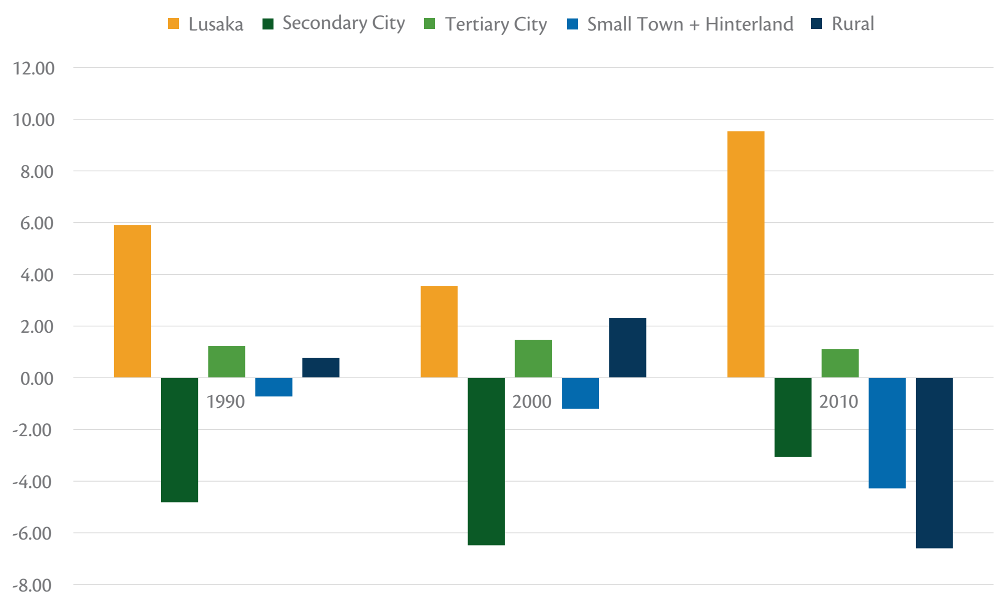
10 percent purely as a result of migration. In contrast, Type 2 districts, those hosting secondary cities, lost population to migration in each of the last three 10-year periods – 1980-90, 1990-2000, and 2000-10. Over the first decade of the 21st century, the average net-migration rate across Type 2 districts was -3.1 percent.

Figure 8 compares 10-year net-migration rates across district types. A few important trends emerge from this analysis. First of all, across the three-year period, Lusaka (i.e. district Type 1) consistently saw the highest rate of 10-year net-migration, even during the 1980s and 1990s, which were generally periods of economic decline where Zambia even witnessed de-urbanization. In another important trend, tertiary cities – district Type 3 – were the only type of district other than Lusaka to see positive net-migration across all three periods. Finally, the analysis makes clear that, while net-migration hovered close to zero in rural districts during the periods of economic decline and de-urbanization, out-migration picked up considerably during the 2000s: secondary city districts lost a greater share of their population than any other district type during the 1980s and 1990s, but in the 2000s, Type 4 and 5 districts lost 4.3 and 6.6 percent of their populations to migration, respectively.

What Figure 8 does not capture is the high levels of variation between districts within these

Figure 8

Average 10-Year Net-Migration Rates Across District Types



Source: Population and Housing Census, 1990, 2000, 2010

categories. For example, while net-migration rates in tertiary city districts averaged between 1 and 2 percent across the three decadal periods, these rates in 2000-10 varied from 23.5 percent in Kafue/Chongwe to -12.5 percent in Choma. Indeed, tertiary cities saw some of the greatest variation in net-migration rates, and not always in expected ways. For example, in the 2000-10 period, Mongu and Kasama, two provincial capitals that are generally considered to be rapidly expanding, both lost population to migration – at rates of -3.7 and -9.8 percent, respectively. During the same decade, some mining towns recovered population through migration, as the fortunes of the copper industry improved: Kalulushi and Chililabombwe both saw positive net-migration rates, as did the booming mining town of Solwezi in the "New Copperbelt" region.

Moreover, analysis of migration data from these time periods reveals a high degree of human mobility across many different geographies in Zambia. Even in cases where net-migration rates make a district's demography appear relatively stable, this can obscure dramatic rates of both in- and out-migration. For example, in 2010, about one-quarter of the population living in the mining town of Chingola had moved there in the previous 10 years – a very high rate of in-migration. During the same 10-year period, however, Chingola lost 29.2 percent of its population to out-migration, meaning its net-migration rate was -4 percent. Without more granular data on the reasons for migration, we are left to speculate as to why some people were coming to Chingola while others were leaving, but these sorts of population shifts were not uncommon in Zambia over the recent 30-year period, as the country saw turbulent, widespread economic restructuring, growth and decline. What is clear, however, is that no area of the country saw such sustained population growth through migration as the national capital, for reasons that the following sub-sections will make plainly evident.

Placing labor market performance in its economic context

In order to interpret local labor market performance in Zambia between 1990 and 2010, it must be placed within the broader context of how the Zambian economy evolved during this 20-year period. One of the inherent advantages of looking at these two decadal periods is the fact that the first – 1990 to 2000 – was generally characterized by low rates of economic growth or, in some years, contraction, along with a high degree of volatility. From 1990 to 1999, the average annual GDP growth rate in Zambia was just 1.3 percent, and the range between the lowest and highest rates of growth was 15.4 percentage points. In the next decade, the economy stabilized and growth picked up considerably: during the years 2000 to 2009, the average annual growth rate was 6.8 percent, and the difference between the highest and lowest growth rates was only 5.3 percent.[33]

For this reason, comparing the 1990s to the 2000s in Zambia across different district types enables us to ask a valuable question: How do local labor markets in cities of varying sizes respond to negative economic shocks? And how do they respond to economic success? Another way of asking this question is: How does the fate of

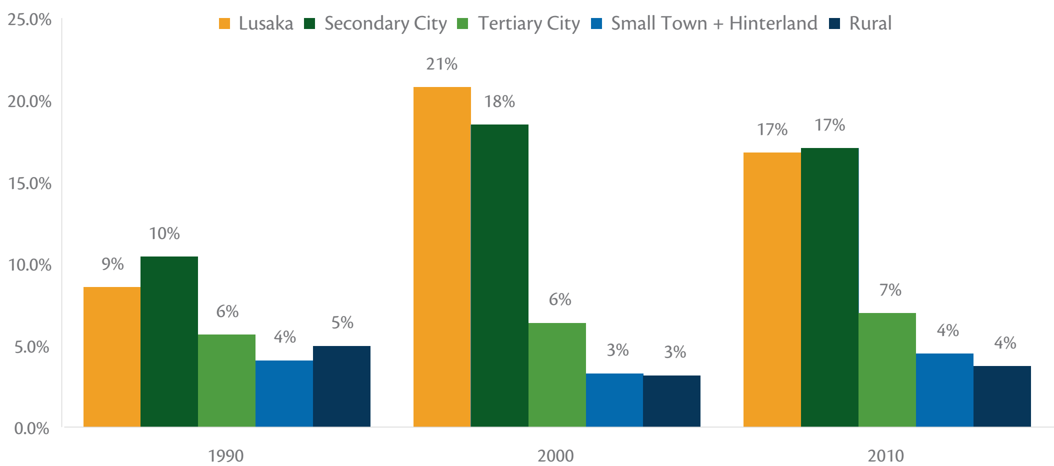
Zambia's national economy play out spatially? When the foundations of the macro-economy are weak, where are those weaknesses felt most acutely, and which places are buffeted from the turbulence of economic contraction? When the national economy is strong, which places benefit most?

"Strong" labor market performance is a somewhat subjective judgment – for example, should more weight be placed on levels of formality or levels of employment? – and the Zambian experience of the 1990s and 2000s was highly influenced by the ideologies of neoliberal institutions like the International Monetary Fund and the World Bank. Therefore, the direction in which key labor market indicators moved during this time period was not only a factor of high and low GDP growth but also deliberate changes in policy toward the flexibilization of the labor market and the privatization of public assets. For example, one must bear in mind that the sharp increases in unemployment in urban Zambia during the decade between 1990 and 2000 were not merely the result of macroeconomic trends, but also the result of large-scale retrenchment of public sector employees. Such policies had geographically uneven effects, too.

Labor force participation and employment rates across local labor markets

An analysis of labor force participation and unemployment rates demonstrates the stark differences between labor market experiences in Zambia's main cities – primary and secondary – and its smaller towns and rural areas. These differences grew more exaggerated over the 20-year period under examination (**Figures 9** and **10**). In 1990, labor force participation in all

Figure 9
Unemployment Rate by District Type (1990, 2000, 2010)



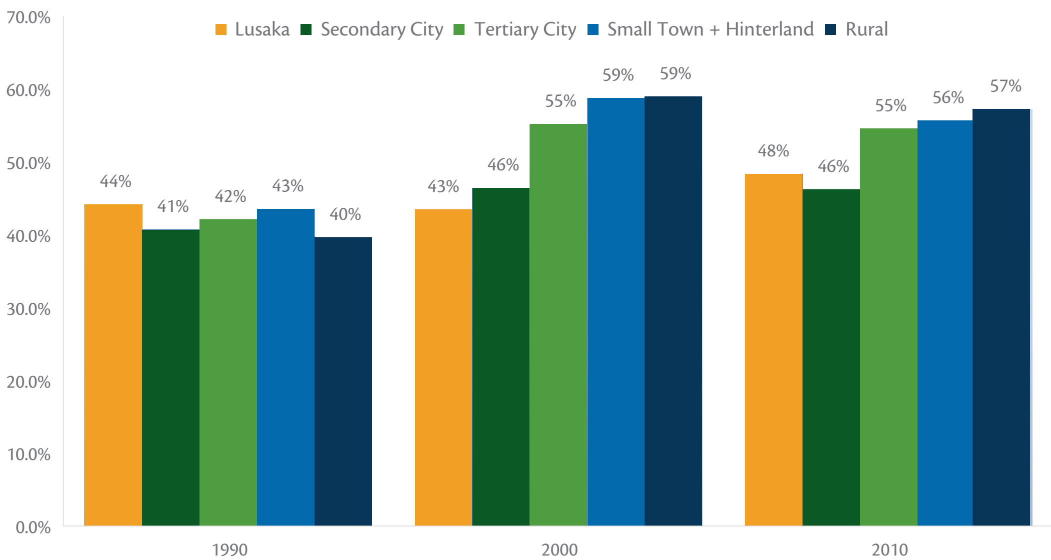
Source: Population and Housing Census, 1990, 2000, 2010

district types hovered between 40 and 50 percent and unemployment was at or below 10 percent. But by 2000, the fortunes of larger city and rural labor markets had diverged considerably. While labor force participation in Lusaka and Type 2 districts remained flat, unemployment jumped considerably – from 8.6 to 20.8 percent in Lusaka, and from 10.4 to 18.5 percent in secondary city districts. In district Types 3, 4 and 5, the inverse occurred: unemployment remained flat, but labor force participation jumped – almost 15 to 20 percentage points. These differing impacts are likely explained by the presence of a large agricultural sector: in smaller towns and rural areas, households coped with economic hardship by pulling a larger number of family members into the workforce – generally in the agriculture sector. In contrast, in urban areas where agriculture is a less viable "Plan B," the economic shocks of the 1990s simply put more workers out of a job.

Even in the stable and high-growth period of the 2000s, these trends remained relatively durable, suggesting that – according to these indicators – the shocks of the 1990s had a far stronger influence on the labor market than the economic "success" of the 2000s.

A few other interesting observations emerge from these data. On the unemployment metric, Lusaka appears to experience a slightly more exaggerated impact from the economic decline of the 1990s than secondary cities. Importantly,

Figure 10
Labor Force Participation Rate by District Type (1990, 2000, 2010)



Source: Population and Housing Census, 1990, 2000, 2010

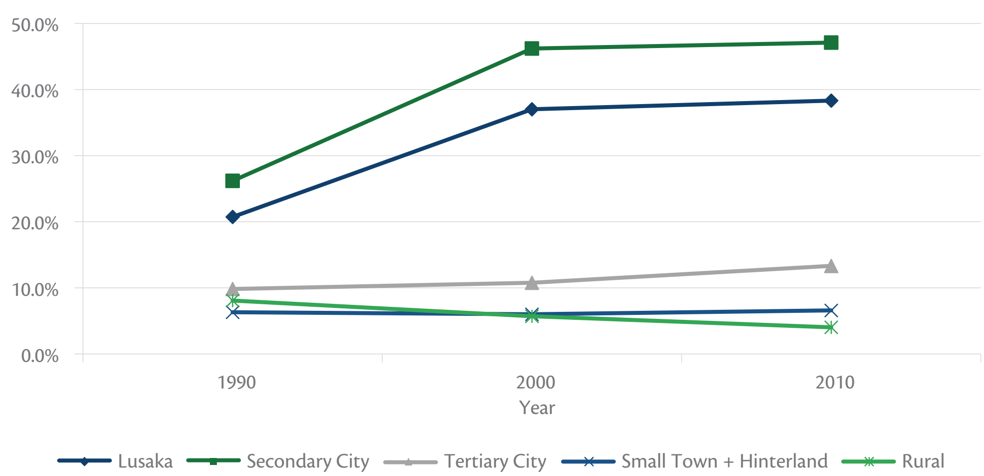
however, these figures must be seen in light of the population data presented earlier: Lusaka was charged with employing a workforce that was expanding much faster than the workforce of Type 2 districts. Moreover, Lusaka also appears to rebound more easily in the 2000s; the drop in unemployment was more meaningful in the capital in the 2000-2010 period than it was in secondary cities.

Another important observation from these data is that tertiary city districts (Type 3) appear to perform in much the same way that rural districts (Types 4 and 5) do. This might be explained by the persistence of a large informal agriculture sector in these tertiary city districts. Other evidence presented later will both reinforce and complicate this conclusion.

Urban youth left behind: Missing the recovery wave

When examining specific groups of workers on indicators of unemployment and labor force participation, one trend in particular stands out: youth in urban Zambia – especially in secondary cities but also in Lusaka – have been unable to ride the economic recovery wave. While unemployment in the overall population of workers fell in both Lusaka and secondary cities between 2000 and 2010, youth unemployment rose slightly (**Figure 11**). And while overall labor participation grew or held steady in those geographies, for youth it continued to fall. This was not the case for other sub-populations, such as women, who saw their employment outcomes track alongside those of the aggregate

Figure 11
Youth (ages 15-24) Unemployment Across District Types (1990-2010)



Source: Population and Housing Census, 1990, 2000, 2010

population. While it is difficult to pinpoint the exact reason for persistently high rates of youth unemployment, the trend suggests that Zambian policymakers ought to devise specific strategies aimed at helping young people access the labor market.

Employment by sector across local labor markets

In examining the sectoral composition of employment across district types, the divergent experiences of Lusaka and secondary cities become far more apparent. As **Figures 12-16** show, district Types 2, 3, 4 and 5 all saw an uptick in the share of workers employed in agriculture during the economic downturn of the 1990s, but this increase was especially dramatic in secondary city districts (Type 2). As of 1990, only about 20 percent of workers in Type 2 districts were engaged in agriculture; by 2000, nearly half (48.3 percent) were agricultural workers. Combined with the analysis of the previous section, this demonstrates the magnitude of the economic distress of the 1990s for workers in Type 2 districts. Even though agriculture functioned as a kind of "safety net" – albeit a precarious one – for a large number of workers, absorbing an additional 28 percent of the workforce in just 10 years, secondary city districts still saw a marked increase in unemployment. Meanwhile in Lusaka, while unemployment did rise considerably, the processes of urbanization and structural transformation continued throughout the 1990s – with the share of Lusaka's workforce in agriculture falling sharply from 16.9 to 4.7 percent, a decline perhaps driven partly by the outward expansion of the built-up urban area as well. Put simply, secondary cities relied heavily on the "safety valve" of agriculture during a period of economic distress and Lusaka did not. In the latter case, other sectors, like wholesale and retail trade and private household services (e.g. domestic work) saw growth in their share of employment.

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The "rebound" phase of our observation period – the 2000s – also treated Lusaka better than secondary cities. Type 2 districts saw a rapid decline of mining employment in the 1990s – from 17.9 percent of jobs to just 6.4 percent. And while mining operations recovered in the 2000s, mining employment did not; by 2010, still only 7.3 percent of workers were engaged in mining. The share of Type 2 district workers

Figure 12

Employment by Sector in Type 1 Districts (Lusaka) (1990, 2000, 2010)

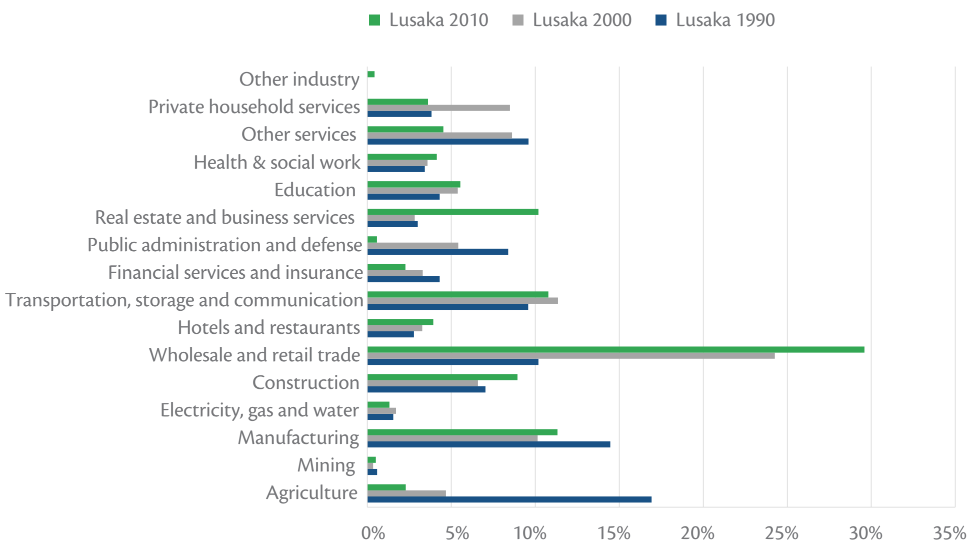


Figure 13

Employment by Sector in Type 2 Districts (1990, 2000, 2010)

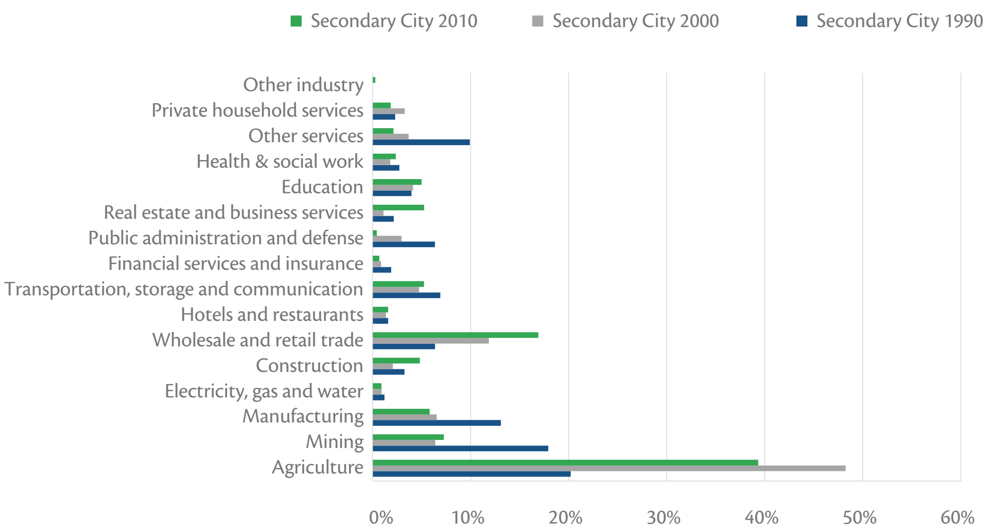


Figure 14

Employment by Sector in Type 3 Districts (1990, 2000, 2010)

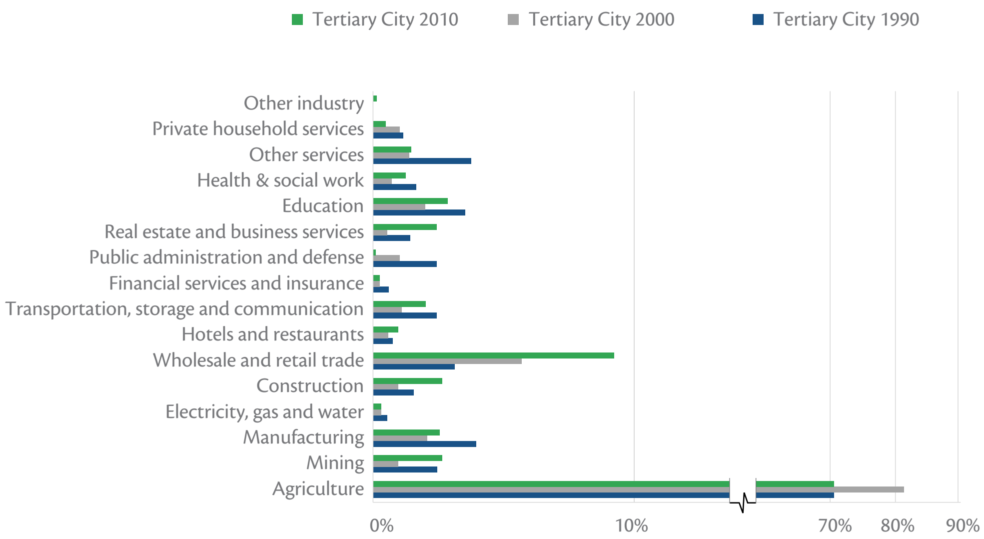
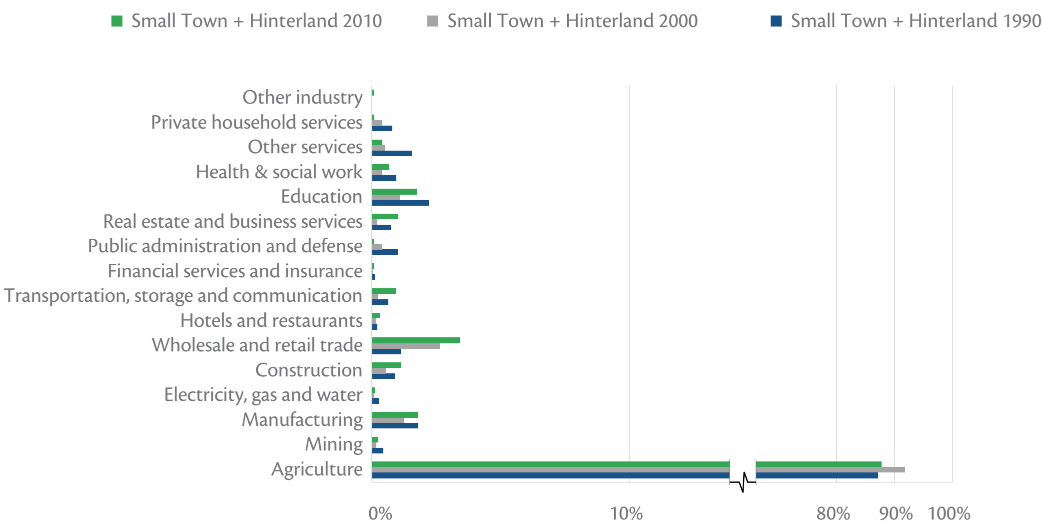


Figure 15

Employment by Sector in Type 4 Districts (1990, 2000, 2010)

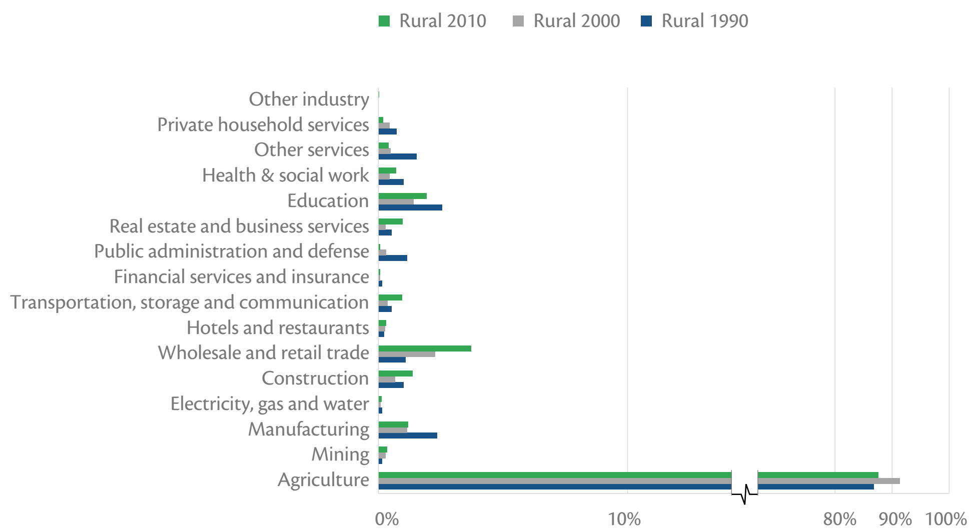


relying on agriculture remained persistently high in 2010, at close to 40 percent – double the share in 1990 – suggesting an enduring structural "reversal" in the labor market. Meanwhile, in the 2000s Lusaka witnessed a boom in consumption-driven sectors – such as wholesale and retail trade and real estate and business services. Moreover, Lusaka actually witnessed a subtle recovery of its manufacturing sector – despite the fact that during the 2000s manufacturing's contribution to GDP continued to decline.

Across all district types, the share of employment in wholesale and retail trade grew during both periods of economic distress and economic recovery – pointing to the growing importance of this sector for a range of workers, from "survival entrepreneurs" who turn to vending in the absence of other employment opportunities to retail employees in the rapidly expanding shopping mall economy of Zambian towns and cities. As Gollin, Jedwab, and Vollrath have pointed out in their research, this kind of "consumption city" often forms in countries that depend highly on natural resources, as Zambia does on copper.[34]

Figure 16

Employment by Sector in Type 5 Districts (1990, 2000, 2010)



Turning to Type 3, or tertiary city districts, the sectoral analysis again signals that these local labor markets look more like rural Zambia than urban Zambia. Type 3 cities have seen some meaningful growth in construction and retail employment, reflecting a steady move toward labor markets with more urban characteristics. However, at over 70 percent, tertiary city districts had roughly the same share of their workforce involved in agriculture in 1990 as they did in 2010 – suggesting a sluggish sort of structural transformation. While manufacturing employment expanded slightly between 2000 and 2010, its share was still a miniscule 2.6 percent of total employment.

Type of work across local labor markets

Equally important as basic employment outcomes and sector of employment is the type of jobs in which Zambian workers are engaged. While census data do not allow a highly granular exploration, much is revealed by looking at type of work disaggregated into three different categories – unpaid workers, self-employed workers, and wage or salary workers. In a low-income country with a highly informal labor market, it is relatively safe to consider these three categories as ascending in order of quality. While highly developed and even emerging economies may witness a form of high-skilled self-employment – entrepreneurs in the knowledge economy, for example – most self-employment in Zambia is in the informal economy and is often described as "subsistence entrepreneurship."[35,36] In this context, we can think of unpaid workers as those in the "worst" kinds of jobs, for obvious reasons; self-employed workers as those who are in slightly better employment situations; and wage or salary workers as those with the highest quality employment outcomes. This is not to suggest that all those in wage employment are in "just" or high-quality jobs. Even workers earning a fixed wage might not earn the minimum wage, may work long hours or labor in unsafe conditions, or may have their right to collectively bargain circumscribed in important ways. Nonetheless, in the Zambian context it is reasonable to assume that these workers are, in the aggregate, better off than their self-employed or unpaid counterparts.

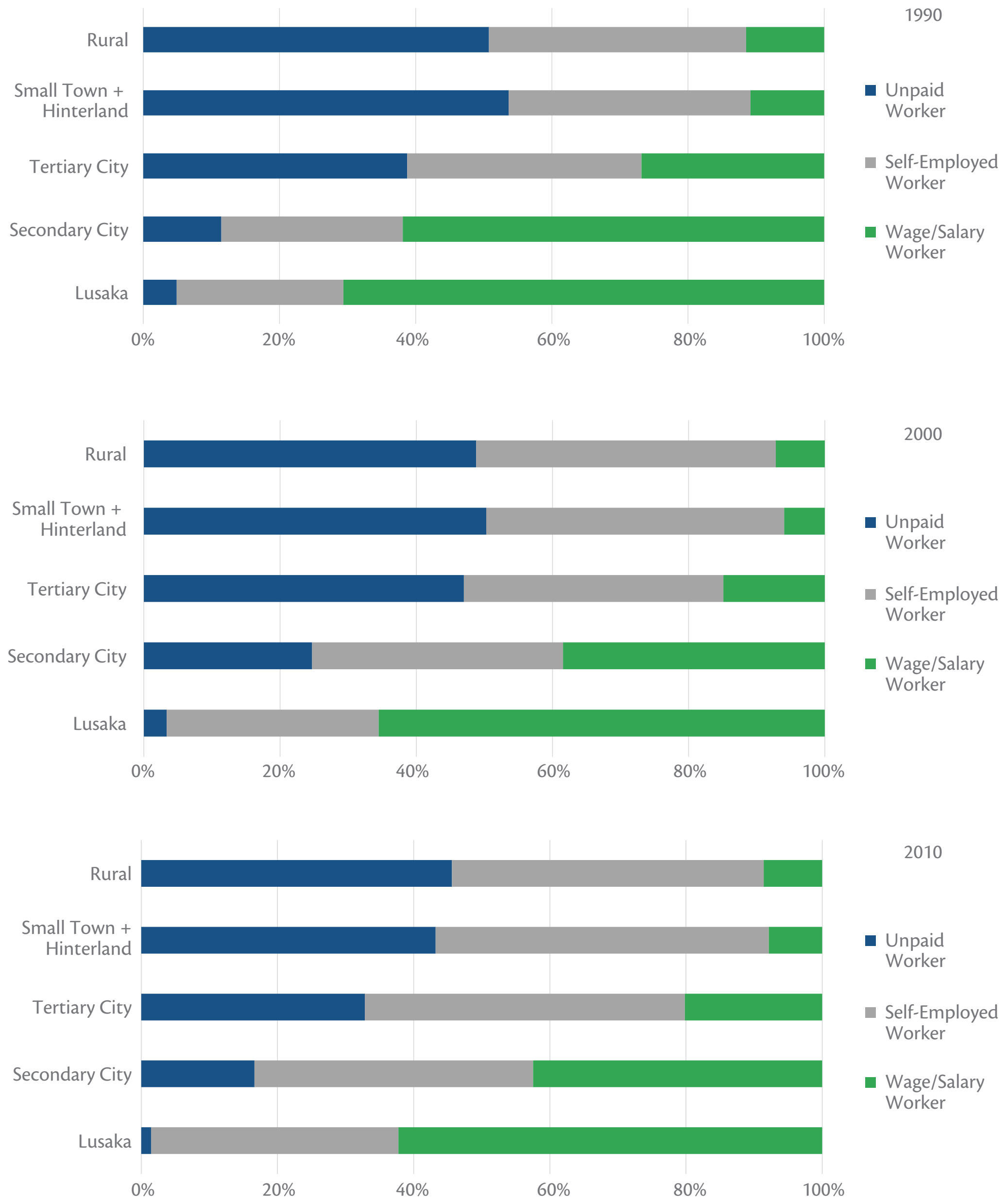
In the Zambian context it is reasonable to assume that wage or salary workers are, in the aggregate, better off than their self-employed or unpaid counterparts.

Across the time period of interest – 1990 to 2010 – important patterns emerge in terms of the share of employment falling into these three categories. Once again, our interest is in what happens in different types of local labor market as the national economy experiences negative shocks (the 1990s) and positive growth periods (the 2000s).

In **Figures 17-19**, the differences in the evolution of Lusaka's labor market as compared to the labor markets of secondary and tertiary cities become strikingly apparent. Even during the severe economic downturn of the 1990s, the share of unpaid workers in Lusaka's labor force

Figure 17-19

Share of Workers in Different Kinds of Employment Across District Types (1990, 2000, 2010)



Source: Population and Housing Census, 1990, 2000, 2010

fell – from 4.9 to 3.4 percent – while it rose considerably in secondary and tertiary city districts – from 11.5 to 24.7 percent and from 38.8 to 47 percent, respectively. Secondary city districts saw immense restructuring in the nature of work during this period. In terms of the share of the workforce engaged in wage or salary work, the gap between Lusaka and secondary cities was relatively narrow in 1990: 70.6 versus 61.9 percent, respectively. By 2000, this gap had grown dramatically: at the turn of 21st century, only 38.4 percent of workers in secondary city districts had a fixed wage or salary, while 65.5 percent of workers in Lusaka did. During the economic turbulence of the 1990s, the wage and salary work's share of employment in secondary city districts dropped by nearly 40 percentage points, and in Lusaka by only 7 percentage points. By comparison, the structure of labor markets in district types 4 and 5 saw less significant change; both witnessed slight reductions in unpaid work, slight increases in self-employment, and job losses in the wage work category.

The wage and salary job losses experienced in secondary cities were felt most acutely by workers with less education: graduates of primary school and those with less than primary education.

In the recovery period of the 2000s, secondary city labor markets changed in important ways, but saw less positive restructuring than that witnessed in other kinds of geographies. The share of workers in wage or salary employment recovered slightly, from 38.4 to 42.5 percent, and the share of unpaid workers decreased significantly, from about one quarter to 16.6 percent. In comparison, tertiary city districts benefited more from this period of high, sustained levels of economic growth in Zambia; these districts on the whole reduced unpaid work from almost half to less than one-third of workers, and increased wage work from 14.9 to 20.2 percent. The most dominant trend in Lusaka during this time period was the growth of self-employment relative to the other two categories; wage work fell slightly in the 2000s, reflective perhaps of persistent neoliberal policies that constrained the size of the public sector. Nevertheless, Lusaka retained its position – by a significant margin – as the best place to find quality work in Zambia.

The best and worst places for workers with high and low education levels

In disaggregating type of work by education level, we find a more detailed story about where Zambian workers of different skill levels fare best, in periods of both strong and weak economic performance. Perhaps unsurprisingly, the wage and salary job losses experienced in secondary cities were felt most acutely by workers with less education: graduates of primary school and those with less than primary education. In 1990, almost four out of 10 workers with less than a primary education had a fixed wage job in secondary city districts. This proportion fell to just 15 percent by 2000, and saw virtually no rebound in the recovery period of the 2000s, rising only to 15.4 percent. Primary school graduates in Type 2 districts witnessed a similar trend, with the share in wage work falling from roughly two-thirds in 1990 to about one-third in 2000, and declining even a bit further by 2010. The patterns look very similar in tertiary city districts.

By contrast, Lusaka clearly takes the top spot in terms of quality of work for less educated workers. In the 1990s, the share of wage and salary jobs among workers with less than primary education fell only slightly – from 55.5 to 54.4 percent – while in secondary city districts, the figure fell from 37.5 to 15 percent.

However, the opportunities for secondary school graduates have remained far more uniform across different district types. The rise and fall in availability of wage and salary work has followed a similar track in Type 1, 2 and 3 districts – with the only important distinction being that secondary school graduates are far more likely to wind up in unpaid employment in tertiary city districts as compared to districts with primary or secondary cities.

Tertiary school graduates are the only educational group that has a strong set of opportunities in all different district types.

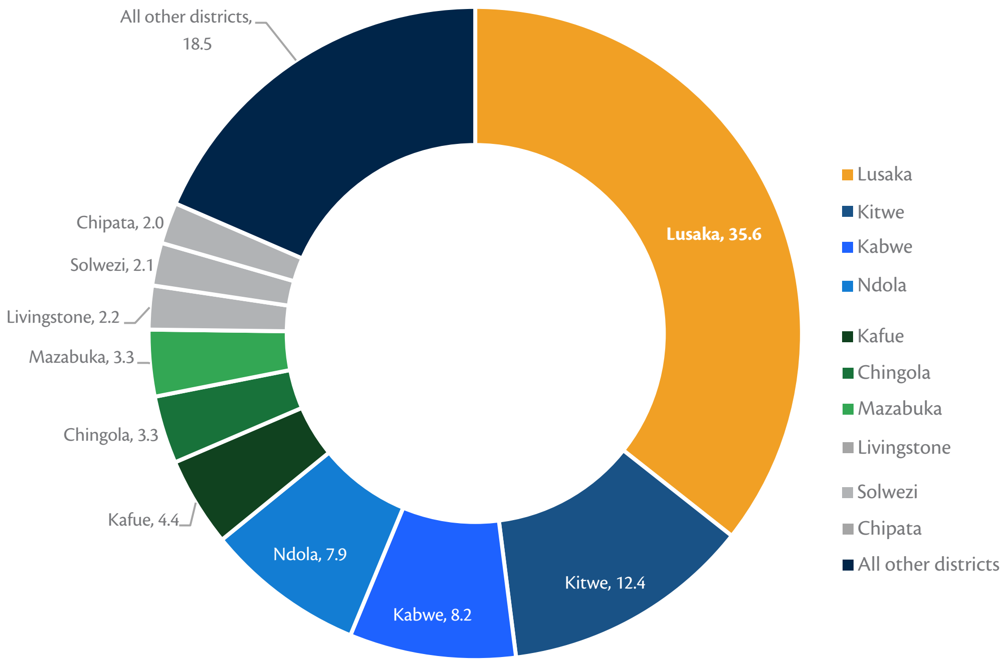
Similar patterns emerge for university graduates. In fact, tertiary school graduates are the only educational group that has a strong set of opportunities in all different district types. Particularly during the economic recovery period of the 2000s, university graduates saw their opportunities for wage employment expand significantly across all of Zambia. In an enormous shift, the share of university graduates in wage employment more than quadrupled in the 2000-2010 time period in rural districts – Types 4 and 5 – and tripled in tertiary (Type 3) city districts. Even in declining Type 2 secondary cities – where some of the worst effects of the economic downturn of the 1990s were felt – the share of university graduates in wage employment has more than rebounded to its 1990 level.

The demand side: Where are enterprises creating jobs in Zambia?

So far this report's analysis has focused on the outcomes workers experience in the labor market, examining these trends across districts that occupy different positions in Zambia's urban hierarchy. Equally important is assessing employment from the perspective of the firm. Where are firms – large and small, formal and informal – locating in Zambia, at what scale is their economic output, and how much employment are they creating?

To address these questions, the report utilizes data from Zambia's first and only economic census, which was conducted beginning in 2010. Unlike previous analyses in this report, a trends analysis over time is not possible, but the 2010 data give a fairly recent snapshot of the Zambian economy from the demand side,and are therefore highly valuable. The employment and output data that the economic census produced are based on a survey of over 40,000 enterprises, both formal and informal. It does not capture all

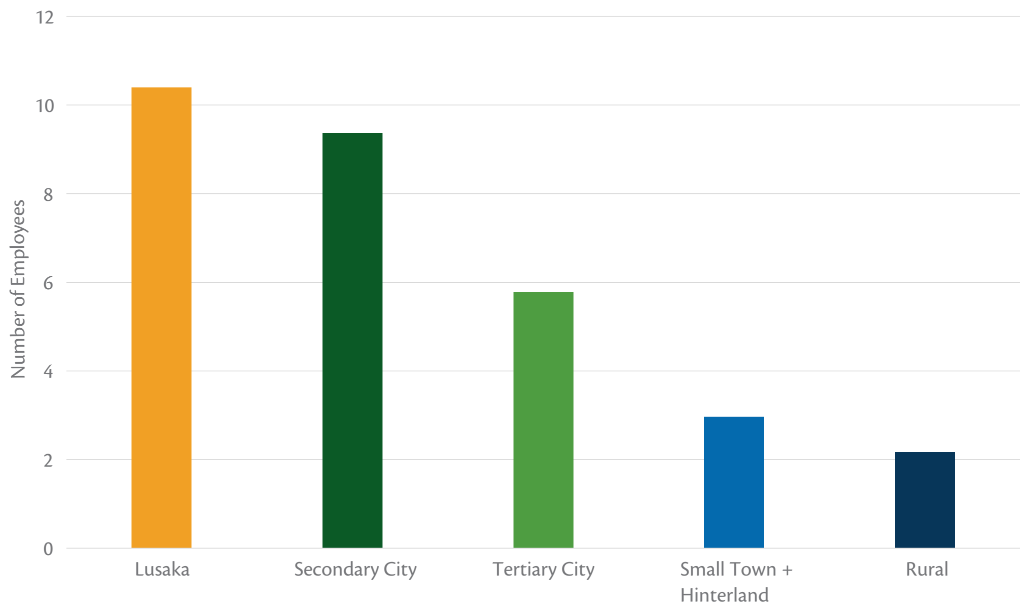
Figure 20
Distribution of Enterprise-Level Jobs in Zambia (%)



forms of employment, since not all workers are employed through enterprises, but it provides a helpful window into the nature and location of Zambia's private sector.

As **Figure 20** shows, enterprises cluster in and around Lusaka. Combining Lusaka District with Kafue District – a peri-urban district adjacent to Lusaka that forms part of its urban agglomeration – about four in 10 jobs that enterprises in Zambia create are in and around the capital. Kitwe, Kabwe and Ndola are a distant second, third and fourth. Even combined, these three significant secondary cities do not generate as much firm-level employment as Lusaka. Despite the growth prospects linked to smaller cities like Chipata and Solwezi, they each generate only about 2 percent of the enterprise-level jobs in Zambia.

Figure 21
Average Firm Size Across District Types (2010)



Source: Economic Census of Zambia, 2010

Unsurprisingly, and as shown in **Figure 21**, the average enterprise size is largest in Lusaka compared to firms in other district types – suggesting that companies in Lusaka are better positioned for growth and that companies with larger labor requirements choose to locate in the capital. However, on this metric and also as shown by Figure 21, the gap between secondary and tertiary city districts is much larger than the gap between Lusaka and secondary city districts.

Employment vs output: Where is the local economy "job-rich"?

One of the most important questions to ask in the context of job creation is the extent to which it is correlated with economic output. Ideally, the relationship between employment and output should be strong; if lots of jobs are created but output remains low, this points to the prevalence of low-productivity work, which is also likely to be low-paying. If output is high and employment low, this points to the dominance of capital-intensive industries that create large pools of wealth but fail to redistribute that wealth in the form of employment. Fostering a strong, balanced relationship between output and employment – with high levels of growth in both – is critical for all economies, but especially those like Zambia's where creating productive jobs is necessary for realizing the "demographic dividend." The economic census enables us to analyze the relationship between growth and output in different local geographies.

Fostering a strong, balanced relationship between output and employment – with high levels of growth in both – is critical for all economies, but especially those like Zambia's where creating productive jobs is necessary for realizing the "demographic dividend."

Since this report is primarily concerned with understanding different local labor markets in Zambia in relation to one another, **Figure 22** shows the distribution of output and distribution of firm-level employment across districts with the largest local economies. Where output share is high but employment share is low, we can interpret a relatively more capital-intensive local labor market. Where the reverse is true, we can interpret that the firms located in those geographies are relatively more labor-intensive.

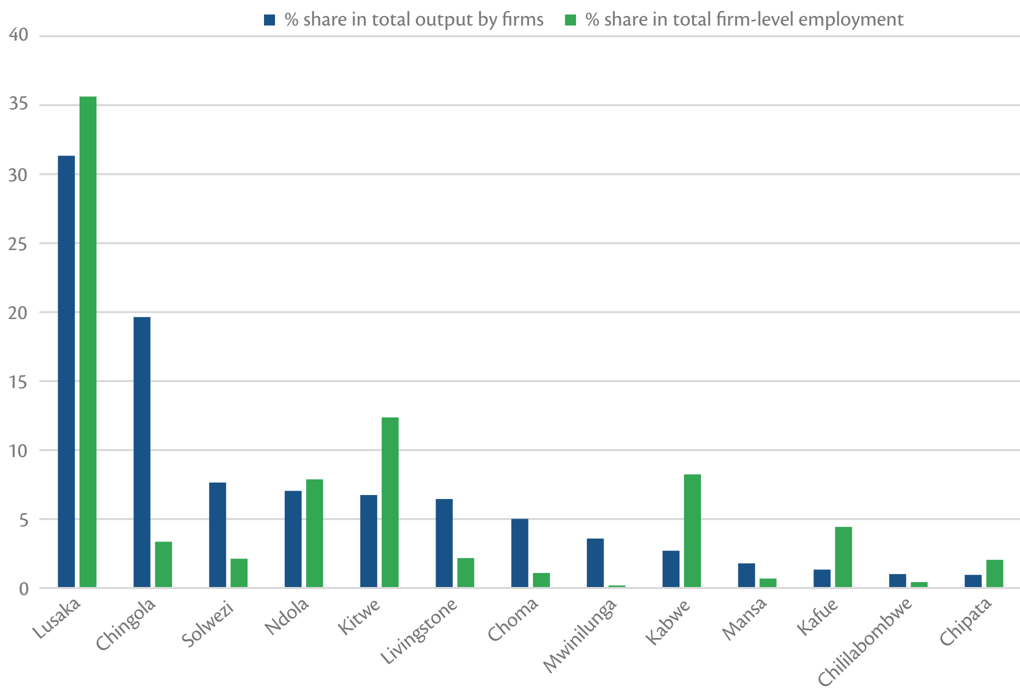
At the local scale in Zambia, enormous differences can be observed between districts when examining the relationship between employment and output, and secondary and tertiary city districts exhibit a wide range of characteristics. The districts that host the most prolific mining operations witness large gaps between their share of gross output – which is high – and their share of employment – which is relatively low. For example, Chingola and Solwezi, which contain some of the country's largest and most productive copper mines, produce 19.6 percent and 7.6 percent of the gross firm-level output in the country, respectively, but only 3.3 percent and 2.1 percent of the firm-level employment.

The reverse trend is observed in non-mining tertiary cities like Chipata, and mining towns where operations have declined over time, like Kabwe and Kitwe. That is, in these places, employment share is large compared to output share. Particularly in Kabwe and Kitwe, the discrepancy is large (the employment share to output share ratio is about 2:1 in Kitwe and about 4:1 in Kabwe), signaling that the jobs being created in these districts are low-productivity and likely low-quality. In Lusaka and Ndola, the relationship between output and employment is relatively balanced. In the capital, the urban economy contributes 31.3 percent of gross output and 36.5 percent of firm-level employment.

These data illustrate the challenges and trade-offs that face secondary and tertiary cities who currently depend or historically relied on mining. Given the capital-intensive nature of mining today, it is difficult for cities with large mines to translate that wealth into local job creation. Nevertheless, those cities that have gradually seen their mining sectors decline are unfortunate case studies illustrating the imperative of deploying mining revenues toward stimulating vibrant and diversified local economies. The inability to do so can translate into an economy with low levels of output and low-productivity employment. How to empower and incentivize mining towns to make long-term investments in job creation is one of the key policy questions that Zambia ought to be concerned with, and that the section on policy recommendations (p. 60) addresses.

Figure 22

Share of Firm-Level Employment and Share of Gross Output, Selected Districts (2010)[iii]



Source: Economic Census of Zambia, 2010

[iii] **Note:** *Kabwe includes Chibombo, Kapiri Mposhi and Mkushi. Kafue includes Chongwe. Chipata includes Mambwe. Mwinilunga includes Ikelenge. Mansa includes Milenge. Kafue includes Chongwe. This is to maintain district border consistency with other analysis contained in the report.*

Expenditure: A proxy for income

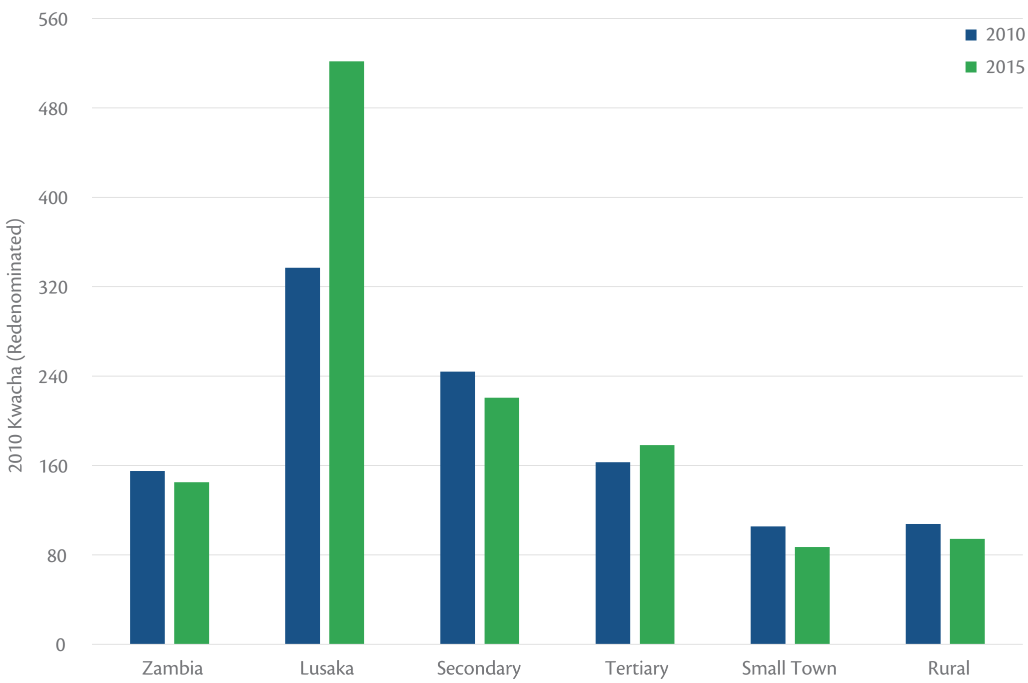
In many countries throughout the global South, reliable income data can be particularly difficult to collect. Respondents frequently under- or over-estimate their income, especially as many are engaged in informal economic activities where income is variable. While Zambia's government-administered surveys do include questions regarding income, an attempt to analyze these data at the district level throws up important obstacles. For this reason, many researchers elect to use data on household expenditure. While not without its problems, the data on expenditure tends to be better harmonized across different types of households. In order to gain an understanding of the economic position of households in different geographies in Zambia, this report uses expenditure data from the Living Conditions and Monitoring Surveys of 2010 and 2015.

This time period does not overlap with those utilized in previous sub-sections. However, the five years between 2010 and 2015 looked similar to the first 10 years of the 21st century, with the important exception that 2015 witnessed the onset of a major economic downturn, induced by falling copper prices. In 2015, the economic slump brought massive depreciation of the Kwacha, which lost 51 percent of its value against the U.S. dollar that year, the largest depreciation among the 155 currencies regularly monitored by global investors.[37] The financial pressure this exerted on households is reflected in the expenditure data.

Figure 23 shows the striking result of comparing expenditure levels across different district types. Median per person household expenditure jumped considerably in Lusaka between 2010 and 2015 – by 54.9 percent. Beyond Lusaka, only districts hosting tertiary cities saw a rise in expenditure levels between 2010 and the economically turbulent year of 2015 – with this figure rising 9.4 percent in Type 3 districts. Median per person household expenditure was down by almost 10 percent in secondary city districts over the five-year period, and it also fell in small town and rural districts. These declines in expenditure could be attributed to high inflation and economic uncertainty in 2015. Moreover, the much smaller expenditure levels in non-primary urban and rural geographies could be attributed to larger family sizes, which would minimize the per-person expenditure. However, neither of these explanations negates the divergent trajectory of Lusaka in the five-year period. Households in the capital appear to have been more confident about the state of the economy and/or far more resilient to economic hardship than those in other districts throughout the country.

Figure 23

Median Per-Person Household Expenditure Across District Types, 2010 & 2015



Source: Living Conditions and Monitoring Survey (2010, 2015)

Stakeholder Voices

On Economic Development and Job Creation…

If you were to get the investment profile for a purely administrative centre like Mongu in the Western Province…and say Ndola, you wouldn't quite make a distinction. Their spending would probably be similar. But I think it's partly because of in my view… it's because there is no fiscal incentive for them to behave otherwise. Apart from what they will get out in terms of property tax, they really have no other incentive to [encourage investment]. So they will concentrate on what is traditionally considered…the core service areas of the municipalities — water and sanitation, waste management provision, provision of bus stations... [These are the] preoccupations of municipal [authorities] and their leaders across this country. Issues like jobs… I think at the moment, they don't quite think this is our core business.

Government Stakeholder

The inappropriate public spending makes the dream of a diversified economy a far-fetched dream.

Caesar Cheelo, ZIPAR

I think our approach has tended to focus a lot more on foreign capital and neglecting local economies. It [ought to be] more of a hybrid, how you are able to bring financing into those identified regions, but as you are bringing in that financing, you also ensure that local economies start to participate [so that] it becomes sustainable.

Kryticous Patrick Nshindano, Centre for Society and Poverty Reduction

"Even in formally planned areas…we noticed that almost all the houses were opening up [their] wall fence, and they have built a shop. What we realized is that we sat down as management and said, "Look there is no way we are going into those areas and demolishing those small shops as long as they have it inside their yard." They are offering a service to the community. So what we have started doing is we started charging them [for a] store license — K300 (about US$ 30). There's quite a lot of revenue that we raised last year because we just made a decision that we are not going to demolish, and if we are not going to demolish, then it is as well as good that they should pay for that. So even in the unplanned settlements, once we find such informal businesses we encourage them to pay and some of them get excited. They will be able to put it on the wall and show, I've got a receipt from the council. It is also like an encouragement for them but for the council we are getting a bit of some revenue.

Bornwell L. Luanga, Town Clerk of Kitwe

On The Copperbelt's Economic Condition…

On a street in Kalulushi or Kitwe, you are going to find that if there are 25 houses in that street, 20 of those will have registered companies and all of them…will be registered to supply to the mines.

So for as long as there is no deliberate step to encourage the manufacturing sector to support the mining industry, job creation just becomes a challenge.

You have in Ndola alone close to 100,000 to 150,000 square meters of unoccupied warehouse space. That's a lot. There is road infrastructure here.

Private Sector Stakeholders

Just to open MFEZ for the sake of it… it doesn't make sense. You don't just cut-paste and cut-paste, you need to tailor whatever you want to create to your own environment to see how feasible, how attainable the whole thing is going to be. I mean it's like you created this facility for some special people coming from somewhere. Because for me, as a local Zambian to get into the MFEZ, what capital do I need? Where do I get the capital from? The rate of borrowing from the bank is phenomenal.

Private Sector Stakeholder

Usually the control by the local authority [of the MFEZ] would very minimal; the control normally would be with the Ministry of Commerce, Trade and Industry.

Bornwell L. Luanga, Town Clerk of Kitwe

On the Multi-Facility Economic Zone Policy…

It's a Chinese concept — a country with a billion people. It's not supposed to work in a country with a population of 15 million. There is a big difference. You don't take a Chinese concept and bring it to Zambia. MFEZ has only benefited the Chinese.

Let's be honest. We have got infrastructure that's not being used. Ndola has all the facilities — water, electricity, warehousing — and they are going to a place like Chambishi which has been untouched up until 10 years ago and they develop Chambishi into a tax holiday. For what? I am a Zambian and some investor comes into Zambia and has a tax holiday for 5 years… my family has been in this business for a long time. Why must they get a tax holiday at our expense? It's so ridiculous. It doesn't make sense.

Private Sector Stakeholder

On Lusaka's Primacy…

Administrative functions have highly been concentrated in Lusaka, so when it comes to issues of ease of doing business, everybody will look at Lusaka as where to set up because they will get things done. The further away you go from Lusaka, the more difficult it becomes to get things done.

Kryticous Patrick Nshindano, Centre for Society and Poverty Reduction

Zambia is not Lusaka and Lusaka is not Zambia, which is our big problem at the moment.

Government Stakeholder

The decision makers are located in the capital city and are more willing to act on decisions made to make the quality of life in Lusaka better.

Caesar Cheelo, ZIPAR

There must be some restructuring on how money flows into the economy … Everything flows into Lusaka. In the old days all the parastatal headquarters were in Ndola: Workers Compensation, Zamtel, the Pension Fund. Mukuba Pension Fund was in Kitwe. You go into town [today], a 12-story building is sitting there empty.

Private Sector Stakeholder

[The] lack of recognition of what each region can contribute has tended to concentrate the development where it is already happening."

Kryticous Patrick Nshindano, Centre for Society and Poverty Reduction

On Decentralization…

We actually want to create new destinations for public spending, new destinations for opportunities so that people can sort of begin to realise 'oh, but I can make a life in Mongu.' I believe that decentralisation, if effectively implemented, can play a substantial role in addressing this turnaround.

Government Stakeholder

The whole idea behind the intergovernmental fiscal architecture we are working on is to bring some order and clarity to the transfers that are made, not directly from the treasury but from the sector ministries that are providing support to the local authorities.

Government Stakeholder

Building capacity for decentralization requires the central government to be ready to meet the sunk costs that may come with decentralization. With the many projects that the government seeks to undertake, all of them competing for limited funds, programs such as decentralization tend to be postponed or dropped of the radar.

Caesar Cheelo, ZIPAR

When you look at the exclusive functions of the local authorities under the current constitution… it gives broader functions [to local government], which include motor licensing, tolling gates and all that. But… there's going to be a lot of resistance from the central government to let go of that revenue because they are now used to collecting — they can't let go.

Bornwell L. Luanga, Town Clerk of Kitwe

As long as we [say] 'there is no capacity here [in local governments],' then we can't move. There will never be that capacity. It's like learning to swim. They throw you in deep-end and you decide to swim.

Government Stakeholder

Summary of evidence

Before attempting to understand the underlying forces at work in shaping the trends outlined above, let us first summarize the key insights gleaned from examining local labor market data across a typology of Zambian districts.

- Lusaka is not only a primate city, but an increasingly dominant city in Zambia's urban system. This fact is demonstrated not simply through changes in population distribution, but also through a more granular examination of labor market outcomes and trends. Lusaka hosts a growing concentration of people, and it also hosts an increasingly large share of the country's economic opportunities. This makes Zambia an outlier as compared to regional peers, where primacy is falling.
- Migration and population data suggest that – in contrast to the popular narrative among Zambian policymakers – the most important restructuring of population in Zambia since the 1990s has not been a rural-to-urban shift, but rather a secondary-to-primary city shift. To illustrate this, consider that in 1990, 38.2 percent of Zambians lived in rural or mostly rural districts. In 2010, these same districts hosted 40.4 percent of the population.
- Through the negative economic shocks of the 1990s, Lusaka's labor market proved more resilient than those of smaller towns and cities throughout Zambia, especially in retaining wage and salary employment and opportunities for less educated workers.
- Through the positive economic recovery of the 2000s, Lusaka's labor market rebounded more quickly and more meaningfully in comparison to other geographies – particularly secondary cities, where the recovery has barely made a dent in the economic decline experienced in previous decades.
- Precarious work finds different expressions in secondary and tertiary cities as compared to Lusaka. While negative economic shocks appear to drive retrenched wage workers in Lusaka into self-employment, they drastically increase the share of unpaid workers in smaller towns and cities.
- Structural transformation – the movement of workers from agriculture into higher-productivity sectors – underwent a reversal in secondary and tertiary cities during the economic hardships of the 1990s. Workers moved back to agriculture. Such a reversal never took place in Lusaka, where the conventional path of structural transformation continued unabated.
- Secondary cities – and in particular mining towns – are often characterized by major dissonance between output and employment, thanks to the capital-intensive nature of their dominant industries.
- Some tertiary cities are beginning to show positive signs of growth and job creation. But despite these early signals, they remain largely dependent on agriculture, without any large-scale or rapid experience of structural.

These results, it is crucial to note, do not imply that Lusaka has a perfect, or even a robust, labor market, or that the average worker in Lusaka has access to high-quality employment opportunities. The claim of this report – backed by the extensive data mobilized within it – is that Zambia's periods of economic growth disproportionately benefit Lusaka's labor market, and its periods of economic turmoil are felt most acutely in the urban labor markets of secondary and tertiary cities.

Drivers Behind the Distribution of Urbanization

The previous section offered substantial evidence, through a variety of lenses, of growing concentration of people and economic opportunity in Zambia's capital, the decline of Zambia's secondary cities, and a mixed but far from positive story in the country's tertiary towns. This report does not develop an empirical model to measure specific causal links between Zambia's urban primacy and particular features of the country's economy or governance structures. However, international and regional experiences with primacy, as well the range of scholars who have attempted to explain it, provide fruitful lessons. In this section, some of the theories of primacy that are most relevant and applicable to Zambia will be introduced. The aim is to demonstrate that certain elements that have driven primacy in other contexts are also present in Zambia, though they take on local particularities.

Concentration of power

Several scholars have attributed urban primacy to highly centralized governance structures. Zambia is a democratic country, and therefore it is politically distinct from many other countries in the region where autocratic leaders concentrate military, political, and economic affairs in one location so as to consolidate power.[38] Nevertheless, centralization of government can be present and have important ramifications even in democratic societies like Zambia's. For one, the concentration of authority in the capital has an inevitable impact on firms' locational choices by shaping spatial incentives. When most decision-makers are located in the capital, interfacing with the state's administrative and regulatory bodies becomes more difficult the further from the capital a firm chooses to locate. Scholars utilizing a range of different modeling techniques have found this to be true.[39] Moreover, when power is concentrated in the hands of a small urban elite, this creates an opening for "rent-seeking" behavior – wherein that elite seeks to manipulate public policy for its own benefit.[40] These manipulations have spatial consequences: elites look to improve the place where they live, putting the primate city first in line for all kinds of urban policy interventions. These factors are interrelated and mutually reinforcing.

Evincing these claims by examining their inverse, one study of African countries found that during the democratization wave of the 1990s – when state power became more decentralized – economic activity and per capita incomes in non-capital cities "caught up" significantly with primary capital cities.[41] This would suggest, again, that important political economy factors shape the distribution of urbanization, and that greater local control and decentralization of power can positively enable growth and economic opportunity in secondary and tertiary cities.

In the case of Zambia, these scholarly claims regarding the link between centralization of government and the concentration of people and opportunity are well-aligned. For example, despite Zambia's strong democratic history, its governance structure became increasingly centralized in the latter decades of the 20th century. The section addressing decentralization as a policy lever (p. 50) will explore will explore this major trend toward centralized authority, as well as current efforts to decentralize the country.

Important political economy factors shape the distribution of urbanization, and greater local control and decentralization of power can positively enable growth and economic opportunity in secondary and tertiary cities.

Moreover, in the stakeholder interviews conducted in support of this research, a wide range of respondents from different levels of government and different kinds of non-governmental institutions pointed to the concentration of power in Lusaka as the principal explanation for urban primacy. While these contentions are essentially impressions from well-informed citizens and public officials, the consistency and clarity with which these claims were made suggest a strong relationship between institutional structures and the disproportionate success of Lusaka relative to other geographies.

Newer evidence also illustrates that having a political function may be more or less important for cities depending on their size. A comprehensive study of 800 African cities found that "non-political" secondary cities – those that do not have major administrative authority, such as national or provincial capitals – grew more slowly than primate cities, political cities of a similar size, or tertiary cities of a political or non-political nature.[42] This finding suggests not only that being a "political" city implies faster population growth, but also that in an African context, secondary cities face the greatest disadvantage whenever they lack a political function. Some scholars have indeed suggested that there is a structural problem affecting secondary cities across Sub-Saharan Africa,[43] though as **Table 2** above demonstrates, the divergence between primary and secondary cities in Zambia has been far more dramatic than in many of its regional neighbors.

Size promotes firm and worker productivity

Another area of scholarship attributes the concentration of people and opportunities in a particular large city or set of large cities to the fact that big urban centers promote greater productivity because they host the most productive workers and offer the greatest built-in agglomeration effects. A whole range of scholars, from urban economists to economic geographers, have found strong evidence that large cities perform better when it comes to offering high wages and high-skill jobs[44] – even when controlling for their higher costs of living.[45] Others have shown how workers grow their productivity and skill levels more when living in large cities as compared to smaller ones.[46]

These studies may help us to understand how a city like Lusaka, by virtue of its size, is more successful at creating large enterprises (see **Figure 21**) or wage employment (see **Figures 17-19**). However, they do not necessarily explain a priori how Lusaka became so much larger than other cities in Zambia, many of which have more obvious economic assets, or why the urban system in Zambia has moved towards greater primacy over the last four decades. Scholars point to the shift from a manufacturing-oriented economy to a technology and service-driven economy as a key reason why large cities – where service industries are highly clustered – are "winning" over small cities more than in the past. But this explanation applies far better to a country like the United States, where information technology and financial services are dominant economic sectors, than to Zambia. After all, the two sub-sectors that contribute the most to Zambia's GDP are mining (12.9 percent) and wholesale and retail trade (18.4 percent);[47] the former is not located in Lusaka, and the latter is not a sector like technology or finance that is prone to geographic clustering. If anything, these empirical studies may be most helpful in demonstrating why a more balanced form of urban growth will be very difficult to achieve in Zambia, because "bigness" appears to be a self-reinforcing, positive-feedback loop. Nonetheless, they are less satisfying than the political economy explanations in determining why the last several decades saw a restructuring of Zambia's urban system toward greater primacy.

High costs of trade

Another theory advanced by several scholars is that high costs of internal trade and transport drive urban primacy. The mechanism, they claim, works like this: In a country where moving goods long distances is time-consuming and costly, producers will choose to locate proximate to the largest consumer market, i.e. the primary city.[48] As the cost of transportation falls, the balance shifts in favor of smaller cities and rural areas, whose lower costs of land and labor are now sufficient to induce manufacturers to move further from the primary city. According to one landmark cross-country study, a 1 percent increase in the share of GDP spent on government transportation reduces the size of the primary city by 10 percent.[49]

This theory has been supported in nearly every study of the causes of urban primacy, but its applicability to Zambia is not straightforward. Even as Zambia invests approximately US$500 million in road infrastructure annually through its Link Zambia 8000 Programme,[50] Lusaka's dominance continues to rise rather than decline. Even though road infrastructure has improved, enterprises in Zambia still complain about the high costs of internal transport – blaming factors such as the rent-seeking behavior of roadway officials and the control of the logistics sector by a small number of cartels.[51] It may be possible that these factors outweigh the large-scale investment in road infrastructure, but it is not likely that internal trade costs are the primary driver behind Lusaka's growing dominance in Zambia's urban system.

It is not likely that internal trade costs are the primary driver behind Lusaka's growing dominance in Zambia's urban system.

The degree of openness to international trade, some scholars have found, is also related to urban primacy. The more open an economy, the lower the level of urban concentration, claim Paul Krugman and Edward Glaeser.[52,53] However, in the Zambian context this explanation is quite dissatisfying. As the Zambian government liberalized the economy – under strong influence from the International Monetary Fund and World Bank – urban primacy grew dramatically. Moreover, the link between external trade and primacy has been called into question by other empirical studies – which have shown that primacy in developing countries actually grows as their economies liberalize – rendering the body of evidence on this issue rather inconclusive.[54,55,56]

The "inverted U" and economic shocks

One specific theory that, at first glance, may appear to help explain primacy in Zambia, is the "inverted-U" hypothesis about urban primacy. Kuznets and Williamson claimed in the mid-20th century that as a country witnesses economic development, spatial inequalities first grow, then peak, and finally decline in the more advanced stages of development.[57,58] However, more recently scholars have shown that evidence for the "inverted-U" has grown weaker over time.[59]

The theory was afforded greater nuance by scholars over the last two decades who demonstrated the effects of technological or innovation shocks on spatial inequality. Neoclassical economics argues that the balance of wealth and opportunity first shifts to the region where a new technology or innovation is introduced, and then balances out over time as other regions adopt the technology.[60] The trend line similarly looks like an inverted-U; but the starting point is a particular economic shock, rather than structural transformation in general.

The initial, more rudimentary version of this "inverted U" thesis may appear applicable to Zambia, since per-capita income in the country is still among the lowest in the world, and one might presume that spatial inequalities are simply yet to "peak" as the theory predicts (and as patterns shown in **Figure 6** above might suggest). However, Zambia's history does not provide good evidence for this model because the country once hosted a more balanced urban system, anchored by Lusaka but with thriving urban populations along the line of rail, from Livingstone to the Copperbelt. In Kuznets and Williamson's understanding, the initial period of urbanization is more uneven than subsequent waves; in Zambia the trend has been the reverse.

The latter, more nuanced hypothesis – that economic shocks create a temporary spatial imbalance in urban growth – may be more applicable to Zambia. However, in Zambia's case, Lusaka did not develop any kind of radical new productivity-enhancing technology. Rather, copper mining – concentrated in secondary and tertiary towns across the Copperbelt – experienced a major negative shock. Like a technological innovation, the economic shock propelled a realignment of the urban system in favor of one region – Lusaka – and against another – the Copperbelt. But unlike the canonical model, where the lagging region catches up by introducing the same innovation or technology that was pioneered in the leading region, the resurgence of copper mining in the 2000s did not enable Copperbelt cities to catch up with Lusaka.

Major economic benefits still accrue to Zambia from copper mining; but whereas an earlier economic model saw those benefits shared locally in the form of employment, the current model sees those benefits largely captured by the central government in the form of taxes.

Furthermore, it is worth asking why the positive shock of the surge in copper prices in the 2000s[61] failed to rebalance Zambia's urban system – as classical models would have predicted? The most convincing hypothesis is that, in response to the negative shocks experienced in the latter decades of the 20th century, the copper industry was completely restructured; mines were privatized and became even more capital-intensive. In 1990, mining employed 17.9 percent of workers in secondary city districts, and this figure was even higher earlier in the 20th century. However, even after the copper industry resurged in the 2000s, employment levels failed to recover to their original levels and only 7.3 percent of Type 2 district workers were employed in mining as of 2010.

Major economic benefits still accrue to Zambia from copper mining; but whereas an earlier economic model saw those benefits shared locally in the form of employment, the current model sees those benefits largely captured by the central government in the form of taxes. Given the high concentration of central government power in Lusaka, we find ourselves coming full circle to political economy explanations for primacy.

Current Policy Frameworks: Can they Boost Job Creation in Secondary and Tertiary Cities?

The Zambian government is currently undertaking major reforms with the ostensible goal of "deliver[ing] a prosperous middle income economy that offers decent employment opportunities for all Zambians of different skills and background" – as outlined in the Seventh National Development Plan, released in 2017.[62] In this section, some of the government's major policy priorities are evaluated from the perspective of secondary and tertiary cities – asking whether they can unlock unrealized growth and job-creation potential in urban economies outside Lusaka. Assessing these policy priorities through the lens of primacy requires reflecting on international experiences while also considering the particular economic terrain of Zambia today.

The distribution of economic opportunity – and the fate of places in general – is a notoriously thorny and complex area of social science.[63] For this reason, the report avoids large speculative claims about the precise impact of each government policy. Rather, it considers the ways in which current policy directions might influence the trajectories of secondary and tertiary city labor markets.

This assessment is followed by policy recommendations which identify some of the key ingredients necessary for spurring job creation in non-primary urban areas that are missing from today's policy frameworks. Where possible, the discussion includes lessons from international experience, though the Zambian government must engage in policy dialogue and experimentation to discover the specific mechanisms that will prove effective in its diversity of urban contexts.

Decentralization: A silver bullet for tackling regional disparities?

In the early period of Zambia's independence – from 1965 to 1973 – local governments were both empowered and well-resourced, managing electricity, water supply and sanitation, and receiving about 70 percent of their revenue through grants from the Ministry of Local Government and Housing.[64] These local governments were, however, vestiges of the colonial state, with power brokers who were at odds with the newly independent central government in Lusaka.[65] From the early 1970s onwards, the central government slowly drained local councils of their revenue-generating capacity. For example, in 1973 the central government withdrew several critical grants for housing, health, policing and fire safety.[66] Moreover, the central government began transferring service provision from councils to new utility companies – beginning with the Zambia Electricity Supply Corporation – without transferring the liabilities related to those services. The last decade of the 20th century saw further degradation of local government capacity and revenue, through many impactful policy changes at the central level. To name a few examples: in 1991 all council staff with more than 22 years on the job were made to retire, depleting the councils of important human capital; in 1992 the central government completely withdrew all grants to councils; and in 1996 local authorities were compelled by the center to sell their remaining rental housing units at below-market prices.[67]

While some positive steps have been taken since the turn of the 21st century – including resuming grants to local councils and the introduction of a comprehensive National Decentralisation Policy[68] – Zambia remains one of the most highly centralized countries in Sub-Saharan Africa, particularly on measures of fiscal centralization. Among developing economies, subnational government revenue as a share of gross domestic product (GDP) – one measure of fiscal decentralization – averaged 5.3 percent, according to a global study. As of 2007, this figure stood at only 0.59 percent in Zambia, having fallen from approximately 1.5 percent in the 1970s.[69] While recent data on local government expenditure in Zambia is not comprehensive, the weak capacity of local governments to generate own-source revenue, combined with extremely low levels of intergovernmental transfers – less than 1 percent of all government spending as of 2011 – point to the same reality: high levels of fiscal centralization in Lusaka.[70]

Primary research for this report revealed that in the eyes of many local and national stakeholders, decentralization is one of the major policy levers that could positively impact the development of secondary and tertiary cities in Zambia.

Primary research for this report revealed that in the eyes of many local and national stakeholders, decentralization is one of the major policy levers that could positively impact the development of secondary and tertiary cities in Zambia. It is indeed possible, especially given Zambia's intense degree of centralization in recent decades, for decentralization to be influential in shaping the destinies of secondary and tertiary cities throughout the country. Nevertheless, stakeholders at all levels of government must calibrate their expectations of the impact of decentralization in improving the economic and employment potential of non-primary cities. Moreover, the ways in which decentralization is executed – including the pace, the relationship between political, administrative and fiscal decentralization, and the level of autonomy granted to local governments on issues of economic development – will influence its impact.

Decentralization and economic development: Mixed international experience

It is difficult to make tall claims about the potential impact of decentralization in Zambia partly because international evidence on devolution is mixed. Scholars who have undertaken a comprehensive review of decentralization's impact have found that high-income countries are more likely than low- or middle-income countries to witness a reduction in regional disparities following a process of fiscal devolution.[71] This is most likely due to the greater capacities of local governments in high-income countries, which can more effectively leverage the additional authority over fiscal resources.

However, since this literature examines aggregate measures of regional disparity and not the impact of decentralization on particular types of geographies – such as secondary cities – it is difficult for its conclusions to speak directly to the concerns of this report. It is highly plausible that decentralization will have a different effect on Zambia's Copperbelt cities than its outlying rural districts. Moreover, researchers have found that, in low-income countries, political decentralization contributes to a reduction in the spatial concentration of GDP per capita.[72]

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The other constraint to existing studies on low-income countries is their time horizon. It is possible that local governments only see their capacity grow over time, slowly, as local leaders, political cultures, and institutions evolve in response to decentralization – a crucial fact if institutional capacity is one of the biggest determinants of the impact of decentralization. Developing world experiences with decentralization tend to be fairly recent, meaning scholars lack a strong understanding of the long-term impacts of decentralization in countries like Zambia.

The African experience with decentralization was recently outlined with great detail and nuance in a 2017 volume edited by Mohmand and Loureiro. The publication's editors and contributing authors call the region's decentralization agenda "incomplete" and point to several factors that constrain local governments from having a bigger impact in improving development outcomes: lack of resources, poor revenue-generating capacity, and lack of autonomy.[73] As this section explores, these mirror many of the issues that still plague local government in Zambia. Moreover, these challenges are related not only to conventional issues of inquiry in decentralization debates – that is, service provision and civic participation – but also to local economic development and job creation.

Current decentralization efforts in Zambia: The missing economic link

Rather than speculating about the potential impact of decentralization in Zambia, where strong evidence is scant, it is most productive to consider what model of decentralization might address some of the constraints that local governments – particularly those in the Copperbelt and other non-primary cities – currently face in stimulating economic development and job creation.

In this regard, three central issues emerged in the course of primary research: (1) paucity of fiscal resources; (2) reliance on the central government for direction on economic development policy; and (3) a lack of incentives for local governments to improve performance. These three problems are interconnected, and they ought to be addressed in the way decentralization is designed and implemented.

Regarding local governments' lack of resources, the issue lies first in the slow stripping of revenue-generating authority from local councils. In some cases, this has happened through official policy – for example, in the 1970s the central government declared that undeveloped land had no value and that local governments could therefore not collect property taxes on it.[74] In other cases, it has happened through a silent takeover of revenue-generating functions by central government agencies. For example, the Zambia Road Agency collects fines from motorists on all roadways, even though by law local councils possess this authority within their administrative boundaries.[75] However, even when it comes to certain tax collection authorities that still rest with local councils, not all revenue potential is realized. For example, in many urban areas in Zambia, the largest source of local revenue is property taxes.[76] However, councils tend to collect only a small portion of the land tax they are due, and they often fail to reassess land on a regular basis, reducing the potential for property tax to be a meaningful source of revenue.[77]

Chronically under-resourced, councils are unable to carry out many of the basic functions assigned to them – such as sanitation, local road maintenance, and street lighting.[78] Not only are councils unable to build and maintain the basic forms of infrastructure that make any city business-friendly, they are unable to step up their investment in the 'soft infrastructure' necessary for job creation and economic development – for example, training and placement institutes, business incubators, or dedicated economic development councils.

Interviews with local government officials revealed that nearly all direction for economic development at the municipal and district level comes from central government authorities. In fact, at present there are no local officials charged with economic development and job creation, and the Ministry of Commerce, Trade and Industry – the main arm of the central government tasked with policymaking around economic issues – has no presence at the provincial or district levels. Only the country's agency for implementation of economic development programs – the Zambia Development Agency – has offices beyond Lusaka, and these are limited to a number of provincial capitals.[79] This stands in contrast with the Ministries of Agriculture, Health and Education – which are represented in every district and province of the country. When local government leaders are asked about their plans for spurring job creation, they echo high-level central government priorities – such as diversification, investment in agriculture, or infrastructure improvement – but lack a clear framework or set of policies for localizing those broad objectives and realizing their aims. Many local government officials talk of establishing Multi-Facility Economic Zones (MFEZ), for instance, but such an intervention would be led entirely by the central government, with the local council's only role being the provision of land.

Compounding both problems is a dearth of incentives for local officials to improve governance or deliver on central government priorities around job creation and economic growth. Staff compensation is equal across all councils throughout the country, regardless of the size of the district, and is in no way linked to performance.[80] Local officials are compensated poorly in comparison to their counterparts at the central level – meaning local councils struggle to attract talent. More importantly, the central government has no framework – fiscal or otherwise – for rewarding top-performing districts, whether on service provision, transparency, or economic and employment priorities. This is particularly problematic in a system where local governments are highly dependent on the central government for everything from fiscal resources to policy expertise. If Zambia seeks to create a decentralized government with strong local capacity, it must craft an incentives framework that sparks talented, innovative, and accountable leadership at the local level.

All three of these problems – especially when taken together – hinder the ability of local governments to play a proactive and productive role in stimulating economic growth and job creation. Current efforts to decentralize – guided by the National Decentralisation Policy[81] and Decentralization Implementation Plan[82] – are not yet tackling the three problems outlined above. For one, the process of devolving administrative responsibility has outpaced fiscal decentralization. Local councils are tasked with an increasing number of functions – for example, coordinating agriculture extension services – but have not seen a meaningful increase in direct transfers from the center or an expansion of their revenue-generating authority. Rather than tackling the issue of resource-poor local governments, decentralization has so far exacerbated the problem. Furthermore, given the government's current overextended fiscal position – and the strong pressure from international financial institutions to protect the integrity of the central government fiscus[83] – fiscal decentralization appears unlikely to gain momentum in the near future, despite government promises to the contrary.[84]

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Moreover, the current decentralization framework does not have a clear plan for connecting central government policies around job creation and economic development to local governments – which is critical to the process of localizing those strategies. While other functions of service provision are being strategically and incrementally devolved – for example, health, education, and agriculture support – job creation remains a mandate of the central government under the current decentralization framework, without any mechanism for enhancing local involvement in the creation or execution of these strategies. Only recently was the position of a "business extension officer" introduced in local councils, though this addition may represent a step in the right direction.

While the precise impacts of decentralization on the development of secondary and tertiary cities are difficult to predict, one thing is certain: The process of empowering local authorities must include the dimension of economic development and job creation. Local governments need the resources, incentives and governance structures to translate national visions into local realities of employment and opportunity.

Diversification: A boon for secondary and tertiary cities?

Another of the Zambian government's stated priorities is economic diversification. The push to diversify grows out of the economy's historic dependence on copper exports. In 2015, raw and refined copper constituted 75 percent of the total value of all exports. This number has in fact risen over the last decade: in 2005, copper was only 53 percent of total exports; and at the same time processed copper comprised 7 percent of exports. However, in 2015 processed copper had fallen to less than 1 percent – showing a decline in value-addition capacity.[85] Based on its mono-resource economic model, Zambia has witnessed major economic shocks with the rise and fall of global copper prices. These shocks are felt most acutely in the Copperbelt, home to most of Zambia's copper mines as well as many of its non-primary urban areas. Despite the fact that the copper industry employed only 5.9 percent of the Copperbelt's workforce as of 2014,[86] local economies are highly dependent on mining and its spillover effects.

This raises the question of whether the current emphasis on economic diversification could naturally benefit the Copperbelt by insulating the region from future shocks in the global copper market.

Another dimension of the government's push to diversify the national economy is a strong focus on the agriculture sector. Nearly all stakeholders in Zambia agree that the agriculture sector has vast unrealized potential – with the country's temperate climate, abundant water resources, and large expanses of uncultivated land. Throughout the post-independence period, Zambian farmers have focused almost exclusively on the cultivation of maize, the staple crop and staple food for the vast majority of the country's population.[87] This raises another prospect for enhancing opportunities in the agriculture sector: If the state can encourage farmers to diversify their crops and take up cultivation of higher-value agricultural goods – such as soy and groundnuts – this would boost opportunities for local supply chains to develop and for a greater share of household food consumption to benefit local producers. Boosting agricultural productivity, bringing a greater share of land under cultivation, and diversifying crop production are all stated goals of the Ministry of Agriculture.[88]

The focus on agriculture raises another possibility for smaller towns and cities: If agricultural output increases, will non-primary towns benefit by acting as trading centers and processing zones for the agricultural produce? Will growing incomes in rural areas translate into urban growth?

The newly released Seventh National Development Plan has identified manufacturing and tourism as additional priority sectors that ought to grow and contribute a larger share of GDP.[89]

One could ask: What is the likelihood that, if successfully promoted, firms in these sectors will choose to locate in secondary and tertiary cities?

Answering these questions requires some degree of speculation, but the evidence available presents reasons for both pessimism and optimism when it comes to the ability for diversification by itself to be a boon for secondary and tertiary cities. On the one hand, scholars have posited that there may be a mutually reinforcing relationship between the sluggish growth of secondary cities in Africa and the poor performance of the continent's manufacturing sector[90] – suggesting that a reversal of fortunes in manufacturing could coincide with growth in secondary cities. In a similar vein, international evidence demonstrates that when agricultural productivity rises, proximate towns and cities tend to witness corresponding growth, as demand for goods and services rises.[91]

However, these relationships between manufacturing-led growth and non-primary cities, and between agriculture-led growth and small towns, are not automatic, nor do they follow neat cause-effect patterns. In the case of Zambia, there are multiple reasons to suspect that diversification could occur in a way that continues to "leave behind" certain secondary and tertiary cities. For one, the growth and resilience of Lusaka's manufacturing sector has proved far stronger than that of secondary and tertiary cities throughout the country. Between 1990 and 2010, the share of employment in manufacturing in Lusaka fell from 14.5 to 11.3 percent – and actually gained ground between 2000 and 2010. In secondary cities, the decline of manufacturing's contribution to employment has been more dramatic – from 13.1 to 5.8 percent between 1990 and 2010 – and manufacturing employment in tertiary cities remains miniscule.[92]

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This suggests that the range of factors that make Lusaka an increasingly primate city have direct bearing on the locational choices of manufacturing firms. For example, manufacturing enterprises might choose to locate in and around Lusaka because the city represents the largest market for their goods, because physical proximity to policymakers and regulators is a significant competitive advantage, or because of the difference in infrastructure quality between Lusaka and other geographies – with any or all of these factors outweighing the higher costs of land and labor in the city. If secondary and tertiary cities are to benefit from growth in the manufacturing sector, this cost-benefit equation would need to shift in favor of those non-primary urban areas. The Copperbelt ought to benefit from such a shift: its underutilized industrial infrastructure, existing industrial workforce, and proximity to Lusaka and large export markets are all strategic advantages over other geographies in Zambia.

Similarly, when it comes to the relationship between agriculture and small towns and cities, it is necessary to recognize that these linkages are not one-way. Rural agricultural prosperity and strong, small-town economies are dependent on one another.[93] If agriculture is to help drive the success of non-farm economies in small towns and cities, this requires not only growth in the agricultural sector, but endogenous growth factors in small cities themselves. With the right business environment, agricultural produce can find strong demand in nearby cities from processors. With the right infrastructure, small cities near agricultural hubs can become trading centers. Small towns with growing economies can provide rural households with non-farm income, enabling farmers to take risks and diversify their crops.[94,95]

This dynamic, two-way relationship can only be created through investments and policy frameworks that benefit both the rural agricultural sector and small urban centers – not by a singular focus on agriculture. If improvements in the agriculture sector are to benefit small towns and cities, agriculture policies must be dovetailed with policies to promote better infrastructure, governance and business environments in those towns. Moreover, if the Zambian government seeks to boost agricultural diversity, productivity and output, it must look not only at farming, but at the economic ecosystem – revolving around small cities – necessary to stimulate that growth. Cities and towns like Chipata, Mazabuka and Mongu – which are at the center of regions with growing agricultural prosperity – will require smart infrastructure investment and good governance in order for strong, mutually beneficial urban-rural linkages to be built and sustained.

Multi-facility economic zones: Can they channel investment to secondary and tertiary cities?

One of the Zambian government's primary strategies for increasing investment and generating employment is the creation of Multi-Facility Economic Zones (MFEZ). This model – similar to the "special economic zones" (SEZ) that originated in China and now abound in the trade and investment policies of countries throughout the global South – aims to attract foreign manufacturers through a mixture of high-quality infrastructure and lucrative tax incentives. The MFEZ strategy is particularly relevant when considering the spatial distribution of growth and job creation – since one of its key characteristics is the state's ability to decide the location of investment. The secondary and tertiary city councils interviewed for this study all noted that developing a MFEZ was one of their top ideas for generating local employment and economic growth.

The MFEZ policy does not have an explicit goal of addressing regional disparities; but even evaluated against its own goals, the MFEZ policy has found limited success. Only about 10,000 jobs have been created in the six MFEZs declared since 2007.[96] A single zone – the Chambishi MFEZ near Kitwe in the Copperbelt – has created over 80 percent of all the jobs generated by the six MFEZs, attracting US$1.6 billion in investment.[97] But even this ostensibly successful MFEZ project is little more than a business district for mining and related companies to operate with large tax incentives and superior infrastructure.[98] The rest of the declared zones are either in and around Lusaka or implicitly aimed at mining companies in the Copperbelt[99] – hardly a step toward diversification or toward addressing regional inequalities.

Despite the limited progress, could a successfully implemented MFEZ strategy – with different geographic targeting – be one of the key levers for boosting growth and job creation in underperforming urban economies throughout Zambia? Internationally, countries that have managed to translate special economic zones into robust local economies have integrated SEZ development into broader strategies for promoting participation in global value chains. Moreover, they have focused on building the capacity of local small and medium-sized enterprises to establish strong forward and backward linkages with the foreign-owned firms located within the SEZs. For example, this strategy proved especially effective in the electronics sector in Taiwan in the 1960s and 1970s.[100] Through strong linkages, the SEZ's employment impact is greatly expanded; moreover, knowledge spillovers between multinational companies and local enterprises facilitate enhancements in productivity and competitiveness. Without linkages to local producers, the positive effects of SEZs are circumscribed.

One must examine the business climate for small- and medium-sized enterprises (SMEs) in Zambia to assess the likelihood that the creation of MFEZs will accompany strong linkages between local and international producers. Beyond regulatory challenges, SMEs face finance costs that are prohibitively high. The average lending rate is an exorbitant 44 percent, and even the risk-free interest rate stands at 21 percent. While 95 percent of SMEs have a bank account, only 16 percent have a line of credit – demonstrating the grim lending environment they face.[101] While some home-grown companies have been able to overcome these high barriers – for example, Trade Kings – they generally locate in and around Lusaka, where they can leverage the economies of scale in a larger urban agglomeration and the proximity to regulators and investors. Even in Lusaka, facilitating the creation of forward and backward linkages between MFEZs and local enterprises will be an uphill battle. But the likelihood is even slimmer that SMEs in the Copperbelt, Chipata or Kasama will be able to supply multinational firms operating in a nearby MFEZ. In fact, creating MFEZs in secondary and tertiary urban areas may only make it more difficult for local manufacturers to grow and develop. With foreign capital, superior infrastructure, and generous tax incentives, foreign producers operating in MFEZs would have the ability to capture large shares of the local market in addition to exporting. In other words, the foreign companies that already sell their products in Zambia's rapidly proliferating shopping centers would have the ability to further enhance their competitive advantage.

Even if the Zambian government is able to successfully attract foreign investment beyond mining companies in MFEZs – and progress to date casts doubt on this prospect – building these special zones proximate to secondary and tertiary cities is not in itself the right strategy for generating sustainable, job-rich local economies. Directing investment toward underperforming urban economies in Zambia will require a multitude of strategies that are more tailored to local economic conditions, challenges and assets. Moreover, this effort must begin with the mission of empowering small and medium enterprises to cater to local markets for goods and services.

Countries, such as India, that have failed to implement successful policies around SEZs have seen more success in implementing place-based policies.[102] Unlike the SEZ model – where government supports greenfield development of a small zone slated for a select number of well-endowed firms – place-based policies generally designate a much larger geography, for example a district or a province, where any firm willing to invest will receive special advantages, such as tax abatement. These policies take many different forms, and are used frequently in developed countries such as the United States, where individual states and cities offer lucrative tax incentives to lure companies. Empirical evidence, while not universally positive, suggests that such place-sensitive programs have in many cases boosted employment creation and private sector development.[103,104,105] While limited, the evidence emerging from India suggests it has been a powerful and cost-effective tool – stimulating the growth of existing enterprises, incentivizing the entry of new firms, and boosting overall productivity and workers' wages.[106] The next section contends that place-based policies ought to replace the MFEZ strategy in Zambia.

Policy Recommendations

Based on the body of evidence presented in this report and international experiences with both primacy and regional economic development, this section contains policy recommendations to drive Zambia's urban system toward balanced urbanization, shared prosperity and the expansion of opportunity in non-primary Zambian cities. These proposals are meant to be specific but not overly prescriptive, recognizing that the details of these recommendations would need to be negotiated among a range of local and national stakeholders in the country.

The policy proposals can be broadly grouped into two categories: the first set of recommendations calls on the Zambian government to catalyze and strengthen local forms of government – linking decentralization to economic development and job creation, activating district-level leadership, and introducing greater transparency in its intergovernmental fiscal architecture. The second set of recommendations is more place-specific – replacing the feeble MFEZ policy with measures aimed at reinvesting in underutilized urban regions and reforming urban planning norms in cities and towns in ways that benefit workers and enterprises.

Incorporate a stronger focus on job creation in the implementation of the National decentralisation policy.

In pursuing decentralization, the Zambian government must place greater emphasis on empowering local councils to drive efforts for local job creation – both in policy formulation and policy implementation.

Zambia's National Decentralisation Policy – which was enacted in 2002 but re-launched and accorded greater political priority in 2013[107] – is the legislation that charts a vision for devolving power and resources from Zambia's central government to its local, district-level councils. While the decentralization policy explicitly outlines "economic independence" for districts as one of its primary goals, the policy makes infrequent mention of the linkages between effective local governance and local economic development and job creation. In the list of functions to be devolved to local government, the legislation's primary intention – to entrust local councils with service-delivery responsibilities – becomes evident. "Policy formulation" remains the function of the central government, while primary health, primary education, water and sanitation, and agriculture extension services are among the functions to be taken up by local councils.

Nevertheless, the policy remains sufficiently broad and visionary to create space for a more transformative kind of decentralization – a process that would empower local governments to play an active role in guiding economic development and job creation efforts.

To imminently charge local councils with the responsibility to lead policymaking on job creation would be unrealistic. Unlike service-delivery functions – such as health, education and sanitation – local councils do not have any department or administrative unit that could lead economic development and job creation efforts if those functions were suddenly assigned to them[108] – even if new-business support officers represent a step in this direction. Moreover, while central government ministries concerned with traditional areas of service delivery – i.e. the Ministries of Health, Education and Agriculture – are represented in district administration offices, the ministries concerned with employment creation and labor issues – the Ministry of Commerce, Trade and Industry and the Ministry of Labor and Social Security – are not.

This is critical. Around conventional service delivery issues, there is a history of interaction between district-level ministerial representatives and local council staff. But around employment creation, that opportunity for local involvement and capacity-building has never truly existed. Currently, the ministries and agencies charged with creating economic opportunity have little direct contact with local councils, the government institutions at the center of Zambia's drive to decentralize. This means that the central government has a limited understanding of how its macroeconomic policies are playing out in particular kinds of places – e.g. secondary and tertiary cities. It also means that the government institutions that best understand how local economic assets can be leveraged to support job creation efforts – local councils – are largely left out of job-creation policymaking.

Therefore, an initial short-term step toward empowering local councils on employment policy would be to **install representatives from the Ministry of Commerce, Trade and Industry and the Ministry of Labor and Social Security at the level of district administration.** These individuals would be responsible for collecting information on how macroeconomic and job creation policies implemented by the central government are impacting different geographies around Zambia, and would also be charged with building the capacity of local councils to implement locally relevant job creation policies – for example, retrofitting an aged industrial area to attract new investment or implementing a locally relevant skills training program. Creating this link between the central government and local councils is a necessary first step.

In the medium-term future, **Zambia should create "meso-institutions" to drive regional and sectoral growth** – particularly in secondary and tertiary cities. Meso-institutions, sometimes referred to as regional development agencies, are coalitions of public and private actors – government agencies, private sector groups, civil society organizations and academic institutions – whose primary function is to align public policy and private-sector development toward the creation of a healthy local and regional economy. These institutions represent an effective and emerging form of leadership in the practice of local economic development. They have been particularly effective in Latin America, but they represent a flexible model that could be developed in other regions and countries as well. In their volume on decentralization in Africa, Mohmand and Loureiro similarly call for the creation of "multi-actor coalitions" to tackle governance challenges in countries throughout the region.[109]

Activate leadership and innovation at local levels of government.

Implement a set of "activation policies" aimed at incentivizing local councils to develop innovative programs around local economic development and job creation.

While Zambia's process of decentralization must reflect the major priority of job creation, establishing local structures responsible for identifying and leveraging economic assets is not enough. The process of ideation, policymaking and leadership at the local level must be activated through a mixture of incentives and capacity-building measures. Such activation policies would utilize the power and resources of the central government to inspire bottom-up strategies for job creation.

First, the central government must **demonstrate to local councils the value of successfully implementing job creation and local economic development programs by offering performance-based incentives.** These incentives should be offered on the basis of objective, transparent targets around governance – including issues of economic governance and job creation. And they should come in the form in increasing autonomy and revenue-generating capacity. Not only are these the rewards that will most effectively motivate local councils; they will also facilitate the goal of decentralizing authority to high-capacity local governments. For example, the central government could establish that local councils that collect at least 90 percent of the property taxes they are due will be given authority to collect vehicle registration taxes in their district – a major revenue-generating tool that local councils have been demanding.

Second, **promoting healthy competition between local councils on economic development and job creation is one way of fostering stronger leadership.** For example, the central government could implement an "urban innovation challenge" where city and municipal councils are invited to submit proposals for programs aimed at local job creation, and an independent, non-partisan council of experts selects winners who receive funds to implement their idea. This form of competition could also encourage greater private sector involvement in public policy, as local chambers of commerce would find it advantageous to collaborate with municipal and city governments in developing proposals.

Similar systems of competition could offer a range of rewards – both financial and non-financial. For example, districts could compete for the chance to host a major trade fair for domestic and foreign investors, facilitated and funded by the central government. Even an annual awards competition can be a powerful tool. For example, in Indonesia, cities and regencies compete annually for Adipura Awards, which honor local governments on the

Box 1
Meso-Institutions as a Best Practice for Local Economic Development: Learning from Latin America

The practice of local economic development grows out of recognition that national macroeconomic strategies for growth and job creation require local, context-specific interpretations. Beyond this, the performance of a firm depends not only on its own inputs but also the local business environment in which it operates. Institutional and infrastructural endowments of the local business environment are created over time through inter-firm cooperation and public policy.

Governments and multilateral institutions across the world have experimented with many different ways of building successful local business environments in order to promote economic development and job creation. The challenge, however, is complex. Because of the ways that local networks, norms and institutions shape the process of development, there can be no single "recipe," with prescribed ingredients, for local economic transformation.

Nevertheless, one emerging "best practice" that has gained traction and seen some success is the meso-institution – which occupies a "middle" space between the local and the national and between public, private and community-based actors. Meso-institutions, sometimes referred to as regional development agencies, convene a strong coalition of local actors who can identify economic potential and build coalitions toward supporting economic development. Meso-institutions serve as connective tissue, linking different levels of government, the private sector, researchers, and civil society institutions.

These institutions have taken a central role in local and regional economic development in Latin America especially. One example comes from Bucaramanga in northeastern Colombia, an intermediate city in a mining region. In this context, economic development initiatives were constructed through cooperation across universities, government, and the private sector. The meso-institution in this case was a metropolitan planning and economic development agency that spurred the creation of an enterprise promotion institute – the Bucaramanga Emprendedora – "productivity centers," a start-up incubator, and a science and technology center – the Technopolis of the Andes. Local anchor institutions like the Industrial University of Santander and other universities and research institutes played a major role in these efforts.

Meanwhile, in Cordoba, a city in northern Argentina, the local municipality convened a broad-based network of business associations and the local university to come up with a new strategic plan for the city. The coalition largely succeeded in designing and implementing economic development initiatives – like training subsidies for workers, urban renewal through property development, an enterprise incubator, and micro-enterprise credit and support.

These case studies from Latin America highlight the importance of a strong coalition of local actors who adopt an integrated approach to economic development, transcending narrow silos and looking at a city or region from a "bird's-eye" perspective. These are the fundamental components of successful meso-institutions, representing a model that has potential to be adapted and succeed across many contexts.

Source: Partnerships, Meso-institutions and Learning[110] basis of environmental management, sanitation and cleanliness. The competition is highly visible: the awards ceremony is frequently attended by government officials at the highest level. Not only do the Adipura Awards create more public awareness on topics related to environmental protection, but they have become a way that local governments in Indonesia seek to raise the profile and visibility of their communities and demonstrate to their constituents the effectiveness of their leadership. South Africa's Vuna Awards[111] and Rwanda's Innovation Competitions,[112] through the Rwandan Association of Local Governments, mirror the Adipura Awards in their attempt to stimulate healthy competition among local governments. A similar model could be adopted in Zambia for economic governance. A competition might bestow honors like "Best District to Start a Business" or "District with the Fastest Wage Growth." Of course, for any such competition to activate strong and innovative local leadership, it must be insulated from party politics, and it must be seen as legitimate by both local councils and citizens.

Finally, **the central government must boost local councils' ability to attract and retain high-quality public officials.** As an initial step, the central government could establish a cadre of talented, highly trained public employees who work at the local level of government and focus their energies on facilitating local economic development. Such a program could attract the best and brightest with competitive compensation and benefits – comparable to or exceeding what is offered to central government employees – and then train and place these individuals in districts that have specific plans for local economic development and require highly skilled leaders to implement them.

Zambia may need to experiment with different tools for improving the quality of talent in local governments. The international experience shows that different countries have introduced a variety of strategies for tackling the issue of human resource capacity in local governments. Japan, for instance, employs a system of intergovernmental personnel transfers between central and local levels of government. Selection for central government employees is highly competitive – meaning that local governments are constantly receiving employees who have made it past the country's most rigorous public sector recruitment process. Moreover, those recruited at the local level gain experience and exposure through working in the central government.[113]

Both Botswana and Ghana have tried to improve the quality of local government staff by putting the central government in charge of recruitment of senior local officials. In Botswana, this reform has been followed by improvements in the competence of local government, but in Ghana, central control of local staffing has been controversial, leading to major frustration by local councilors who view the government in Accra as having little understanding of the context-specific needs and challenges of local government. To balance the need for higher quality standards and strong local knowledge, a model similar to Japan's may be more effective in Zambia in the long run.

Whichever the specific mechanism, Zambia must address the major disparities in talent and prestige that exist between central and local levels of government. Strong and innovative leadership at the local level requires not only dynamic mayors, but high-performing local bureaucracies.

Increase transparency in fiscal architecture and rationalize subnational transfers.

Zambia must strengthen its intergovernmental fiscal system – opening geographic targeting to greater public scrutiny, stepping up support for emerging urban centers, and requiring Lusaka to generate more of its own fiscal resources.

Zambia's current system of redistributing revenue from the central government to local councils is highly opaque. One type of transfer – the Constituency Development Fund (CDF) – allocates central government funding equally across the country's 156 constituencies and is disbursed to local councils. But the distribution of other central government funds across districts is subjective, with individual ministries setting their own priorities and making funding decisions that have direct or indirect spatial implications. Comprehensive data on subnational expenditure has not been publicly released in decades.[114] Without a clear understanding of how the central government allocates resources to different local authorities, it is impossible to understand whether and how regional disparities are being addressed by the state.

The most notable and important example of a fiscal transfer that ought to receive greater scrutiny is the Local Government Equalisation Fund, managed by the Ministry of Local Government. The goal of the fund is to address regional disparities and provide additional resources to districts to implement important community development projects. While the central government has scrutinized the use of these funds by local councils,[115] it has offered little transparency regarding the formula or process used to divide the fund between districts. **Information about the allocation mechanism of the Local Government Equalisation Fund should be public and open for debate by policymakers.**

Kenya has emerged as one of the region's leaders on fiscal transparency when it comes to intergovernmental transfers. First of all, the central government allocates a fixed 15 percent of national revenues to county governments. Second, the formula by which the Commission on Revenue Allocation (CRA) determines the share owed to each of the country's 47 counties is public and relatively straightforward. The transfer is determined by different weights given to various factors: population (45 percent), poverty index (20 percent), land area (8 percent), basic equal share (25 percent) and fiscal responsibility (2 percent).[116] Zambia might choose to include these or other factors, and it may weight these factors differently, but critically important is that such a formula is open to public scrutiny and debate by policymakers.

The absence of a coherent, comprehensive system for guiding the redistribution of central government resources to subnational authorities

Box 2

Demonstrating the Case for Secondary and Tertiary Cities: Reinvesting in the Copperbelt

To illustrate how these policy recommendations would play out in a particular geography, the Copperbelt is the ideal case study. After the economic devastation that Copperbelt towns and cities faced in the latter decades of the 20th century, most of the province's urban areas have not meaningfully recovered, as the gains from Zambia's economic revival have largely accrued in Lusaka.

If well implemented, an urban strategy in Zambia focused on catalyzing growth and job creation in secondary and tertiary urban areas could find success in the Copperbelt. The region already has many of the ingredients necessary for job creation. The province's "soft" infrastructure – an engaged local private sector, anchor institutions like the Copperbelt University, and a pool of skilled workers and training institutions – has strong foundations but has been chronically under-invested in over the last few decades. The same is true of the region's "hard" infrastructure: Copperbelt cities have relatively good access to major highways and rail lines, but upgrading is required. The international airport under construction in Ndola is a good start. Finally, the province's natural assets – such as its rich soils and proximity to the large export market of the Democratic Republic of Congo (DRC) – are other underutilized assets.

The following proposals ground the recommendations for Zambia as a whole in the Copperbelt, demonstrating the potential impact of these ideas in a specific urban region:

1. Establish a Southern Copperbelt Regional Development Agency for Agro-Processing

The local councils in Kitwe, Ndola, Luanshya and Lufwanyama – joining forces with local private sector stakeholders, such as the Kitwe and Ndola Chambers of Commerce and the Zambia International Trade Fair, and key civil society and government institutions, including the Copperbelt University, the Zambia Development Authority, and relevant provincial and central government ministries – should constitute a regional development agency to promote the southern Copperbelt as Zambia's hub for agro-processing. Vital ingredients are in place for such an initiative to succeed: Lufwanyama hosts one of the most productive agricultural economies in Zambia; Kitwe, Ndola, and Luanshya have vacant industrial sites that could be renovated and used as processing centers; local private sector leaders in Kitwe and Ndola are active and engaged; Kitwe hosts one of Zambia's top universities; Ndola is home to the provincial government; and this cluster of districts is strategically located near major consumer markets. A regional development agency would focus as a kind of meso-institution (see **policy recommendation - incorporating a stronger focus on job creation**), convening local stakeholders to identify barriers to the growth of the sector, develop concrete solutions, and submit organized recommendations to regional and national policymakers. Zambian research institution ZIPAR has similarly recommended stimulating growth in the agro-processing sector in the Copperbelt.[117]

2. Institute a Copperbelt Urban Innovation Competition

Local leaders in the Copperbelt's towns and cities face similar issues: over-dependence on a volatile copper sector, decaying urban cores, high unemployment, and a dearth of optimism among local residents who have seen vibrant economies decline and mining jobs disappear. In some ways, the Copperbelt is the Detroit of the developing world. Many cities in Europe and North America that witnessed industrial decline have been reinvented through creative leadership and innovative governance – for example, Bilbao in Spain and Pittsburgh in the United States. While the Copperbelt represents a very different social, political and economic context, it similarly requires innovative approaches to generating economic growth and job creation that go beyond the traditional mining sector. In this spirit – and in recognition of the value in healthy competition (see **policy recommendation - activating leadership and innovation at local levels of government**) – the Zambian government could institute an urban innovation challenge for the Copperbelt's local councils, where city leaders submit proposals for government funding to implement "outside-the-box" employment programs in their cities. For example, Chingola could propose to create a special vending zone in the city center and offer space, licenses and facilities to its street vendors. Chililabombwe could propose to create a special trade facilitation program for small and medium-sized enterprises involved in cross-border trade with DRC. The competition would be a way of incentivizing local councils to generate fresh ideas and work directly with non-government stakeholders in the private sector and civil society.

3. Revitalize Urban Cores and Invest in Mobility

Many local councils in the Copperbelt are pursuing urban planning policies to drive people and economic activity further from their town and city centers. While these priorities are guided by the goal of "decongesting" the region's towns and cities, they will have a myriad of unintended consequences – encouraging sprawl and making maintenance of urban infrastructure costlier and more difficult, generating more vehicular traffic on arterial roads, and ultimately raising the cost of doing business (see **policy recommendation - reforming urban planning priorities to benefit local businesses and workers**). Leaders in the Copperbelt's local councils must radically alter course and invest in compact, well-connected cities that are more efficient and less expensive to maintain. This new vision for the region's cities could involve a range of interventions, such as incentivizing retailers and businesses to locate in the historic urban core by offering special tax rates for companies that retrofit old, vacant real estate; improving the safety and coverage of pedestrian infrastructure; investing in low-cost public transit, such as buses with dedicated lanes; and renovating and expanding street markets, creating streamlined licensing procedures for vendors. If they think through a visionary lens, Copperbelt leaders can use their historic urban centers as economic assets, creating models for a new kind of African urbanism that "leapfrogs" past the mistakes made by planners in Lusaka and other major African cities. International donors promoting sustainable models of urbanization can support Copperbelt city leaders in realizing this vision.

in Zambia was recently highlighted when Chipata, the capital of the Eastern Province, was officially named a city. In Zambia, localities are designated as districts, municipalities, or cities – ostensibly corresponding to administrative units that are largely rural, contain a small urban settlement, or contain a large urban settlement, respectively. No written policy stipulates how the relationship between local and central government differs among these different administrative units. But the assumption among policymakers and the public alike is that Chipata will now receive more resources and attention from the central government because of its new status. **If the central government implicitly differentiates between districts, municipalities and cities – regarding levels of funding or autonomy – it must spell out that policy clearly and open it to public debate.**

The Decentralization Secretariat is proposing greater transparency in the intergovernmental fiscal architecture, and this is an important first step. The rest of the central government, including the Ministry of Local Government, should welcome this challenge to examine and rationalize subnational transfers.

Opening the dialogue over how much and by what mechanisms local governments receive fiscal resources will likely lead to calls for Lusaka to increase its own-source revenue. Emerging urban centers, such as Chipata and Mongu, and even smaller settlements like Siavonga, require critical investments in trunk infrastructure at their current stage of growth. But they do not yet have a local economy large or formal enough to provide significant own-source revenue – meaning that the central government must fill these short- and medium-term funding gaps to ensure these local economies continue to grow and prosper. Meanwhile, Lusaka has many untapped opportunities for own-source revenue, given the size of its economy and its concentration of wealth. **The central government must work with the Lusaka City Council to increase its own-source revenue in order to free up resources for needier urban areas around the country.** Likewise, international donors would be wise to review their own funding portfolios to ensure they are not exacerbating regional disparities by concentrating urban economic development efforts in and around Lusaka.

Introduce place-sensitive policies to spur investment in underperforming urban economies.[117]

The Zambian government must seek to shift the cost-benefit equation of firms' locational choices in favor of secondary and tertiary cities, especially those with unrealized potential for industrial development. This requires shifting away from a broken MFEZ policy that is unlikely to spur long-term sustainable development for Zambian businesses.

Currently, the central government has limited instruments for influencing the geography of investment and job creation. Through its program for MFEZs, the government could choose to direct foreign investment into secondary and tertiary cities, but for the reasons outlined above, this strategy will find major limitations in fostering sustainable, job-rich local economies in underperforming urban regions.

Other instruments, like the Citizens Economic Empowerment Fund, ostensibly privilege underserved geographies when disbursing low-cost finance to entrepreneurs. But there are no clear or objective geographical criteria to accompany such programs, and they are largely perceived as subject to high levels of nepotism.

Instead of relying on these suboptimal tools, the government should launch place-sensitive policies aimed at incentivizing investment in urban economies with unrealized growth potential. A package of place-based policies might create some or all of the following advantages for firms operating in a particular location (for example, a district or a set of districts):

- Establish preferential tax rates
- Streamline trade and regulatory barriers
- Offer subsidies for workforce development
- Offer subsidies for capital investment

These measures would serve to both support the growth and expansion of businesses already operating in the targeted geography, as well as incentivize new businesses to locate there. **Place-based policies can be an effective way of boosting investment and job creation in places that have potential to support a vibrant, job-rich economy but are currently struggling to compete with Lusaka, given its many advantages as a primate city.**

This strategy would differ from the MFEZ program in a few substantive ways. First of all, it would not involve major greenfield investment by the central government to create a separate space with superior infrastructure. Instead, **the program should focus on districts where certain fundamental ingredients for industrial investment are already present** – for example, major roads and rail lines, vocational institutes, and land zoned for industrial purposes. Not only is this strategy more cost-effective, it is more likely to succeed; the recent UNECA report warns against "attempting to shift industry to lagging areas with poor locational advantages."[118] Secondary and tertiary cities have locational advantages – in many, much of the investment "ecosystem" is present – but they need a boost against stiff competition from Lusaka.

Furthermore, place-sensitive investment policies differ from the MFEZ strategy because they apply to a much larger geographic area and can create a level playing field for any business that wants to set up within that area. If a MFEZ was established in Chingola, for example, it would create a special set of privileges for firms located within the narrow boundaries of the zone – which, due to the capital requirements for entering the MFEZ, are certain to be large foreign-owned companies. A place-based policy offering preferential tax structures and/or subsidies could, in contrast, apply to all cities and municipalities of the Copperbelt or target specific districts that host high-potential small and medium-sized cities. In any case, it would be applied to a space much larger than a single industrial zone. In this way, it has the potential to encourage a broader set of firms to locate in the targeted location – including Zambian firms. This strategy, therefore, is more likely to empower small and medium-sized enterprises, more likely to create linkages between enterprises of different sizes, and more likely to encourage investment from high-performing Zambian firms, such as manufacturers from Lusaka looking to set up additional production facilities.

Reform urban planning priorities to benefit local businesses and workers.

Zambia requires a new urban planning culture that emphasizes mobility over "decongestion" – enabling the growth of local enterprises and better labor market matching. Further, councils must provide incentives for local enterprises to join the formal economy.

In both small and large urban centers, Zambian businesses and workers are currently suffering from an urban planning regime that places unwarranted focus on "decongestion" when the real challenge is one of mobility and connectivity.

Population density in the planned areas of Zambian cities is relatively low, but local policymakers believe that the biggest challenge around physical planning is one of de-concentrating populations, dispersing economic activity and dis-incentivizing businesses from locating where population densities are highest. These priorities emerge largely from the perception that heavy vehicular traffic is among the most acute problems in Zambian cities, and that it can be solved by reducing population densities.

In pursuing the path of "decongestion," local councils are bound to repeat the mistakes that urban planners have made worldwide, including across the African continent. By de-concentrating population, they will ensure that commuting distances grow longer and motorized transport becomes more unavoidable – worsening congestion on major roadways. By attempting to push economic activity away from central markets and business districts, they will create unnecessary barriers for local enterprises who simply seek to locate in spaces with large customer bases. And by encouraging lower population densities and expanding the physical footprint of Zambian cities, planners will make it more expensive for local councils to provide basic services – such as road infrastructure, electricity, water and sanitation – all essential for improving the business climate, not to mention quality of life. As the recent UNECA report claims, speaking of Sub-Saharan Africa, "the urban economic advantage is being undermined by too little density, by residential segregation and by the artificial separation of land uses."[119]

Urban planning principles based on density, mobility and connectivity are more appropriate in a rapidly urbanizing country like Zambia. With limited resources to provide essential services, it is far more cost-effective for local councils to supply dense urban neighborhoods than a sprawling suburban expanse, and then invest in affordable mass transit. These principles have proved highly successful for stimulating vibrant cities in countries like Colombia and Brazil.[120]

These principles will more effectively address traffic congestion while at the same time creating dynamic local economies in Zambian cities. Affordable transport will ensure better labor market matching, as workers will be able to pursue labor market opportunities that align with their skills, not simply their location.[121,122] Indeed, scholars have emphasized that public transportation is a labor market institution.[123] Street vendors and retailers – who now suffer from "decongestion" policies that regard them as a nuisance rather than as entrepreneurs[124] – would also benefit from the increased foot traffic and larger customer base brought on by urban policies that promote density and pedestrianism.

One area where attitudes among Zambian planners are moving in the right direction is around informal settlements and enterprises. Local councils – encouraged by the Ministry of Local Government and the Ministry of Commerce, Trade and Industry – view informal settlements and the enterprises operating within them as unrealized revenue potential and aim to put both on a path toward formalization.[125] This is a positive step, but so far the strategy is based squarely on simplifying processes of registration and tax collection. The theory echoed by many different policymakers in multiple interviews is that owners of informal businesses would like to register themselves but are unlikely to engage in a lengthy registration process.[126] However, mere simplification of the registration process does not answer the question of what incentive small businesses have to subject themselves to the regulations and scrutiny of operating in the formal economy. If local councils – especially those in small cities that desperately need the revenue – seek to build larger formal economies, they must use a "carrot" and not only a "stick." Countries that have made major strides in formalizing informal enterprises have done so by offering them concrete benefits – such as access to credit and tax incentive programs.[127]

These reforms in urban planning priorities are important for Lusaka as well as non-primary urban areas in Zambia. However, they could be particularly advantageous in secondary and tertiary cities. In sluggish Copperbelt economies, local councils should view these better practices of urban governance as an opportunity to revive growth, invite greater investment, and distinguish themselves from Lusaka. In emerging urban centers that are witnessing rapid population growth – such as Solwezi and Chipata – these reforms will help to ensure that economic dynamism can be sustained and that the major planning and governance mistakes that are playing out in urban areas around Zambia are avoided.

Conclusion

In recent decades Zambia has witnessed a lopsided paradigm of economic development, as a wealth of empirical evidence in this report has shown. While economic decline at the end of the 20th century hurt small and medium-sized cities disproportionately, the high-growth period of the 2000s benefited Lusaka far more than it did secondary and tertiary towns. The country's once-vibrant network of cities and towns in the Copperbelt Province is a shadow of its former self, even though copper mines witnessed major growth in the first decade of the 21st century. Tertiary cities elsewhere in Zambia, despite their growing populations, have yet to witness meaningful structural transformation. Analysis of a range of labor market indicators has provided evidence for these claims.

As a large amount of scholarly literature contends, and as the international experience has shown, robust economies in small and secondary cities are crucial to poverty reduction and inclusive economic development. The intimate links between rural livelihoods and small-town economies – which have the potential to boost one another in a mutually reinforcing process – mean that one cannot ignore the distribution of urbanization. Rising inequality in Zambia and the complex challenge of job creation are not issues that can be tackled through place-blind strategies of promoting trade, investment and sector-wise growth. Stimulating inclusive growth in the country means recognizing the spatial manifestations of inequality, and taking steps to revitalize urban economies that are struggling to create high-quality, productive employment. Moreover, in a country like Zambia, inclusive growth requires a balanced urban system that creates opportunities for workers and enterprises by maximizing robust rural-urban linkages across space.

This report has discussed several levers available to the Zambian government in supporting the growth and job creation potential of the country's secondary and tertiary cities. Broadly, the report's recommendations can be divided into two categories: (1) proposals that would balance the relationship between national and local government in Zambia and empower district-level authorities to drive forward job creation through localized policies; and (2) place-based policies that would support growth in small and medium-sized cities with unrealized potential and underutilized assets.

The trends this report identifies and the proposals it contains are not footnotes in the broader story of economic development in Zambia. Rather, the growing divergence between Lusaka and other urban centers has been one of the most defining trends of Zambia's economic geography over the past three decades. Beyond this, the Zambian government will struggle to deliver on its biggest promises – job creation, economic diversification, and decentralization – unless it realizes that these priorities are bound up in the fate of its secondary and tertiary cities. Indeed, a balanced urbanization process is critical to the path of inclusive growth in Zambia.

Appendix A

District typology

The following table shows the category or type assigned to each district. The districts were analyzed using consistent 1990 boundaries, meaning new districts were subsumed within old district boundaries. Footnotes offer details on which modern districts are included within the district borders used for analysis.

DISTRICT	TYPE	PROVINCE
Chadiza	5	Eastern/Muchinga/Northern
Chama	5	Eastern/Muchinga/Northern
Chililabombwe	3	Copperbelt
Chilubi	5	Eastern/Muchinga/Northern
Chingola	2	Copperbelt
Chinsali	4	Eastern/Muchinga/Northern
Chipata[iv]	3	Eastern/Muchinga/Northern
Choma	3	Southern
Gwembe	5	Southern
Isoka / Nakonde[v]	4	Eastern/Muchinga/Northern
Itezhi Tezhi[vi]	4	Southern
Kabompo	5	North Western
Kabwe[vii]	2	Central
Kafue[viii]	3	Lusaka
Kalabo	5	Western
Kalomo[ix]	4	Southern

[iv] *Chipata includes Mambwe*
[v] *Isoka / Nakonde includes Mafinga*
[vi] *Itezhi Tezhi includes Namwala*
[vii] *Kabwe includes Chibombo, Kapiri Mposhi, Mkushi*
[viii] *Kafue includes Chongwe*
[ix] *Kalomo includes Kazungula*

DISTRICT	TYPE	PROVINCE
Kalulushi	3	Copperbelt
Kaoma	4	Western
Kaputa	5	Eastern/Muchinga/Northern
Kasama[x]	3	Eastern/Muchinga/Northern
Kasempa	5	North Western
Katete	4	Eastern/Muchinga/Northern
Kawambwa	4	Luapula
Kitwe	2	Copperbelt
Livingstone	3	Southern
Luangwa	5	Lusaka
Luanshya	2	Copperbelt
Lufwanyama[xi]	5	Copperbelt
Lukulu	4	Western
Lundazi	4	Eastern/Muchinga/Northern
Lusaka	1	Lusaka
Luwingu	4	Eastern/Muchinga/Northern
Mansa[xii]	3	Luapula
Mazabuka	3	Southern
Mbala / Mpulungu	4	Eastern/Muchinga/Northern
Mongu	3	Western
Monze	3	Southern
Mpika	3	Eastern/Muchinga/Northern
Mporokoso	4	Eastern/Muchinga/Northern
Mufulira	2	Copperbelt
Mufumbwe (Chizera)	5	North Western
Mumbwa	3	Central
Mwense	4	Luapula
Mwinilunga[xiii]	4	North Western

[x] *Kasama includes Mungwi*
[xi] *Lufwanyama includes Masaiti, Mpongwe*
[xii] *Mansa includes Milenge*
[xiii] *Mwinilunga includes Ikelenge*

DISTRICT	TYPE	PROVINCE
Nchelenge[xiv]	3	Luapula
Ndola	2	Copperbelt
Petauke[xv]	4	Eastern/Muchinga/Northern
Samfya	3	Luapula
Senanga[xvi]	4	Western
Serenje	4	Central
Sesheke	4	Western
Siavonga	4	Southern
Sinazongwe[xvii]	4	Southern
Solwezi	3	North Western
Zambezi[xviii]	4	North Western

[xiv] *Nchelenge includes Chienge*
[xv] *Petauke includes Nyimba*
[xvi] *Senanga includes Shang'ombo*
[xvii] *Sinazongwe includes Maamba*
[xviii] *Zambezi includes Chavuma*

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