MODEL LEGISLATION
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INTRODUCTION TO THE CHARTER CITY ACT

The Charter Cities Institute (CCI) has drafted this model legislation to aid developers and governments in the implementation of charter cities, new cities with a special jurisdiction that allows an improved business environment. Charter cities are an important international development tool. We hope this model legislation can serve as a draft, or at least a reference point, for the first generation of charter cities.

Political feasibility is a key concern of this model legislation. It balances the importance of sovereignty with the need for charter cities to attract private investment. We believe the autonomy granted to the charter city is sufficient to attract investment, but sufficiently respects the sovereignty of the host country to allow political support. Of course, different countries have different politics and as such, we recommend adopting this model legislation to the political realities of the host country.

The first part of the legislation deals primarily with the nature of charter cities. Charter cities, new cities developed by a public private partnership with a special jurisdiction to encourage economic growth, are a tool to create prosperity. Any country that passes the Charter City Act creates a new avenue for wealth creation within its territory. While several countries have legal mechanisms for creating special economic zones, CCI believes that charter cities go far beyond special economic zones and offer a better chance of economic development.

The second part creates the Charter City Authority (CCA). The CCA is the agency that will coordinate charter cities within each host country. Due to the critical nature of charter cities, we create the CCA as an independent agency to shield it from political pressure. Charter cities have long time horizons, so it is essential that the overseeing authority does not change every election cycle.
The third part discusses the operations within each charter city. Although the CCA coordinates the different charter cities and serves as a liaison between the charter cities and the host country government, the CCA does not govern the operations within each charter city. Instead, each charter city is granted wide discretion to set rules for itself, create, iterate, and in turn grow the ecosystem of ideas around innovative governance that ultimately benefits people.

The final part discusses the funding of the agency and other miscellaneous matters. We develop a mechanism for the CCA to be self-funding, though it will depend on an initial grant from the host country to begin operations.

Charter cities are an important tool for economic development and innovation. We view this model legislation as an important facet in the legal framework of charter cities and look forward to helping host countries implement it.
PART I.

PURPOSES AND OBJECTIVES: ESTABLISHMENT AND NATURE OF CHARTER CITIES
SEC. 1. Title

This act shall be known and cited as “The Charter City Act.”
SEC. 2. Purposes, Intents and Objectives

It is the purpose, intent, and objective of this Act:

(a) To establish the legal framework and mechanisms, in alignment with the national plans for the host country, for the development of charter cities;

(b) To transform selected areas in the country into charter cities with developed industrial, commercial, tourist, banking, investment, and financial centers, as well as residential areas, for the purpose of economic development;
(c) To promote the flow of investors, both foreign and local, into charter cities which aim to generate employment opportunities and establish backward and forward linkages among industries in and around the cities; and

(d) To create charter cities on certain areas thereof with the status of a separate territory under the Constitution and the national sovereignty and territorial integrity of the host country.

Commentary
This section states the purpose, intent and objective of a charter city act. Charter cities focus as much on governance as on industry. Additionally, charter cities must be developed in alignment with the national plans of the host country. Here, the host country passing a charter city act, acknowledges its desire to transform certain areas of the country. Furthermore, the host country explicitly states its desire to create separate territories within the framework of the existing constitution.
SEC. 3. Definition of Terms

For purposes of this Act, the following definitions shall apply to the following terms:

(a) “Board” means the Board of Directors of the authority established under Section 14.

(b) “Charter cities” are new city developments developed by a public private partnership with a special jurisdiction to encourage economic growth.

(c) “Host country” is the sovereign state which is granting the special jurisdiction for the charter city.

Commentary
This Section defines what a charter city is to a host country. The most important aspect being the special jurisdiction and its public private nature. Charter cities cannot exist without private developers and private capital.
SEC. 4. Establishment of Charter Cities

The following areas are initially identified as charter cities:

Commentary
This Section permits the host country to initially designate several areas as charter cities upon the passage of the act. Immediately being able to designate charter cities makes for easy administration. Ideally, one or more applications for city charters will be before a host country prior to passage of the act. However, it is important to note that these applications will likely be in the Office of the President or a different agency as there is no existing charter city authority at this stage. Approval and designation within the legislation will make for easy commencement.
SEC. 5. Criteria for the Establishment of other Charter Cities

In addition to the charter cities identified in Section 4 of this Act, other areas may be established as charter cities in a process to be determined by the CCA.

Commentary
This Section permits the CCA to develop a process to proclaim new areas as charter cities.
SEC. 6. Applicable Laws

Criminal law, the constitution of the host country, and international treaties that the host country is a party to shall apply in the charter city.

Commentary
This Section limits the laws that apply in the charter city. The charter city is granted a high degree of autonomy by each host country. However, that grant of autonomy does not extend to Constitutional law, international treaties, and criminal law. It is important to list these clearly for easy reference. In practice, the list might be expanded depending on negotiations with the host country. Regardless of the content of the list, it is important that the list be placed either in the body of the charter or in an annex.
SEC. 7. Exclusive Jurisdiction

The charter city shall have exclusive jurisdiction to regulate matters, including but not limited to labor law, tax law, environmental law, business registration, land registration, and dispute resolution, as well as the administrative authority necessary to exercise those powers.

Commentary
This Section lists some of the areas that the charter city shall have exclusive jurisdiction to oversee. The list is intentionally not exhaustive. Instead, it lists certain areas which we deem to be of utmost importance for a successful charter city. It is important to list these clearly for easy reference. In practice, the list might be expanded depending on negotiations with the host country. Regardless of the content of that list, it is important that the list be placed either in the body of the charter or in an annex.
SEC. 8. Economic Relations

The charter city may establish mutually beneficial contractual relations with other entities within the country or with foreign entities or enterprises.

Commentary
This Section empowers the city to enter into contracts with corporations, government entities, and other sovereigns in furtherance of its duties. Clear permission to contract with other government entities, without the interference of the host country, is a requirement for a successful charter city. The manner of engagement is intentionally not discussed to give each charter city more freedom to effectively meet its obligations.
SEC. 9. Defense and Security

The defense of the charter city shall be the responsibility of the host country.

Commentary
This Section clearly states that despite being granted a charter to operate as a special jurisdiction, no charter city shall raise an army or be responsible for defending itself. Every charter city’s defense shall be the responsibility of the host country.
PART II.

THE CHARTER CITY AUTHORITY
SEC. 10. Charter City Authority

There is hereby created a body corporate to be known as the Charter City Authority.

Commentary
This Section creates a Charter City Authority. The CCA is necessary for the effective administration of charter cities in furtherance of both the developer’s and the host country’s goals. Additionally, although not explicitly stated, we believe situating the CCA in the Office of the president might give the CCA the best chance of success in countries where administrative agencies generally lack capacity or find it difficult to execute new mandates.
SEC. 11. Chief Executive Officer

The Charter City Authority shall have a Chief Executive Officer who shall be nominated by the President and approved by the Board for a renewable term of five years.
SEC. 12. Functions and Powers of CCA Board

The CCA Board shall have a board with the following functions and powers:

(a) Develop a process for the approval of new charter cities;

(b) Review and approve proposals for the establishment of charter cities based on the priorities of the host country;

(c) Approve the annual budget of the CCA;

(d) Issue rules and regulations to implement the provisions of this Act in so far as its power and functions provide;
(e) Exercise its powers and functions as provided for in this Act;

(f) Render annual reports to the President to present to the legislature; and

(g) Approve or reject the nomination of the CEO of the CCA.

Commentary
This Section creates a board of directors to oversee the CCA and states certain statutory duties that the CCA is obliged to perform. The composition and constitution of the board is intentionally avoided. Instead, different host countries will be expected to constitute the boards of directors in the manner they feel will lead to an effective functioning agency. However, CCI believes that the board should have a heavy private sector focus. Charter cities are commercial projects. Developers who invest in charter cities do so on commercial terms. Board members of the CCA must understand commerce in addition to national plans and objectives in order for charter cities to succeed.
SEC. 13. General Powers and Functions of the Charter City Authority

The CCA shall have the following powers and functions:

(a) To coordinate over the development, plans, activities, and operations of the charter cities;

(b) To create incentives for effective functioning of charter cities;

(c) To collect and distribute revenue due to the host country from each charter city in accordance with Sec. 34 of this Act;

(d) To enhance interagency collaboration to facilitate the operation and development of charter cities;

(e) To create, operate and/or contract to operate such agencies and functional units or offices of the authority as it may deem necessary;
(f) To promote charter cities to potential charter city developers;

(g) To create a process for the expansion of existing charter cities;

(h) To oversee all aspects of charter city governance set forth in this act;

(i) To assist charter city developers in the acquisition of land and water rights, as well as access to infrastructure, e.g. ports, roads, rail, deemed necessary for the development of charter cities;

(j) To establish a revenue sharing agreement between the charter city and the host country; and

(k) Any other functions as may be directed by the Board.

Commentary
The Section lays out the general powers and functions of the CCA. The powers listed are not exhaustive. It is important to mention that the CCA is responsible for overseeing charter cities, not regulating them. Charter cities will establish their own regulatory bodies as they see fit. The section also grants the board the power to direct the authority to perform other functions. The CCA generally must ensure the success of charter cities. It must serve as a liaison between charter cities and existing government agencies. Additionally, it must promote charter cities to potential investors throughout the world.
SEC. 14. Powers and Functions of the Chief Executive Officer

The Chief Executive Officer shall determine the structure and the staffing pattern and personnel component of the CCA and establish regional offices, when necessary, subject to the approval of the CCA Board.

In addition, the CEO shall have the following specific powers and responsibilities:

(a) To coordinate with the host country to safeguard all the lands, buildings, records, monies, credits and other properties and rights of the charter cities;

(d) To give such information and recommend such measures to the Board, as the CEO shall deem advantageous to each charter city;

(c) To submit to the Board, the ongoing and proposed projects, annual budget of receipts, and expenditures of each charter city;
(d) To represent the CCA in all its business matters and sign on its behalf after approval of the Board, all its bonds, borrowings, contracts, agreements and obligations made in accordance with this Act; and

(e) To perform such other duties and exercises such powers as may be prescribed by the Board, and to implement the policies, rules, and regulations set by the CCA.

Commentary
This clause grants the CEO broad powers to function effectively. The CEO exists in part as an advocate for charter cities and must help coordinate with the host country to safeguard the investment the charter city developers have made. Once a charter city is approved, the primary function of the CCA and the CEO is the regular reporting on the developments of the charter city.
SEC. 15. Personnel

The CEO shall provide for an organization and staff of officers and employees of the CCA. The CEO shall have exclusive and final authority to promote, transfer, assign, and reassign non-executive officers of the CCA, notwithstanding any provision of existing law to the contrary. Executive officers of the CCA require approval of the Board for both hiring and dismissal.

Commentary
This Section gives the CEO staffing power within the CCA. However, the CEO is limited when it comes to fellow executive officers.
SEC. 16. Investigation and Inquiries

Upon a written formal complaint made under oath, the CCA shall have the power to inquire into the conduct of parties transacting business in charter cities and to conduct investigations, and for that purpose may subpoena witnesses, administer oaths, and compel the production of books, papers, and other evidences.

Commentary
This Section grants the CCA investigative powers into the conduct of the charter cities. It also states the mechanism required to commence such an investigation: a written formal complaint made under oath. Investigative power over conduct of charter cities is a necessity. Host countries need to know that charter cities are limiting themselves to activities within the scope of powers they have been granted. Requiring a formal complaint under oath prevents abuse of this oversight powers as parties who lie under oath to commence an investigation risk being charged with perjury.
SEC. 17. Prohibition Against Holding Any Other Office

The Chief Executive Officer, administrators, officials and staff or assistants of the CCA shall not hold any other office or employment within or outside the CCA during their tenure. They shall not, during their tenure, directly or indirectly, practice any profession, participate in any business, or be financially interested in any contract with, or in any franchise, or special privilege granted by the CCA or national government, or any subdivision, agency, or instrumentality thereof, including any state owned enterprise, or its subsidiary.

Commentary
This Section, in an acknowledgement of the onerous task that is the administration of charter cities and to prevent conflicts of interest, bars officials of the CCA from holding other employment during their tenure.
SEC. 18. Conflict of Interest

Every member of the Board of the CCA, the Chief Executive Officer, and their staff shall, upon assumption of office, be in compliance with the conflict of interest policies put in place by the CCA.

Commentary
This Section requires the CCA to put in place a conflict of interest policy and mandates the board, the CEO, and staff to comply. The privileges being granted to charter cities are prone to abuse and thus it is important to ensure that the parties who determine whether or not those privileges are granted are not conflicted. While punishments for violating the conflict policy such as removal from office can be meted out by the CCA, the CCA is not a court.
PART III.

OPERATIONS WITHIN THE CHARTER CITY
SEC. 19. Exemption from National and Local Taxes

No taxes, local and national, shall be imposed on persons and business establishments operating within the charter city. Instead, the charter city will enter into a revenue sharing agreement with the host country per Section 13(j).

Commentary
This Section states that national and local taxes of the host country shall not be applicable to citizens and businesses operating within the charter city. Instead, each charter city shall create its own tax regime and share revenue with the host country.
SEC. 20. Taxes and Fiscal Incentives

The charter city has the authority to develop its own taxes and fiscal incentives for businesses.

Commentary
This Section clearly states that charter cities have the right over taxes and fiscal incentives in order to self-finance public goods and services within the charter city independently from the host country.
SEC. 21. Applicability of Banking Laws and Regulations

Existing banking laws and rules and regulations of the host country shall not apply to banks and financial institutions to be established in the charter city. The charter city will develop their own banking laws and regulations as they see fit to further their stated objectives.

Commentary
This Section states that banking laws and regulation shall not be applicable to citizens and businesses operating within the charter city. Oftentimes, banking laws and regulations are differentiated from other laws and regulations and thus it is important for the inapplicability of banking laws to be explicitly stated.
SEC. 22. Shipping and Shipping Register

Private shipping and related business including private container terminals may operate freely in the charter city, subject only to such minimum reasonable regulations to ensure open trade between the charter city and the host country to be determined by the CCA and the charter city.

Commentary
Charter cities may have the privilege of operating a port. Whether dry ports or sea ports, this section makes it clear that charter cities may operate ports subject to minimum regulations such as defense and others which the CCA and the charter city may agree to free from host country customs duties.
SEC. 23. Land Registration

The charter city has the authority to develop its own land registration process for individuals and businesses.
**SEC. 24. Business Registration**

The charter city has the authority to develop its own business registration process.

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Commentary
This Section clearly states that charter cities have the right to develop their own business registration processes.
SEC. 25. Dispute Resolution

The charter city has the authority to develop its own dispute resolution process for individuals and businesses subject to the constitution, criminal laws of the host country, and international treaties.

Commentary
This Section clearly states that charter cities have the right to develop their own dispute resolution mechanisms. However, charter cities are limited by the constitution, treaties the country is party to, and criminal law of the host country.
SEC. 26. Immigration

The charter city has the authority to develop its own immigration process for individuals and businesses subject to the criminal laws and international treaties of the host country.

Commentary

This Section clearly states that charter cities have the right to develop its own immigration process subject to the constitution, criminal laws, and international treaties the host country is bound by.
SEC. 27. Industrial Policy

The charter city has the authority to develop its own industrial policy.

Commentary
This Section clearly states that charter cities have the right to develop its own industrial policy.
SEC. 28. Labor Law

The charter city has the authority to develop its own labor laws subject to the limitations of the host country.

Commentary
This Section clearly states that charter cities have the right to develop their own labor laws. However, charter cities are limited by the constitution, treaties the country is party to, and criminal law of the host country.
SEC. 29. Healthcare

The charter city has the authority to develop its own healthcare laws for individuals and businesses.

Commentary
This Section clearly states that charter cities have the right to develop their own healthcare process. We expect that charter cities will develop processes which are quick, responsive and innovative thus satisfying the needs of residents.
SEC. 30. Environmental

The charter city has the authority to develop its own environmental laws subject to the constitution, international treaty the host country is bound by, and criminal laws.

Commentary
This Section clearly states that charter cities have the right to develop their own environmental laws. However, charter cities are limited by the constitution, treaties the country is party to, and criminal law of the host country.
SEC. 31. Energy

The charter city has the authority to develop its own energy law subject to the constitution, international treaties the host country is bound by, and criminal laws.

Commentary
This Section clearly states that charter cities have the right to develop their own energy laws. However, charter cities are limited by the treaties the country is party to, and the criminal law of the host country.
SEC. 32. Education

The charter city has the authority to develop its own education regulations.

Commentary
This Section clearly states that charter cities have the right to create their own education policy. We expect charter cities to harness modern technology to create policies that equip residents with the best tools to be innovative and productive residents.
SEC. 33. Customs

The charter city has the authority to develop its own customs process.

Commentary
This Section clearly states that charter cities have the right to develop its own customs process. However, charter cities are limited by the constitution, treaties the country is party to and criminal law of the host country.
PART IV.

MISCELLANEOUS PROVISIONS
SEC. 34. Appropriation

Any sum as may be necessary to fund the commencement of operations of the CCA shall be included in the appropriations act. Additional funding shall come from the following:

(a) A percentage of the revenue sharing agreement that is agreed upon by the developer and the CCA; and

(b) The proceeds from bonds which the CCA authorized to float both domestic and abroad.

Commentary
This Section states where the initial funding for the CCA will come from. The initial funding is expected to be from the host country. However, after that initial funding, the agency is expected to be self-funding, with revenue coming as a percentage of the revenue sharing agreement which the CCA reaches with the developer regarding the charter city. The proceeds from successful charter cities can fund a lean and effective CCA. In the unlikely event of funding shortfalls, the CCA is also permitted to issue bonds. Self-funding is essential to the independence and long-term sustainability of the CCA and should not be discarded.
SEC. 35. Authority of the President to Advance Initial Funding

Subject to existing laws, the President is hereby authorized to advance to the CCA out of the savings of the Office of the President such funds as may be necessary for the commencement of CCA operations. Such funds shall be reimbursed by the CCA at reasonable term and condition.

Commentary
This clause permits the Office of the President where the CCA resides to loan money to the CCA to commence operations. This speeds up the process of the creation of charter cities and allows the Office of the President an alternative means to finance the CCA.
SEC. 36. Separability Clause

The provisions of this Act are hereby declared separable, and in the event one or more of such provisions or part thereof are declared unconstitutional, such declaration of unconstitutionality shall not affect the validity of the other provisions thereof.

Commentary
This clause prevents the whole act from being voided in the event a court finds certain sections to be unconstitutional.
SEC. 37. Interpretation

The provisions of this Act shall be liberally construed to effectuate the purpose and provisions of this Act.

Commentary
This clause shows the interpretation that the drafters of the legislation intended on.
SEC. 38. Repealing Clause

All laws, acts, presidential decrees, executive orders, proclamations and/or administrative regulations which are inconsistent with the provisions of this Act, are hereby amended, modified, superseded or repealed accordingly.

Commentary
This clause repeals conflicting laws that existed prior to the passage of this act.
SEC. 39. Effectivity

This Act shall take effect upon its approval.

Commentary
This clause states when the act shall take effect.
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