

**Monty J. Roodt**

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# ***The impact of regional integration initiatives and investment in a southern African cross-border region: The Maputo Development Corridor***

## **1. Introduction**

### *1.1: Background and Context*

Much of the debate on South Africa's new wave of post-Apartheid investment in Africa centres on the impact on host countries, namely, its beneficial or deleterious nature. While these concerns are important, the sub-national regional effects of this investment are less well researched. Provinces within national boundaries are affected in significant ways by the cross-border flows of South African and other investment, particularly the cross-border cities and towns that benefit from the increased interaction.

The cities of Nelspruit in the Mpumalanga region of South Africa and the Mozambican capital Maputo are examples of cross-border cities whose character has been dramatically transformed by their connections with their neighbours. State-led investment in the Spatial Development Initiative (SDI) of the Maputo Development Corridor (MDC) has acted as a conduit in facilitating cross-border flows and has created a dynamic set of social processes within the cities and the sub-national region (Mpumalanga and Maputo Provinces). Even though many of the grandiose spin-offs promised in the early days of the MDC have not materialized, there is no doubt that it has acted as an economic catalyst for the local economy. For example, in December 2006 there was a 44 percent increase in passenger flows through the Lebombo/Ressano Garcia border post and a 10 percent increase in traffic volume on the MDC toll road (N4) compared to December 2005 (MCLI, 2006:1).

The Spatial Development Initiative (SDI) programme between the Mozambique and South African governments emerged from an agreement in 1995 to re-establish the transport axis between Maputo and Johannesburg as part of an attempt to revitalize southern Mozambique. The SDI concept grew to encompass a range of targeted interventions by central governments, initially within South Africa, but soon extending into the whole of southern and east Africa, with the stated intention of unlocking economic potential and facilitating private investment and job creation in a localised area or region. The Maputo Development Corridor was the prototype SDI development corridor, and to date the most advanced in the region.

The Maputo Development Corridor SDI was the first of the SDIs to be implemented in 1995, following the peace agreement in Mozambique and the election of a democratic government in South Africa. The transport ministers of the two countries, Mac Maharaj and Paulo Muxanga, set in motion the MDC initiative as a

joint undertaking of the governments of South Africa and Mozambique, within the framework of SADC.

The Maputo Development Corridor is an economic corridor linking the Gauteng province in South Africa, and the city of Maputo in Mozambique. Gauteng province is the economic heartland of the South African economy and Maputo the closest port city. In common with the other SDI initiatives in the SADC region, the MDC is based on an existing transport axis, albeit one that due to the civil war in Mozambique had been in a state of decline for a number of years. Peberdy and Crush state that central to the success of the MDC is strengthened links between Gauteng and Maputo – ‘reinventing connections which were destroyed during the apartheid years’ (2001: 115). Before the troubles in Mozambique, in the 1970s, 40 percent of exports from Gauteng went through Maputo and some 300,000 South African tourists visited Mozambique annually (SATCC Vol. 2, 2001:8). While it is clear that the MDC has the potential to bring advantages to both South Africa and Mozambique, prevailing trends show that much of the benefit has accrued to South Africa.

Two main tendencies have emerged. It can be argued that SDIs such as the Maputo Development Corridor have largely provided the political and economic framework for increasing the flow of foreign direct investment (FDI) by South Africa to countries in the southern African region, in this case Mozambique, as well as providing new opportunities for business investment by large South African companies, especially in the construction, retail, services and financial sector in the cities and towns adjacent to the Mozambique border. In addition an increasing number of Mozambicans are streaming across the border into Mpumalanga to buy commercial goods and services.

## **2: Analysis of the Maputo Development Corridor**

### *2.1 The MDC: A Spatial Development Initiative*

The SDI programme started off as an interdepartmental investment strategy led by the national Department of Transport (DoT) (later the Department of Trade & Industry (DTI)) and involved a number of strategic initiatives by the South African government in conjunction with the government of Mozambique.

Crush and Rogerson (2001: 86) point out that in statements on the principles governing the SDIs, considerable stress is placed upon their wider importance in the SADC region and on issues of ‘regional co-operation and economic integration in the African sub-continent’. De Beer et al., (2001) state that the approach is increasingly being pursued by the members of the Southern African Development Community (SADC) ‘as a priority policy and strategy for the promotion of development corridors (based on the rehabilitated regional transportation routes) and to a lesser extent in the context of certain resource rich areas that the participating governments believe have a high inherent but as yet under-utilised development potential for mining and related processing activities, and for tourism and agriculturally led development’.

The official purpose of the SDI approach being pursued within the SADC region is an attempt to develop a more competitive regional economy, in the fashion of the European Union, within the global economy. It is argued that member states share a number of common socioeconomic problems. Foremost of these is the need to increase the rate of economic growth and employment creation. In addition there is the need to develop the regional economy in a way that would make it more diversified, stronger,

and internationally competitive. Ostensibly priority is being given to the creation of sustainable low-cost employment and the identification and development of viable business opportunities for small and medium scale entrepreneurs (De Beer et al., 2001: 1). But it is precisely in this area, where the focus should be, given the massive unemployment and underemployment in both South Africa and Mozambique that these SDIs are the weakest, as will be shown below.

The Maputo Development Corridor (MDC) process focused on the rehabilitation and upgrading of the traditional trade and transport links, supposedly as a basis for broad economic development of the corridor area. The main focus was on private sector participation and included as core elements the upgrading and construction of a toll road linking Johannesburg in South Africa to Maputo in Mozambique and the improvement of rail and port operations in Mozambique to re-establish competitiveness of the transport route.

The governments of South Africa and Mozambique, as part of the SDI commitment to encouraging private investment in infrastructure provision, decided that the reconstruction of the Gauteng-Maputo road (N4 Toll road) should be realized as a build-operate-transfer (BOT) concession. They awarded the 30-year concession to Trans African Concession (Trac) in 1997. Trans African Concessions, a consortium of mainly South African, but also including French and Mozambican companies, was appointed to implement the R3,5-billion contract to build and upgrade the N4 toll road. This project, the largest undertaken in sub-Saharan Africa, involved a toll road stretching from Gauteng to the Maputo harbour in Mozambique. Trac consortium members include Basil Read, Stocks & Stocks, the French construction group Bouyges, HSBC Investment Bank, Letabe Consultants, Msele Corporate and Merchant Bank, Investec, Equator Bank and Mozambique Gestores. (*Sunday Times Business Times* 1996.12.08).

As I have shown, the official view is one of a benign attempt to integrate the regional economies of South Africa and Mozambique and to stimulate investment and trade. According to David Arkwright, the ex-Deputy CEO of the Maputo corridor Company, 'people saw it as a set of integrated development initiatives'.<sup>1</sup> In another interview he stated that the MDC had a number of key objectives. These included the rehabilitation of the core infrastructure along the Maputo Corridor with minimum impact on state coffers. This objective involved the awarding of long-term concessions to the private sector for the development of new infrastructure including the upgrading into a modern toll road of the N4 linking South Africa's landlocked northern provinces to their nearest port in the Mozambique capital of Maputo as well as the upgrading of rail links between the two countries. An important aspect of this process was the upgrading of the Lebombo border post between Mpumalanga and Mozambique, the modernisation of Maputo port; and improvements to the electricity supply lines between South Africa and Mozambique. The purpose of all these infrastructural upgrades was to maximise investment in both the inherent potential of the Corridor area and in added value opportunities that the infrastructure rehabilitation would create.

Lefakane (1999: 1), in much the same vein, sees the SDI programme as an attempt to engender sustainable economic development and attract investment. He argues that the rationale for these strategies is to stimulate 'global competitiveness, job creation,

infrastructural development and socio-economic upliftment'. For him the aim of the SDI programme is to 'identify areas with potential for substantial economic growth and to unlock this potential with a combination of government and private investment in both infrastructure and projects', including the crowding in of investment; public-private partnerships (PPPs); exploiting inherent economic potential; rapid planning and delivery; restructuring the 'apartheid' space economy; generating sustainable employment; maximizing private sector investment and exploiting South Africa's under-utilized locational and economic advantages (Ibid).

However given the one way flow of the investment and trade it is clear that the initiative has played a major role in reproducing the structural inequalities that have existed historically, albeit in a different form. Whereas in the apartheid era the state and the big mining houses integrated Mozambique into its ambit of influence largely for the purposes of securing migrant labour, the emphasis in the post-1994 period has switched to foreign direct investment and unidirectional trade (Castel-Branco, 2004: 2-3). Castel-Branco argues that from a South African point of view, 'Mozambique is interesting for specific investment projects that strengthen the regional role of the MEC (Mineral Energy Complex) and the regional expansion of oligopolistic industries, and at the same time promote exports from South Africa' (2004: 12).

The flow of capital both ways, although different in nature, is considerable. South Africa is Mozambique's biggest foreign investor, accounting for 58 percent of the foreign direct investment in the country in 2005. This represented a 34 percent increase in total foreign investment over 2004, amounting to \$164.5 million (BuaNews 2006). Mozambicans in turn spend approximately R70 million a year in on goods and services purchased in South Africa, most of it in Mpumalanga (LCBT 2003: 2). There has been no significant investment in businesses in Nelspruit, the capital of Mpumalanga, by Mozambicans. Apart from investment in the booming property market, only two businesses of significance stand out: a Portuguese style restaurant and a fish import and processing factory.<sup>2</sup> South Africa is also Mozambique's biggest trading partner, providing over 40 percent of its neighbours imports which amounts to eight times the amount of goods Mozambique exports to South Africa. According to Castel-Branco, the trade deficit vis-à-vis South Africa has increased three fold over the last decade, reaching over US\$ 500 million in the early 2000s (2004: 12).

Arkwright claimed that the MDC initiatives were also intended to ensure that the development impact of the investment is maximised, particularly for disadvantaged communities; and to ensure sustainability by developing policy, strategies and frameworks encompassing a holistic, participatory and integrated approach to development. An important stated objective was the economic empowerment of the apartheid-disadvantaged through the impact of new investments on the development of the small, medium and micro-enterprises (SMME) economy. The exploitation of under-utilized local resources in SDI areas that might provide the basis for modern industries and export-orientated growth, was also touted as an objective (Crush and Rogerson 2001: 86).

The latter objectives are ones that have been least implemented. As Castell-Branco points out: when the focus is vague (such as multiplier effects and linkages derived from assumptions about trickle-down effects emerging from development corridors), then very little happens and implementation is slow or non-existent (2004: 9). In fact,

when looking at the broader SDI process in southern Africa nowhere within the SADC/COMESA approach are the institutional implications for sustainable partnerships with local communities spelt out. In Volume 1 of the SATCC document setting out an overview of Southern African Regional Development Corridors and Spatial Development Initiatives, no mention is made of local communities – the focus being primarily on transport investment opportunities and project profiles.

It is difficult to state categorically that the MDC has acted as a catalyst for development, or that many of the investments in Mpumalanga and southern Mozambique associated with the MDC would not have happened anyway. As David Arkwright, MDC SDI Project Manager in the early 2000s said, ‘Much of the investment may have taken place without the intervention of a special investment promotion initiative such as the MDC. However, there can be no doubt that the processes instituted by the initiative have significantly influenced not only the logistics of the region; but also the overall attractiveness of the area for investment’ (DBSA 2000: 6). The MDC was a nationally driven infrastructure and investment programme with a narrow focus and an emphasis on speed of implementation, aptly symbolized by its most visible product, the humming tarmac of the N4 toll road.

A report on the MDC completed in November 2000 sets out the nature of the process:

The vision of the initiative is to achieve accelerated rehabilitation of the core transport infrastructure through public/private partnerships, thereby opening up un-and underutilized economic opportunity. Underlying this vision is the desire to see this initiative contribute to other key policy areas, notably regional economic integration, international competitiveness, and a broadening of the ownership base in the economy of the corridor. The planning process adopted reflected the unique elements of the MDC, namely its transnational character, the short time frame, and the project driven approach (Mbenyane 2000: 4).

It is clear that the SDI programme (and by definition the MDC) has undergone conceptual changes from when it was first mooted in 1995. Initially it was conceived as primarily an investment mobilisation initiative rather than a comprehensive development approach (De Beer et al., 2001: 9). Further changes occurred when the SDI process was adopted by SADC, with the emphasis on transforming transport-based corridors into ‘multi-sectoral economic development corridors’ combined with the ‘planning and investor mobilisation approach embodied in SDIs’ (SATCC Vol. 1, 2001: 20). Within South Africa there was also pressure to make the SDI programme part of a ‘broader and formal development approach’, pressure that resulted in the SDI process being enhanced by the ‘addition of industrial cluster processes as a mechanism to overcome SDI shortcomings’ (De Beer et al., 2001: 9). Academics and researchers were especially critical of ‘the speed at which the processes were pushed, the top-down (nature of the) process without participation, the focus on resource-based mega projects ... and the fact that the SDI programme was not acknowledging the important issues variously referred to as “social capital”, “institutional capacity”, or “rules of the game”’ (Ibid: 9).

From the Mozambique side the emphasis was primarily on the ‘flow of goods and services’ between itself and South Africa, the upgrading of the Maputo harbour and the establishment of the Mozal aluminium smelter and the proposed Maputo iron and steel

plant. The Mozambican Minister of Transport and Communications, Mr Paulo Muxanga, described the MDC as follows:

Corridor development must, of course, work in all directions, and we look forward to developing with our neighbours strong ties that promote multilateral trade, maximize the use of our port and rail facilities and encourage cross-border joint venture investments (Muxanga in Carlson 1997:3).

The original importance given to infrastructure and investment was in no small part due to the fact that the process was conceived of and driven by the transport ministries of the two countries, then subsequently (in South Africa) by the Department of Trade and Industry when the larger SDI programme came into being.

In 1995 the department of Transport established a technical team drawn from the Development Bank of South Africa (DBSA), the Industrial Development Corporation (IDC) and the Council for Scientific and Industrial Research (CSIR) that worked with an inter-departmental committee at national government level. Mozambique developed a similar inter-departmental working committee, but drew on consultants for the technical work and interface with South Africa. Not much has changed in the new millennium. The current driver of the MDC, the Maputo Corridor Logistics Initiative (MCLI), is primarily focused on logistic issues, on improving the efficiency of the MDC as a transport import/export corridor.<sup>3</sup>

In spite of the nationally driven and infrastructure and investment focus of the MDC, there has been some effort to integrate it with provincial and local development planning initiatives. There was on the South African side an attempt to involve the provincial government, albeit at a technical level, in the MDC process. In 1996 the Department of Transport assisted in establishing a technical unit in Mpumalanga, providing funding for a technical support programme. Mozambique did not pursue a similar process. The Northern Province (now Limpopo) became involved through a forum known as the Joint Technical Committee. The forum allowed the national departments to inform provinces about the processes and about the progress. The establishment of the Maputo Corridor Company (MCC) in mid 1997 gave additional impetus to involving local government and disadvantaged communities. This will be discussed in more detail below.

However, the real business of the corridor as an investment and infrastructure initiative continued to dominate as its modus operandi. At the same time, as the MCC was set up the broader SDI programme, both within South Africa and within SADC was taking off. This coincided with the shift of the programme from the Department of Transport in South Africa to the Department of Trade and Industry (mid 1997). The Department of Trade and Industry in developing a centralised administrative, financial and technical support capacity, based at the DBSA, took 'a hard line and non-negotiable stand on the planning of SDI projects, particularly when it comes to issues of grassroots participation, given the fast-track nature of the SDI process' (Schneider 2000: 9). Clearly, no direct attempt was made to create local capacity to manage the process or to involve the broader community. Mozambique set up a dedicated unit to manage each of their corridors, as well as a centralised technical support in the Department of Transport and Communications for all of them. However, Soderbaum and Taylor (2004) point out that the Maputo Corridor Unit in the department is not really functioning effectively and is battling with inadequate resources.

Initially the projects made a contribution to SMME development (710 contracts in construction to a value of US \$ 35 million), to job creation (approximately 5000 permanent, temporary and casual) and to training (some 8500 people through various training programmes to date) (SATCC 2001: 24; Mbenyane 2000: 5). Subsequently, there have been a number of criticisms with regard to the development (training) centres at Matsulu and Machadodorp, as well as the Trac SMME process in general. The two development centres trained local people both in technical and life skills. In fulfilling the requirement on black empowerment, TRAC appointed Silulu Investment, an empowerment company to assist the SMME contractors financially and with technical backup. They also set up the Mpumalanga Trust which was to benefit local communities from a portion of the profits of the toll fees.

Mbenyane argues that the centres were only set up once the road construction was already underway. The training programme was discontinued at the end of 2000 (at the end of the construction term). In line with the general lack of support from the Mpumalanga government for the MDC at present, there is no certainty on how these facilities will be used by the provincial department that has inherited them. According to Lydia Pretorius, the Mbombela Municipality Councillor for LED and Tourism, the training centres had very little directly to do with the MDC. People learnt skills such as welding, carpentry, baking: 'it was mainly a social responsibility initiative'.<sup>4</sup>

Trac was also required to award up to 20 percent of the value of work to SMMEs. This work was divided into about 710 manageable work packages of which only about 20 percent went to women contractors. The National Gender Commission has completed a study that is very critical of the lack of benefit to women. Due to the speed of implementation of the building of the road, SMME contracts were mainly on guardrails, kerbing, channeling, road signs, road marking and cleaning.

A promised socioeconomic impact study on the local community in the vicinity of the toll road, to be financed by the DTI, has not as yet materialized. Justice Mbenyane, the Provincial MDC Project Manager, pointed out that the issue of maintenance work has to be followed up at a political level as 'hundreds of jobs would emerge from this as well as the empowerment process could be strengthened' (2000: 4). The project has, because of its top-down implementation and the fact that it benefits certain areas and communities more than others, resulted in a number of concerns from communities down its length.

The success of the stated objectives is difficult to assess accurately as opinions vary not only between insiders and outsiders, but also between those further away from the centre of the MDC project, for example people in Witbank and Middleburg, and those close to the centre, i.e., the Nelspruit/Maputo axis. There is a marked difference between official publications promoting the Corridor and the opinions of local government officials who feel that the project has largely passed them by. Issues of concern include constitutionality, toll fees, affordability and impact on the local economy. This is not surprising, given that it is the first true public private-partnership on a road in South Africa and Mozambique.

## 2.2 *The Maputo Corridor Company*

In 1997 South Africa and Mozambique agreed to establish the Maputo Corridor Company (MCC) as a facilitating entity, comprising the public and private sectors of

South Africa, Mozambique and immediate SADC neighbours. The MCC did not develop as originally planned but became instead a largely public sector driven facilitating process – based mainly but not exclusively on the South African side of the initiative after Mozambique decided not to participate in the exercise. It seems that there was a difference in approach between Mozambique and South Africa as to the purpose of the MCC. For South Africa, with an initial R1.2 million startup committed to the company, the purpose was ‘a three year programme of training and investment promotion’. According to the deputy CEO (in 1997), David Arkwright:

Some of this activity will be purely facilitative, such as working with Trac. In other cases we will commit funds to specific activities. For example, senior management training and training in public finance for Mozambique and Mpumalanga government officials (Carlson 1997: 59).

Mozambique on the other hand saw its role as working with the private sector in promoting investment. This sentiment is expressed clearly by Minister Muxanga: ‘It will be important for the private sector to feel that the MCC is their thing ... right now we need the visibility and leadership of a corridor company’. (Ibid: 59).

Although there had previously been general references to participatory community-based development projects and to gender issues (MDC Interim Coordinating Committee 1996:64), this aspect had never really been part of the SDI MDC process.

With the establishment of the MCC and the appointment of David Arkwright as deputy CEO (Mozambique was supposed to appoint the CEO) the MDC for the first time articulated a specific commitment to integrated development, participation and disadvantaged communities. Arkwright expressed this through three objectives (apart from the aforementioned ones of infrastructure development and private investment). The first was to ensure that the development impact of the investment was maximized, particularly for disadvantaged communities, the second to ensure sustainability by developing policy, strategies and frameworks encompassing a holistic, participatory and integrated approach to development (DBSA 2000: 6); and, lastly, to build institutional structures and programmes in support of long-term sustainability for the initiative (Mbenyane 2000: 2; De Beer et al., 2001:76).

The MCC initiated a number of projects. These included a Public Sector Support Programme. After the departure of Premier Mathews Phosa (Mpumalanga), this programme was put under a new head in the DTI, a Mr B. Sibisi. Another was the Policy Research and Capacity Building Programme with funding from DFID of R2,594 million. This comprised an applied research, pilot project and applied training programme that ran on both sides of the border from the beginning of 1998 to the middle of 1999. However, it appears that because of possible disagreement between MCC and SDI leadership in South Africa, DFID funding was withdrawn. There was also an initiative to assist with the setting up of a Borderlands Committee. This committee involved Mpumalanga, Mozambique and Swaziland. KwaZulu-Natal is also involved in the broader initiative. This was an ambitious attempt to set up a tourist-driven trans-national project that involves a bio-diversity corridor, the Songimvelo Circle and the Royal Route stretching from Barberton in Mpumalanga, through Swaziland, Mozambique right down to Richards Bay in KwaZulu-Natal. It included the Lebombo SDI that is now virtually part of the MDC. This initiative involved the

beginnings of cross-border collaboration between the border towns of Barberton, Badplaas, Bulembu, Pigs Peak, Mananga, and Namaacha.

Another initiative of the MCC was to assist the Mpumalanga Management Centre (MMC), which under the leadership of Professor Christo de Coning, with the support of the Mpumalanga government and the University of the Witwatersrand's Graduate School of Public and Development Management, aimed to develop management skills to run government more efficiently and to facilitate development along the MDC. Courses included a Master's degree in Public and Development Management, a six-month programme for senior government managers, an eight-month management course specifically designed to meet the needs of public servants involved in MDC projects, and sector specific courses. These courses were attended by both Mpumalanga and Mozambique government officials, giving them a good opportunity to develop cross-border ties.

The MCC also commissioned research on 'borderlands' and asymmetric economies by researchers from the United States of America. Part of this project was an attempt by the MCC leadership to move the MCC in the direction of a Trans-border institute. It seems that stronger political will was needed from both South African national departments and the Mpumalanga government for such a venture to materialise. The MCC closed down in the early 2000s.

### *2.3 The Role of the Provinces and Local Government*

The Mpumalanga Provincial Inter-departmental Technical Committee, established in 1996, developed a comprehensive programme to make possible a number of projects aimed at maximizing development opportunities along the corridor. These projects were aimed at the province's key economic sectors and with a focus on disadvantaged communities. These projects included a strategic environmental management plan; a capacity building in local governments programme with a focus on local economic development involving 23/26 local authorities; a small, medium and micro enterprises (SMMEs) study by the Bureau of Market Research at UNISA to assist the Mpumalanga government to ensure optimum participation of SMMEs in business opportunities emanating from the MDC initiative; and the development of private sector investment packages in tourism and agriculture.

The Provincial Technical Committee continued through to the beginning of 2000, when it was decided to transfer the South African SDIs to the provinces 'for further development' (DBSA 2000: 2). As Dr Miriam Altman put it: 'SDIs are a spatial development programme, introduced by national government. The idea had always been to "hand over" the programme to the regions. Hence, local and regional capacity would be essential to the sustainability of SDI initiatives', (Ibid 65). Mpumalanga scrapped its original inter-departmental structure, the Provincial Technical Committee, and set up a full time Dedicated Project Unit (DPU) in government. With the growth of the Corridor the Technical Committee had become bloated and it lost its focus. It had completed its original mandate of policy formation and the supervision of research work into local economic development. Through this process a number of anchor projects had been identified.

The DPU was formed following a Cabinet Memorandum that required a total number of twelve members seconded from relevant departments. The idea was that

these people would be provided with training that would enable them to deal with the packaging of projects in totality. The institutional arrangements were not well worked out, mainly due to the uncertainty surrounding the conditions of service for those seconded to the DPU. This has resulted in very few members moving to the unit.

This incapacity of the DPU was largely as a result of a need for stronger political will on the part of the provincial government since the second election when Mathews Phosa, the first Premier, was replaced by Ndaweni Mahlangu. Phosa, who had been in exile in Mozambique during the apartheid era, was a major supporter of the MDC and his personal connections in Mozambique were invaluable in establishing and maintaining cordial relationships to speed up the process. It is common currency in Mpumalanga that after his election Mahlangu had a negative impact on the project. In this regard Schneider (2000: 4) concludes that Mahlangu's infamous statement that it is sometimes acceptable for a politician to lie 'poured scorn on a province which needs good governance to raise its image as one of Africa's most desirable investment destinations'. In addition, it seems that competence and support for the MDC declined, and subsequently there has been a lack of interest and vision in regional integration on the part of government (Ibid: 4). This was confirmed by many of the people I interviewed in 2002 as part of an ongoing research process leading to this study.<sup>5</sup>

#### *2.4 Mozambique and Maputo Province*

In Mozambique the arrangements appeared to be more ad hoc. In 1997 Minister Muxunga outlined plans to bring the Maputo Province structures into the MDC process in a support role, with responsibility for small projects at provincial level, and for the first stages of environmental impact assessments (EIAs). A special publication on the MDC reports that a considerable amount of training and dialogue was needed to make this a reality. A meeting at provincial headquarters in Matola of district administrators revealed the need for intensive training and the establishment of guidelines and responsibilities to bring the provinces more fully into the process.

Part of the problem is the dual system of the mixture of decentralised and centralised structures of government, and the lack of coordination between the devolved city municipalities and the de-concentrated provincial/district government. Mr Victor Antonio, the Head of the Department of Planning and International Cooperation in the Ministry of State Administration, states that one of the many issues deserving attention is the misunderstanding between the municipalities and the state organs at various levels.<sup>6</sup> At the same time, Mr. Paulo Tarmamade, the MDC Project Manager in Mozambique, is of the same opinion:

The provincial level in Mozambique does not have the same autonomy as the provinces do in South Africa. Policy is defined at the central level. There is a need for harmonization. There is no consensus at local level, and people do not have the means to implement projects at a local level.<sup>7</sup>

The majority of the initiatives to promote investment and small business opportunities in Mozambique have thus occurred at a national level, mostly in collaboration with the South African national government or with the Mpumalanga provincial government. A number of initiatives are illustrative.

The Mozambique investment promotion centre (CPI) entered into a partnership with South Africa's Department of Trade and Industry (DTI) in the early 2000s. The idea was that the DTI would work with Mozambique to attain international industrial accreditation standards. In turn CPI would facilitate partnerships between Mozambique and South African companies to set up supply and service industries for the Mozal aluminium plant in Matola. Two to three hundred small business opportunities were identified, mainly upstream of production, as virtually all production has been sold forward into the market. A support programme set up by CPI, Mozal and the Africa Project Development Facility (APDF) has been tasked with developing work packages, training and mentorship to support local entrepreneurs in Mozambique (De Beer et al., 2001: 63).

The Mpumalanga Investment Initiative (MII) signed a five-year agreement, that may be extended, to work together with Mozambique to promote investment opportunities. The Mozambique government has also agreed to work with the Mpumalanga Department of Economic Affairs to develop the 'cluster' process in the South African province, where they could possibly be developed on a regional basis. The cluster process is designed to develop industries that will add value locally to primary products produced in the province. Mpumalanga has started cluster developments in stainless steel, tourism, wool, forestry and in the agricultural sector.

As has been pointed out above, it is difficult to say with certainty which developments in Mpumalanga and Mozambique occurred as a result of the MDC or whether they would have occurred anyway as a natural outcome of the end of apartheid and the civil war in Mozambique.

### *2.5 Private sector initiatives post MCC*

By 2003 the closure of the Maputo Corridor Company and the lack of governmental support for the project had led to problems developing in a number of areas. These impediments to increased cross-border trade and investment were identified by the Lowveld Chamber of Business and Tourism (LCBT) (LCBT 2003: 3) to be in seven main areas: the border post, rail and road links, visa requirements, port/harbour infrastructure in Maputo, cross-border trade and investment between Mpumalanga and southern Mozambique, lack of socioeconomic development of communities along the MDC, and the lack of promotion of tourism and investment in the region. Concern over the lack of progress in tackling these problems led to a 'stakeholders forum' being convened at the end of 2003, at which meeting the LCBT presented a draft business plan to set in motion plans to work towards eliminating these perceived bottlenecks and to set up what it called the Maputo Corridor Initiative (MCI) (Mommen 2004: 1). The objective of this initiative was to open up the trade, transport, tourism and export route between Maputo and Southern Mozambique and the Mpumalanga lowveld (LCBT 2003: 2). These 'stakeholders' met again early in 2004 at a workshop to consider the LCBT business plan, to give substance to the problem areas outlined above and to agree on a methodology and process to take the initiative forward (Mommen 2004: 1).

At present the promotion and development of the corridor has become largely the preserve of the Maputo Corridor Logistics Initiative (MCLI), which although billed as being '... established in the true spirit of public-private partnership' (MCTK, 2004:24),

was originally funded by and established by private infrastructure investors, service providers and other MDC users from South Africa and Mozambique to promote and develop the MDC. The driving force behind this initiative is Brenda Horne, formerly Logistics Manager for the Manganese Metal Company, now Chief Executive of the MCLI. The MCLI has two strategic objectives (MCTK 2004: 25). The first is to coordinate the views of service providers and users of the Maputo Corridor and to promote development and change in order to make the Corridor the first choice for the regions importers and exporters. The second is to market the strategic benefits and opportunities offered by the Corridor.

The focus of the MCLI is primarily to make the MDC a cost effective and efficient transport route. According to Brenda Horne the prime areas of concern are the lack of capacity of the Komatipoort/Lebombo border post and the Maputo harbour, and the fact that the railway line is primarily geared towards the transportation of coal.<sup>8</sup>

### **3: Conclusion**

This study has revealed a number of positive and negative aspects of the implementation of the MDC and the level of involvement of provincial and local authorities. At face value the SDI process, of which the MDC is not only a part but also the prototype, was a top-down nationally driven process primarily aimed at developing infrastructure and capital-intensive anchor projects with private investment. Local government on the other hand, in both South Africa and Mozambique, is undergoing what is clearly going to be a protracted restructuring process to implement complex processes of demarcation, decentralization, cooperative governance and integrated development planning/local economic development in a situation of chronic lack of both resources and capacity. While Mozambique has the advantage of a far less complex legal framework and implementation programme than South Africa, it has greater problems in terms of the dual decentralised and centralised system, as well as a greater capacity problem.

A closer look however, at both the SDI programme in general and the MDC in particular, shows that they have undergone considerable refinement since the early days of implementation, refinement that in the case of the latter reached its apex during the era of Premier Phosa and the MCC under David Arkwright's leadership. The perception of all but those involved in the top-end of the investment process (Mpumalanga Investment Initiative and the Mozambique Investment Centre and the Mozambican Ministry of Transport and Communications) is that now that the toll road is complete the MDC is dead. This perception is particularly acute amongst those municipalities and communities at the western end of the corridor. The lack of political momentum in promoting the MDC and regional integration and the public perception of a provincial government tainted by the Premier's infamous statement that it is sometimes acceptable for a politician to lie, allowed an air of pessimism to creep in – even in the provincial capital. Under the present Premier, Thabang Makwetla, the project has once again been designated a 'flagship project' intended to play a role in growing the province's economy. This initiative has as its declared objective the implementation of industrial infrastructure projects, a freight logistics project.

These declarations of intent will have to be monitored to separate political spin doctoring from real implementation. In both South Africa and Mozambique, much

exists on paper. Everywhere one goes, particularly in Nelspruit, wonderful glossy publications litter reception coffee tables. Reams of investment possibilities and mind-boggling projections of their worth in rand and dollar terms, are bandied about. These possibilities and fiscal projections are uncritically reproduced, often word for word, from MDC, SDI, SADC, right up into COMESA publications.

The benefits that have sprung from the MDC implementation process have been outlined in some detail above. These include the projects undertaken by the Mpumalanga Provincial Technical Committee, the MCC, Trac and others, as well as the increase in cross-border trade and tourists afforded by the new road. On the deficit side is the often voiced but as yet to be scientifically studied effect of the expensive toll fees on local communities and short distance tourism and commerce. At the 2002 unveiling of the Mpumalanga Integrated Spatial Framework (ISF), development planning officials from the Premier's office conceded that the MDC has had little impact on Mpumalanga towns to date.

With regard to local government, the MDC has made a nominal input into the LED planning process in Mpumalanga and provided the beginnings of an impetus towards regional cooperation and economic development integration. Some of the agreements between provincial and local authorities are of relevance here. However, it is not clear to what extent the MDC has been directly responsible for many of these initiatives. There is no doubt that it has, as David Arkwright put it, affected the logistics of the area significantly. The overall effect of the MDC on the municipalities along the way is basically to say that it may not have done anything for us materially (other than make it more expensive to travel along its route), but we'll use it anyway as a publicity measure to promote our town or area.

If the essence of the problems, promises and challenges as outlined above is extracted, it emerges that the main focus and achievement of the MDC has been infrastructure development (the toll road, the Maputo port, electricity and the railway line) and the Mozal aluminium smelter (large-scale capital intensive with limited employment). Due to the transformation process and lack of capacity, the involvement of provincial and local government and institutions of civil society in local economic development and poverty alleviation as part of the MDC has been minimal; and a number of cooperation agreements have been signed between national, provincial and local governments across the border of the two countries.

## Notes

1. Interview, 22 January 2002, Nelspruit, South Africa.
2. Interview with representative of the Mpumalanga Economic Growth Agency (MEGA), Nelspruit, September, 2007.
3. Interview, Brenda Horne, Nelspruit, April 6, 2006.
4. Interview Lydia Pretorius, Mbombela Municipality Councillor, Nelspruit, 24 January 2002.
5. Interviews with David Arkwright, ex-MCC; Ettiene Garnett-Bennet, Lowveld Info editor, Lidia Pretorius, LED and tourism Councillor – Mbombela Municipality, Kirsten Walker, Mpumalanga Tourism Authority, Nelspruit, 24 January 2002.
6. Interview, Maputo, 8 February 2002.
7. Interview with Mr. Paulo Tarmamade, MDC Project Manager along with Ms. Francisca Soares, Director, Department of Transport and Communications, Maputo, 8 February 2002.
8. Interview, Nelspruit, April 6, 2006.

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## List of Interviewees

- David Arkwright, deputy CEO of the Maputo Corridor Company and later Project Manager of the Maputo Development Corridor SDI.
- Musi Skosana, Mpumalanga Investment Initiative.
- Justice Mbenyane, Project Manager, MDC Mpumalanga Province.

Francisca Soares, Director, Department of Transport and Communication, Mozambique.

Paulo Tarmamade, Maputo Development Corridor Project Manager, Mozambique.

Ettiene Garnett-Bennet, Lowveld Info editor, Nelspruit.

Lidia Pretorius, LED and tourism Councillor Mbombela Municipality, Nelspruit.

Roelf Kotze, Deputy Municipal Manager, Mbombela Municipality, Nelspruit.

Kirsten Walker, Mpumalanga Tourism Authority, Nelspruit.

Victor Antonio, the Head of the Department of Planning and International Cooperation in the Ministry of State Administration, Maputo.

Paulo de Renzio, Programme Officer, Governance Unit, UNDP office, Maputo. Eric Parker, Chief City Planner and Dean Jacobs, Senior Town Planner, Witbank Municipality.

H.S. Malesela, Chief Administrative Officer, Nkomala District Municipality, Middleburg.

Jonathan Mitchell, European Union, Pretoria.

Chico Mafolo, Chairman, National African Federated Chamber of Commerce (NAFCOC), Witbank.

Carlos Manyete, Foundation for Community Development, Maputo.

Brenda Horne, Chief Executive, Maputo Corridor Logistics Initiative, Nelspruit.

Barbara Mommen, Lowveld Chamber of Commerce and Tourism, Nelspruit

Professor Theresa Cruz de Silva, University Eduardo Mondlane, Maputo, Mozambique.

Professor Yussef Adam, University Eduardo Mondlane, Maputo, Mozambique.

***Monty J. Roodt***

***Department of Sociology***

***Rhodes University***

***Grahamstown***

***South Africa***