

Discussion Paper

No. 157

February 2014

What drives regional economic integration?

Lessons from the Maputo
Development Corridor and the
North-South Corridor

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PERISA Political Economy of Regional Integration in Southern Africa

Transport corridors linking landlocked countries to the sea are complex but essential regional undertakings in Africa. What does a closer look at economic and political processes of two such transport corridors in Southern Africa tell about the drivers and obstacles of regional integration?

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Key messages

Regional integration is crucial for economic transformation in Africa. Yet despite support for this regional agenda, implementation is slow due to numerous complexities and obstacles.

Narrowing the focus on transport and on two specific transport corridors in Southern Africa helps unpack these complexities. It contributes to identifying obstacles to reforms and opportunities for reforms.

The strength of political and economic coalitions within states prevail over commitments made within regional institutions. “Signaling” support to regional integration does not equate implementation of these signals.

Yet careful alignment of reform coalitions around cross-border projects such as corridors may contribute to trust and capacity building between countries in support of incremental and functional regional integration.



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Acknowledgements

The authors greatly acknowledge the support from the Dialogue Facility, an EU-funded programme implemented in cooperation with the government of South Africa. In carrying out the work there are many interviewees from South Africa, Mozambique and Zambia that are too numerous to mention individually but whose time and insights are gratefully appreciated. We also benefited from insights gained at two workshops organised jointly with the South African Institute of International Affairs in Pretoria in October 2012 and July 2013, as well as from useful and insightful comments from colleagues at the European Centre for Development Policy Management, in particular San Bilal, Quentin de Roquefeuil and Kathleen van Hove. We thank Pamela O'Hanlon for editing and cheerful administrative support of the *Political Economy of Regional Integration in Southern Africa* project.

The authors of this discussion paper, Bruce Byiers and Jan Vanheukelom, are responsible for its content, interpretations and any errors.

Acronyms

AAP	African Action Plan
AfDB	African Development Bank
ANC	African National Congress
AU	African Union
AUC	African Union Commission
CFM	Portos e Caminhos de Ferro de Moçambique / Mozambique Ports and Railways
COMESA	Common Market for Eastern and Southern Africa
DBSA	Development Bank of Southern Africa
DRC	Democratic Republic of the Congo
DTI	Department of Trade and Industry
EAC	East African Community
ECDPM	European Centre for Development Policy Management
EU	European Union
Fesarta	Federation of East and Southern African Road Transport Associations
FRELIMO	Frente de Libertação de Moçambique / Mozambique Liberation Front
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
MCC	Maputo Corridor Company
MCLI	Maputo Corridor Logistics Initiatives
MMD	Movement for Multi-Party Democracy
MSC	Maputo South Corridor
NDC	North-South Corridor
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental Organisation
NPC	National Planning Commission
NTB	Non-tariff Barrier
OECD/DAC	Organisation for Economic Cooperation and Development/Development Assistance Committee
OSBP	One Stop Border Post
PEA	Political Economy Analysis
PERISA	Political Economy of Regional Integration in Southern Africa
PICI	Presidential Infrastructure Champion Initiative
PIDA	Programme for Infrastructure Development in Africa
PPP	Public Private Partnerships
PRSP	Poverty Reduction Strategy Paper
PTA	Preferential Trade Area
RDA	Road Development Agency
REC	Regional Economic Community
RENAMO	Resistência Nacional Moçambicana/ Mozambican National Resistance
RIDMP	Regional Infrastructure Development Master Plan
RSDIP	Regional Spatial Development Initiatives Program
SA	South Africa

SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
SAIIA	South African Institute for International Affairs
SDI	Spatial Development Initiative
SDP	Spatial Development Programme
SPS	Sanitary and Phytosanitary
TAZAMA	Tanzania Zambia Mafuta Pipeline
TAZARA/TanZam	Tanzania-Zambia Railway Authority
TFTA	Tripartite Free Trade Agreement
TMSA	TradeMark South Africa
TRAC	Trans-African Concession
TTA	Tripartite Trust Account
UN	United Nations
WB	World Bank
WTO	World Trade Organization
ZACCI	Zambia Chamber of Commerce and Industry
ZAM	Zambia Association of Manufacturers
ZBF	Zambia Business Forum
ZCSMBA	Zambia Chamber of Small and Medium Business Associations
ZNFU	Zambia National Farmers Union

Foreword

South Africa plays pivotal economic and political roles in Southern Africa and across the continent. This was the starting point for the PERISA (Political Economy of Regional Integration in Southern Africa) project (www.ecdpm.org/perisa). Given South Africa's overwhelming economic strength relative to its neighbours, its political weight, its importance in supplying neighbouring country imports, the historical support from neighbouring countries against apartheid in South Africa, and common current concerns across the region (including in areas of security and of promoting economic transformation) any analysis of opportunities for regional integration and development must take into consideration South Africa's roles in the region.

Further, support to regional integration is one of the key stated objectives of the European Union's trade and development policies. Therefore, the relationship between South Africa and the European Union exerts a significant influence on regional initiatives in Southern Africa. At the same time, planning and implementation of ambitious regional integration efforts must take into account regional asymmetries and inequalities in Southern Africa and other barriers to the implementation of existing commitments. This raises the need to bring the political economy of regional integration to the fore, including the role of external support provided by the European Union.

Executive Summary

This study is part of the ECDPM-SAIIA project on the Political Economy of Regional Integration in Southern Africa (PERISA). The PERISA project aims to inform and facilitate dialogue on the political economy drivers of regional integration in Southern Africa. It focuses particularly on the role of South Africa in this process with a view to better informing relations between the European Union and South Africa.

Regional economic integration is essential for Africa's development. While integration is taking place across the continent, it is not happening at the pace and the scope that the institutional architects in the Regional Economic Communities and their member states have agreed upon. Southern Africa is no exception. In looking for answers as to what obstructs or what drives regional integration, this study focuses on one particular type of integration process: cross-border transport corridors.

All Regional Economic Communities in Southern Africa have embraced transport corridors (also referred to as *Spatial Development Initiatives*) as key development tools. Adopting a corridor approach means engaging with a wide range of actors with different interests and influence along key transport routes that link neighbouring countries and ports. This includes the full range of government agencies that control borders for security, revenue collection, and regulatory purposes as well as infrastructure, transport, trade and economic ministries as well as a range of private sector actors from small-scale informal traders and producers to transporters and major international investors as well as port, rail and road operators.

Land transport and regional trade around Southern Africa region is both slow and costly. This represents an opportunity cost in terms of firm productivity, investment, and employment creation, and as such hinders further economic transformation. Outside South Africa, roads and rail are often in a poor state, border crossings are frequently slow, and traders are subject to uneven and arbitrary bureaucratic treatment by border officials and police. Consequently, estimates indicate that the effective speed of road transport in Southern Africa is between 6 and 12 km per hour. Rail transport is even worse with an effective speed of 4 km per hour on some routes.

In this study we aim to identify the political and economic actors and factors that are at play around two corridors and how they affect economic integration on the ground. We address the following question: when and why do key actors, especially – but not exclusively – political elites, credibly engage and commit to implement regional economic integration agreements?

In addressing this question the analysis focuses on the North-South Corridor and the Maputo Development Corridor. The North-South Corridor links Dar es Salaam in Tanzania to Durban in South Africa through Zambia, Zimbabwe and Botswana. The Maputo Development Corridor links Gauteng Province in South Africa to Maputo in Mozambique. The analytical focus is on South Africa and Mozambique, while from the multi-country North-South Corridor the focus in this paper is on Zambia, a potential key beneficiary of the initiative.

Applying a political economy analysis to corridors implies examining the historical and structural factors that underpin corridor initiatives and the different inter and intra-country interests. It also means examining the institutional frameworks and how these interact with the interests and resources of different actors around the corridor initiative. We do this by examining the existing literature and through interviews in South Africa, Mozambique and Zambia.

Findings on the Maputo Development Corridor and the North-South Corridor

The Maputo Development Corridor and North-South Corridor are very different in length, scope and number of countries involved. Nonetheless, both corridors are anchored in South Africa with objectives that go beyond transport to encompass development aims. The Maputo Development Corridor is the older of the two corridors and is generally referred to as a successful partnership between the public and private sectors, although critics point to the lack of inclusiveness for local, particularly small-scale, businesses. The North-South Corridor is at an earlier stage with some claimed successes such as the Chirundu One Stop Border Post and improved road conditions on certain parts of the multi-country corridor. Critics point to continuing challenges at Chirundu which is straining under the increased trade flows, and the need to further streamline administrative procedures and speed up progress on other borders and transport rehabilitation.

The success of the Maputo Development Corridor results from the alignment of national and cross-border interests at a critical juncture in the history of the two countries involved: South Africa and Mozambique. The Maputo Development Corridor emerged in the specific context of the post-apartheid, post-civil war era and political interest from both sides in establishing stronger links between South Africa and Mozambique. From a Mozambican perspective, the Maputo Development Corridor has had important effects in signaling the political and economic stability of Mozambique following its 17-year-long civil war and the viability of carrying out major investments there. South Africa's newly elected government was interested in cementing political links with the country that had suffered apartheid destabilisation for its support to the armed struggle, as well as in re-opening the additional outlet to the sea for goods from the Gauteng industrial area via the Mozambican deep-sea port of Maputo.

In the case of the North South Corridor, the Zambian government has signed up to regional corridor development. In practice, however, it currently prioritises support for rural roads in order to gather support from rural constituencies. This choice does not necessarily undermine regional aspirations. But the concentrated investment efforts on rural roads distract from regional processes, while progress on improving transit rail linkages and borders has been very mixed. The South Africa government, on the other hand, despite 'championing the North South Corridor, is currently focused on domestic political and economic concerns. South African private actors and investors are largely active in the region regardless of progress on the North-South Corridor.

The scope and complexity of the corridor partly explains the differences in potential degrees of effectiveness. The relative success of the Maputo Development Corridor relates among other things to its narrow scope. This scope limits the number of countries and government agencies involved, makes interests for likely beneficiaries more easily identifiable, and allows a clearer focus or conduit for pressure groups around the corridor. The North-South Corridor has a far broader scope and number of stakeholders, potentially offering wider gains, but also broadening the range and number of actors and interests involved. Arguably the North-South Corridor resembles a collection of projects funded by different donors under different arrangements. Each project nonetheless stops short of being a full, coherent package with clearly identifiable benefits.

The degree to which private sector stakeholders can or do form coalitions around the regional agenda is also key, and varies across the region. In the case of the North-South Corridor private sector interests are mostly dispersed. Yet, private sector actors have been instrumental in pushing the Maputo Development Corridor both at its inception and during implementation and running. Clearly, in the case of Zambia, some private operators benefit from the *status quo*, while traders have (increasing) options through different corridors, potentially dispersing their interests. While the North-South Corridor ostensibly

offers South African producers access to much of the subcontinent, there is increasing focus among agricultural producers on Eastern European and Asian markets rather than regional markets while South African investment is taking place in spite of the challenges of maintaining supply chains.

The development success of a transport corridor also depends on its socio-economic impact.

Although commonly cited as an example of a successful corridor, the Maputo Development Corridor still faces challenges related to its road concession, to cross-border rail incompatibilities and lack of progress in further improving border functioning. Perhaps more importantly, evidence suggests that most benefits of the Maputo Development Corridor accrue to large South African firms and inward investors in mega-projects in Mozambique, with limited development benefits for low-income groups. Unlike the Maputo Development Corridor, the North-South Corridor does not currently include forward-looking investment planning and promotion to broaden the development impact to less connected rural or informal producers.

Implications and conclusions on broader regional integration issues

Some of the findings of this study of two transport corridors in Southern Africa point to broader challenges in terms of implementing formal regional integration policies and agreements. These findings point to the following emerging agenda beyond transport corridors for reformers and their external supporters:

Broaden the knowledge base in support of a realistic agenda

- Domestic political and economic priorities tend to overrule countries' commitments to regional integration agendas as agreed within formal regional institutions.
- A more careful analysis of historical, structural and institutional factors and how they shape incentives or influence key stakeholders across countries may help identify opportunities and entry points to support reform coalitions or engage in preparatory trust building.
- Complementing strong technical analysis with a more systematic assessment of political actors and institutional factors will help donors design "incentive-compatible policies and capacity building interventions" and move away from "hectoring on normative models of technical best practice" and engaging more in finding good fit (Barma et al 2012: p. 32).

Broker knowledge and facilitate cross-border cooperation

- More systematised knowledge about political economy actors and factors in regional or cross-border dynamics and processes may help develop a realistic agenda that prioritises incremental reforms that build trust and gradually strengthen relations between state and non-state actors.
- Given the variety of potentially conflicting stakeholders in cross border or regional cooperation settings, attention must be paid to intermediary or special purpose organisations that enjoy the trust and have the capacities to facilitate and/or solve problems.
- The European Union's presence throughout the various regions and in multiple member states, as well as its involvement in key sectors and with numerous stakeholders through multiple (policy) instruments may prove to be key ingredients for brokering and facilitation support.

Combine soft with hard infrastructure development

- Infrastructure development is key for Africa's regional integration. Yet the case study of the transport corridors demonstrate that regulatory frameworks, accountability mechanisms and other soft investments may have to be prioritised before planning hard infrastructure development.
- Moreover, assessing the political feasibility is as important as the appraisal of financial, technical or socio-economic feasibility. Therefore, careful attention needs to go to project preparation and precede infrastructure programming, as regional or cross-border project preparation is demanding, costly and time-consuming.

1. Introduction

Context

Regional integration is a key policy agenda item across Africa at the national, regional and continental levels, and has been since many countries achieved independence. Its importance is underlined by the small size of most economies, the high costs of producing and trading goods in Africa, and the relatively low levels of intra-African trade. Although tariffs on intra-African trade have fallen in recent years, this has served to underline the importance of other impediments to trade in the region. Slow progress on implementing trade agreements and processes to facilitate trade highlight the need to better understand the main drivers and constraints to regional economic integration.

In Southern African, the focus of this study, intra-SADC trade is higher than intra-regional incomes and distance would predict (Behar and Edwards, 2011) while the region is not Africa's most expensive for producing and transporting goods (Ranganathan and Foster, 2011). However, costs remain high by world standards due to poor infrastructures, non-tariff barriers (NTBs), and restrictive Rules of Origins, amongst others. This lowers productivity and puts a brake on economic development, raising questions about how to speed up and indeed simply implement existing policies and investment plans to improve regional integration.

Many of the key issues relating to regional economic integration in Southern Africa coalesce around corridor initiatives that link countries and ports along major transport routes. Often based on historical transport and labour migration routes, many of these are being revitalised in the post-apartheid era as cross-border Spatial Development Initiatives (SDI) and 'development corridors', with the aim of serving both national and regional objectives. Corridors are cited as a key development tool within the New Partnership for Africa's Development (NEPAD), within the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the level of the Tripartite Free Trade Agreement (TFTA), but also in most of the member states of these regional institutions.

Given their growing importance in policy, and the inherent political nature of any economic reform, this study starts from the premise that implementation of the regional integration agenda requires a greater understanding of the underlying political economy. As defined by the Organisation for Economic Cooperation and Development (OECD), political economy analysis (PEA) is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time. It is important to examine the interests behind corridor initiatives, their role as geo-political tools as well as instruments for promoting economic transformation, regional integration and socio-economic development.

This study takes the North-South Corridor (NSC) and the Maputo Development Corridor (MDC) as case studies illustrating the complex reality of promoting greater regional integration on the ground. The Maputo Corridor represents the first regional corridor initiative in Southern Africa, and at the same time, the first public-private partnership in infrastructure in Africa. The MDC was officially launched in 1996 with road and toll-booth construction beginning in 1999. The corridor links Gauteng Province in South Africa with the Maputo harbour in Mozambique via 500 km of road and rail. The MDC consists of large investments in roads, in the Maputo harbour, in border crossings and in rail rehabilitation and railroad

linkages. In addition, there were private sector investments, among others in the aluminium smelter near Maputo.

The NSC was established more recently under the auspices of the Tripartite Alliance of SADC, COMESA and the EAC. It was also endorsed by the African Union (AU). Representing more a network of corridors than a single corridor, the NSC also connects South Africa to the region via 8,599 km of road linking Durban to Dar es Salaam through Zimbabwe, Botswana and Zambia, but also including rail, energy infrastructures and borders. Although discussed for many years, the NSC gained increased momentum with the Aid for Trade Initiative launched in 2005 at the World Trade Organization (WTO) Ministerial meeting in Hong Kong, and launched at a 2009 donor conference as a package of projects that together would form one connected corridor. South Africa currently champions this initiative through the NEPAD Presidential Infrastructure Champions Initiative, which South Africa's President Zuma chairs.

In that context, this study addresses the following research question: what does a deeper understanding of the interaction between economic and political processes around two key corridor initiatives in Southern Africa tell us about the drivers and obstacles of regional integration? The research therefore examines experiences of effective regional integration in Southern Africa to identify the political and economic actors and factors that are at play and their effect on the integration process on the ground. These include public and private actors, their interests and incentives and how these play out. The broader objective is to better inform policy-makers in the region in order that regional integration processes might be based on a more grounded understanding of the potential scope for effective reforms and policy implementation.

The study is based on desk-research, interviews in the region and on two workshops held in South Africa that were sponsored by the EU-SA Strategic Partnership programme.¹ While corridor initiatives can extend to roads, rail, ports, borders, energy grids, pipelines, migration and other aspects, the focus in this paper is on roads, rail and borders. The study does not set out to analyse the pros and cons of regional integration for different countries in the region, but to analyse the drivers and constraints to effectively implementing declared policies related to corridor development.

Main Findings

Although not directly comparable, an examination of the two corridor initiatives can provide useful insights. Both corridors link South Africa to its regional neighbours, both are in some ways symbolic of post-apartheid regional relations, and both illustrate the range of what is required for regional integration to function in practice. Despite their differences in scope, both are also often presented as “development” corridors. Their differences also highlight some interesting insights relating to who and what drives such initiatives, the role of economic and political interests, and the degree to which regional aspirations can remain rhetorical in the shadow of domestic politics and priorities.

Regional integration through corridor development are complex processes facing a range of regulatory, coordination and investment challenges. Governments may be constrained by the capacity of their bureaucracies or agencies to regulate, by the demands of complex inter-agency coordination within and between countries, by financing gaps for infrastructure investments, including border post accommodation, by poorly functioning markets and business environments, and by physical barriers to greater integration. Many of these seemingly practical and technical challenges overlap with political and institutional challenges.

¹ www.ecdpm.org/perisa

Further, while there is widespread acknowledgement that the implementation deadlines of regional integration agreements are slipping, regional integration is nevertheless taking place. It is therefore useful to distinguish between the legal framework around formal regional integration processes with the actual, on the ground processes of integration through the cross-border movement of goods and people. The latter can evolve of its own right, regardless or even in spite of slow implementation of legal interstate frameworks. The former can be very unpredictable and haphazard in its implementation.

A key conclusion from the two cases is that countries at a rhetorical level are generously stating their support to formal regional structures – the Regional Economic Communities (RECs), but that in actual practice national political relations, actors and interests prevail. This means that even though countries have signed up to many regional agreements and protocols, these are often not implemented. This has implications for the likelihood of success of corridors and other cross-border initiatives. Comparing two different cross-border transport corridors in Southern Africa highlights the importance of aligning national and regional stakeholders and interests for positive outcomes. In other words, where regional efforts to improve corridors do not support domestic priorities, progress is likely to be slow or elusive.

The case of the Maputo Development Corridor reveals the variety of actors and factors for its relative success. These were: physical, in that the MDC links only two countries along a relatively short stretch of road and rail; time-related, given what some might describe as the critical juncture at the end of apartheid; people-related, in the form of close relations between the Mozambican and South African presidents; political, in terms of the desire of the African National Congress (ANC) and the *Frente de Libertação de Moçambique* (FRELIMO) governments to re-establish links between the two nations; and private sector related through the major Mozal investment, the road concession, and continuing public-private dialogue around the corridor through a corridor-related business association.

Although there have been some successes, the NSC contrasts with the MDC as it faces far more dispersed political and economic interests and greater institutional challenges across an array of actors and of projects. As such, it is difficult to identify any major public or private political coalitions or pressure groups pushing the “regional agenda”. This is even the case for landlocked Zambia, which faces major constraints and costs relating to cross-border trade and positions itself as being “land-linked”. The driving force behind official high-level pronouncements on regional integration may therefore have more to do with “symbolic regionalism” than with pressure groups pushing for states to come up with regional plans providing public goods and solving collective action problems (Söderbaum, 2012). While this reflects the arguably legitimate current focus on domestic roads in Zambia, it illustrates how regional agendas may lose out to domestic concerns. South Africa also has strong defensive interests regarding negotiations with its neighbouring countries, interests that sometimes clash with its high-level policy pronouncements on promoting greater regional integration.

Despite the costs that poor regional linkages impose, there are those who benefit from the *status quo*. Trade liberalisation, whether through reductions in tariffs or non-tariff barriers, necessarily alters the division of winners and losers. To illustrate, hopes in Zambia of serving Eastern Angola and the Democratic Republic of Congo (DRC) depend on being able to compete with South African producers and traders, hinting at the implicit advantage of Zambian producers who supplied the region with maize in recent seasons, even though they face transport and cross-border challenges. At the same time growth of South African investments into the region and continent have been “rapid, extensive, and generally profitable” (Berkowitz et al., 2012).

The analysis of the two corridors in this paper hints that success may arise from focusing on narrower aspects of the regional economic integration agenda. Although the MDC is by no means perfect, the analysis suggests that a narrower focus also helps to reduce the number of governments and their agencies involved. This eases inter-agency coordination challenges, facilitates prioritisation of policy reforms and support, and provides a clearer target for the private sector and other stakeholders to organise oversight and hold governments to account. The broader the project, the more disparate the interests and therefore the harder it is to have coalitions form around the regional integration agenda and promote greater accountability.

The remainder of this study is organised as follows: Section 2 provides the policy context for regional integration and the growing interest in corridor initiatives. Section 3 then provides the analysis of the two selected corridors with discussion of the principal actors and factors that drive and constrain their progress. Section 4 presents conclusions from the analysis.

2. Policy Context

The two corridor initiatives are just one element of long-stated regional integration aspirations. These aspirations have been expressed in policies and strategies at the continental, regional and national levels over many years. But as the following summary shows, the enormous range of different strategies and policies, and the often overlapping nature of different regional sectoral strategies, represents a major challenge for policy implementation, resulting in continuing difficulties on the ground for regional economic integration.

2.1. Regional policy perspectives on corridor development

Continental perspectives

Given the small size of most African economies and state borders that pay little heed to the distribution of natural endowments, regional economic integration is commonly seen as essential for Africa (e.g. Brenton and Isik, 2012). Hence, the African Union launched an Action Plan for Boosting Intra-African Trade at its summit of Heads of State and Government in 2012.² This action plan recognises the need for greater connectedness in Africa in order to bring about economic transformation through investment and employment creation, and therefore poverty reduction.

This call for greater integration is not new. African unity has been a political rallying call at least since the fifth Pan-African Summit in Manchester, UK, in 1945, where calls were made for a United States of Africa and were followed by the formation of the Organisation of African Unity in 1963. The 1980 Lagos Plan of Action subsequently referred to the need to “promote the economic integration of the African region in order to facilitate and reinforce social and economic intercourse” and “to establish national, subregional and regional institutions, which will facilitate the attainment of objectives of self-reliance and self-sustainment.” The Abuja Treaty of 1991 then laid out a 34-year strategic roadmap for an African Economic Community that would entail a continental free trade area in 2017, as an important step in the way towards a common market and ultimately an economic and monetary union. More recently, the fiftieth anniversary

² [http://ti.au.int/en/sites/default/files/Consolidated%20Document%20Boosting%20Intra%20African%20Trade%20with%20Erratum\[1\]_1-1.pdf](http://ti.au.int/en/sites/default/files/Consolidated%20Document%20Boosting%20Intra%20African%20Trade%20with%20Erratum[1]_1-1.pdf)

of the African Union in 2013 was held under the theme of Pan Africanism and African Renaissance, with unity and an integrated Africa high on the agenda, as endorsed in the AU Agenda 2063.

The Tripartite Free Trade Agreement also lays out steps towards this broader continental goal. Presented as a potential solution to overlapping membership in different RECs and bringing RECs closer together, the Tripartite is also rooted in the narrative of Pan-Africanism. It is presented as a “homegrown” African model of regional integration, including infrastructure and trade facilitation in its architecture, and going beyond formal tariff barriers to address challenges specific to the African continent. Discussions around linking COMESA, the EAC and SADC in one body began in 2005 but were formalised in 2008 when heads of state launched the TFTA negotiations at the Tripartite summit in Kampala. While the MDC is not a formal SADC project or initiative, the NSC is considered a key element of the Tripartite FTA under the infrastructure and trade facilitation pillars.

Corridors as a regional policy tool

Within this policy context, there is growing continental and regional attention to infrastructures and corridors as a means to focus improvement of both physical and soft infrastructures. The NEPAD African Action Plan (AAP) 2010-2015 includes the NEPAD Spatial Development Programme (SDP), an integrated spatial approach to promote investment facilitation in “multi-country development corridors”.³ Objectives of the programme include facilitating trade, promoting regional economic cooperation, optimising infrastructure use, encouraging economic diversification and competitiveness, and stimulating employment. The Spatial Development Programme also aims to “crowd in private sector investments” and promote public private partnerships (PPPs) where feasible.

Also at a continental level, the Programme for Infrastructure Development in Africa (PIDA) is an initiative being led by the African Union Commission (AUC), the NEPAD Secretariat and with the African Development Bank (AfDB) as executing agency. The aim of this is to develop a vision, policies, strategies and a programme for the development of priority regional and continental infrastructure in transport, energy, trans-boundary water and ICT, thus further underpinning corridor initiatives. The NSC is included as one of 24 transport projects in the PIDA project document that therefore serves as basis for prioritising African infrastructure needs, although its relation with the NEPAD SDP is not clear.⁴

The NEPAD SDP was largely an outgrowth of the South African Spatial Development Initiative launched in 1996, of which the Maputo Development Corridor is an early outcome. The initial South African SDI approach was aimed at defining a package of measures to attract investors into a bundle of economically sustainable projects in regions with growth potential. In 2002 the SADC took up the idea for the region under what became known as the Regional SDI Program (RSDIP).⁵ This RSDIP has been adapted recently in consultation with Angola, the DRC, Mozambique, Namibia and Tanzania, with a number of SDIs earmarked for support over the next three years, including the NSC.⁶

³ <http://www.africapartnershipforum.org/meetingdocuments/44326734.pdf>

⁴ <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/PIDA%20note%20English%20for%20web%202008.pdf>

⁵ This programme falls under the South African DTI's International Trade and Economic Development (DTI/ITED) division who funds the program from its 3 year rolling budget while the Development Bank of Southern Africa (DBSA) houses the program in its Agencies Unit by agreement governed by a Memorandum of Understanding (MoU). The RSDIP is anchored by Economic Cooperation Agreements (ECAs) signed between the RSA-DTI/ITED and its counterpart Ministry in the SADC region, from whence RSDIP support can flow under complementary Corridor Agreements to neighbouring countries

⁶ While the SDI program lost momentum in the latter days of the Mbeki administration it was resuscitated under President Zuma as part of the Industrial Policy Action Plan (IPAP) envisaged for the next phase of South and Southern African growth and development (Miller, 2011). Others include the Phalaborwa SDI, the Platinum SDI, the West Coast Investment Initiative, the Fish River SDI, the Wild Coast SDI, the Richards Bay SDI, the Durban and Pietermaritzburg nodes, the Lubombo SDI and the Gauteng Special Economic Zones.

The actions for SADC regional integration are laid out in the 2003 SADC Regional Indicative Strategic Development Plan (RISDP).⁷ Building on the 1992 SADC Vision, this 15-year strategic roadmap lists twelve priority areas in which action is to be taken across five broad areas or clusters.⁸ The RISDP highlights development corridors as a key policy tool, with the proposal that the RISDP be implemented “as far as possible, in the context of spatial development initiatives such as development corridors, growth triangles, growth centres and trans-frontier conservation areas” (SADC, 2003). More recently, incoming SADC chairman President Guebuza of Mozambique also highlighted corridors as “vehicles for SADC Regional Integration that need to be harnessed due to the role they play in consolidating social dimensions of development and the regional integration process” (SADC, 2012).

In addition, SADC launched the SADC Regional Infrastructure Development Master Plan (RIDMP) in 2012 (SADC, 2012a). The RIDMP provides a framework for cooperation between and among states for the joint preparation and implementation of infrastructure projects in the areas of energy, transport, information and communication technology, meteorology, water, and tourism. It lists 52 national corridor elements (some corridors require multi-country implementation) and 31 corridor-related projects that are prioritised under the Master Plan, underlining the scale of the policy challenges. The NSC and MDC are among these corridor projects.

SADC and COMESA countries are therefore home to numerous corridor initiatives. Tanzania has three main corridors serving its hinterland, the southern, central and northern corridors, all originating in Dar es Salaam. Southern Africa is also host to the Walvis Bay Corridor, Trans-Kalahari Corridor, and Lobito Corridor while Mozambique counts three corridors: the MDC linking Maputo to the Gauteng region in South Africa, the Beira Corridor linking Beira to Zimbabwe, and the Nacala Corridor linking Nacala to Malawi and Zambia.⁹ The full extent of existing and planned corridor initiatives is presented in Figure 1. The North-South Corridor colours green and the Maputo Development Corridor is presented as a blue extension of the Trans-Kalahari Corridor.

While also referred to as a priority project under PIDA, the NSC is described as a “flagship programme of the Tripartite” and a “Model Aid for Trade Programme”.¹⁰ The NSC rail link is also identified as one of seven projects being championed under the NEPAD Presidential Infrastructure Champion Initiative (PICI).¹¹ Fundamentally, the Tripartite’s North-South Corridor Aid for Trade Programme was designed as a transit and transport value chain in order to address transport constraints in a coherent, sequenced and multi-modal way (TMSA, 2011), rather than through separate, disjointed national projects, resulting in today’s NSC as a network of corridors.

As the oldest corridor in the region, the MDC has become a flagship SADC corridor, linking to other corridor initiatives, including the NSC but also the Trans-Kalahari Corridor. The MDC builds on the South African “Spatial development initiative”, the objectives of which were to upgrade the Maputo port and

⁷ For SADC, the SADC Common Agenda is the key underlying document laying out agreed milestones on regional integration. These include: a Free Trade Area to support inter-regional trade by 2008; establishment of a Customs Union with common external tariffs for the Free Trade Area by 2010; a Common Market with common policies on production regulations by 2015; Monetary Union through macro-economic convergence by 2016; and a Single Currency and Economic Union by 2018. The target for a Customs Union was missed, raising skepticism about the genuine interest or capacity for maintaining such an ambitious regional agenda.

⁸ The five areas are: Trade, Industry, Finance and Investment; Infrastructure and Services; Food, Agriculture and natural resources (FANR); Social and Human Development and Special Programmes; and Policy, Planning and Resource Mobilisation.

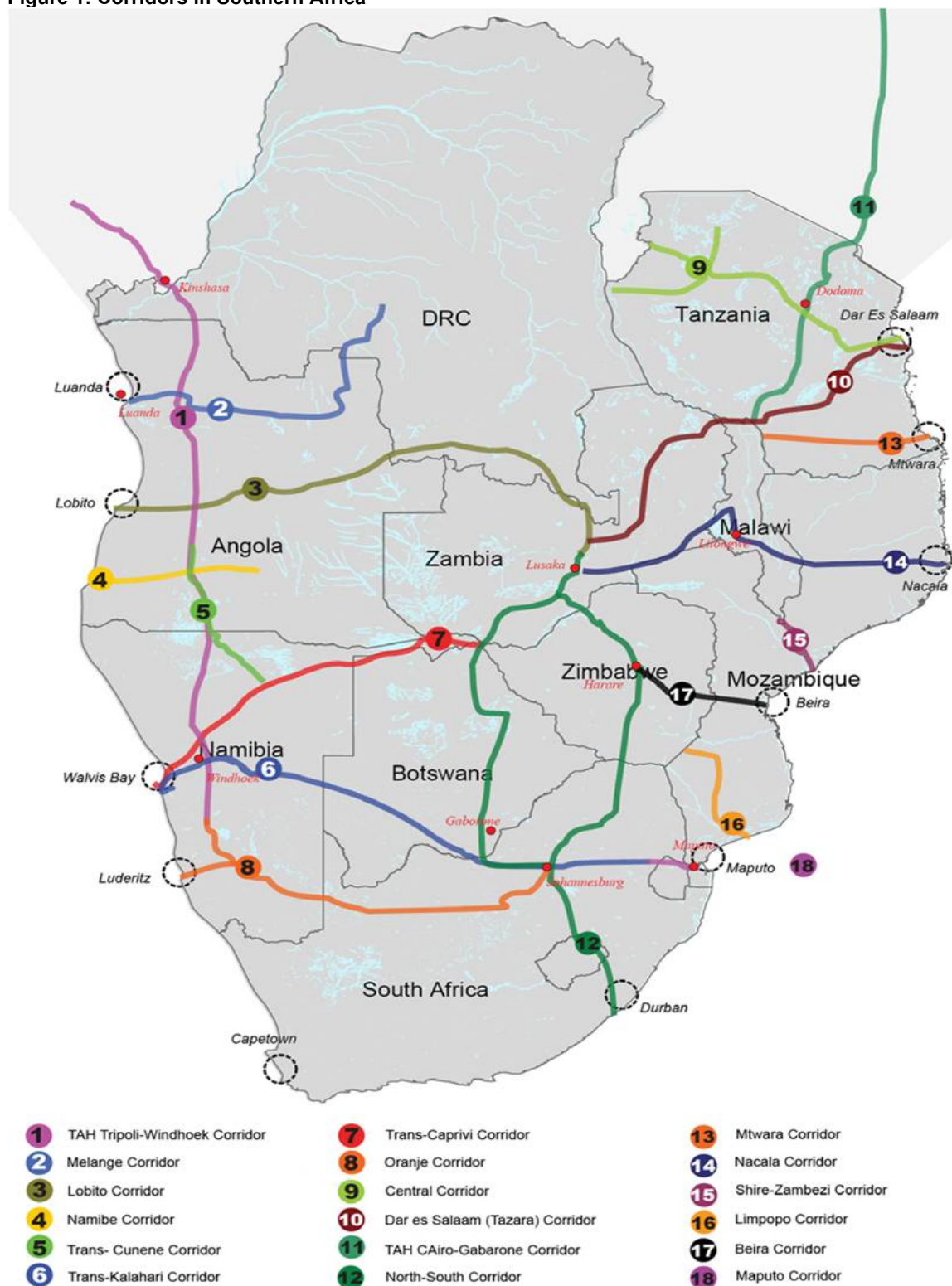
⁹ This stems from colonial times where prior to 1930, the country was arranged in three concessions, each based on an east-west access serving the ports of Maputo, Beira and Nacala, respectively Newitt, (1994).

¹⁰ http://www.comesa-eac-sadc-tripartite.org/intervention/focal_areas/infrastructure

¹¹ <http://www.nepad.org/system/files/Final%20PICI%20Status%20Report.pdf>

border posts, develop the N4 highway in South Africa, attract investment to the corridor and region, maximise social development, employment opportunities and the participation of historically disadvantaged communities. Its overarching approach to development can be summarised as “holistic, participatory and environmentally sustainable”.¹²

Figure 1: Corridors in Southern Africa¹³



¹² Bowland and Otto (2012).

¹³ Source: http://www.translogafrica.com/page/recs_and_trade_corridors_trade_corridors

While the MDC has achieved a degree of success, the key measure for the broad range of policies and strategies mentioned above remains how and to what extent they get implemented. The RIDMP highlights six conditions for successful implementation (SADC, 2012a), which include i) commitment by member states and related agencies; ii) creation and strengthening of oversight and implementation institutions; iii) appropriate policy, institutional and regulatory frameworks; and iv) robust monitoring and evaluation. Success also relies on: v) a pipeline of bankable projects, and vi) sustainable project financing.

A key element of this study is to understand better *how* these conditions might be achieved given the different actors involved and their different interests within a particular country setting.

2.2. Country policy perspectives on regional integration and corridors

Clearly, member states are at the centre of setting and implementing regional policies. Within the overall regional policy context presented in the previous section, this study focuses on three particular countries in Southern Africa: South Africa, Mozambique and Zambia.

South Africa's policy stance on regional integration emanates from several government departments. These include the Department of International Relations and Cooperation and especially the Department of Trade and Industry (DTI), and increasingly also the President's Office. The DTI's Industrial Policy Action Plan (IPAP) 2013/14 defines South Africa's approach to regional integration as "developmental regional integration", which departs "from the narrow market integration approach, which focused primarily on the reduction and elimination of tariffs and neglected to address the most significant constraints to regional integration: underdeveloped productive capacity and inadequate infrastructure" and "the continuing prevalence of weak cross-border infrastructure" (IPAP: p. 58).

South Africa's widely acclaimed *National Development Plan. Vision 2030* (NDP) also addresses key policy challenges on regional integration and development, transport and trade facilitation. The National Planning Commission (NPC) in the President's Office was responsible for compiling and debating the diagnostics and the final vision document. While the NDP chapter on regional integration and South Africa's role in Africa and the world attracted less attention than other themes during the public consultation, the overall vision document now enjoys broad support within government and the ruling ANC, as well as with non-state actors such as private sector bodies and civil society. Certain trade union organisations remain, however, hostile. The Commissioners also admitted that they encountered views of South Africa as a "regional bully" and also that "South African policy-makers tend to have a weak grasp of African geopolitics" (NDP: p. 239). In the chapter on *Positioning South Africa in the World*, the document states the strategic thrust as "promoting deeper regional integration in southern Africa", "greater trade integration" and "effective partnerships with the private sector and state-owned enterprises" (NDP: p. 241).

Yet, the NDP does not shy away from the strategic trade-offs that South Africa will have to make while pursuing these objectives: "it may be necessary, for instance, to cede certain national opportunities for regional benefit on the assumption that regional growth will benefit the South African economy. However, regional growth may benefit only some sectors of the domestic economy (such as financial and professional services) to the detriment of other sectors (especially labour-intensive lower-wage sectors like mining)" (NDP: p. 245). The NPC also supports efforts to better understand national development planning in the region and the contributions of various 'national development entities' in other countries in the region to inter-sectoral regional integration (Muller, 2012). The NPC engages in dialogue with these national planning entities to explore concrete demonstrations of regional cooperation

and integration and to find mechanisms to systematise such functions through national planning entities (idem, p. 28).

While South African policy documents present a relatively uniform vision of South Africa's developmental role in the region, documents such as the NDP openly admit that other countries in the region see it differently. Further, as is discussed below, the range of departments involved in regional integration also reflects different views and positions on how South Africa should play its role.

In Mozambique, the Poverty Reduction Strategy Paper (PRSP) 2011-2014 places regional transport connections high on its list of priorities through the Strategy for Integrated Development of the Transportation System (Government of Mozambique, 2011). This is designed to connect the whole of Mozambique by 2,000 km of rail, thousands of kilometres of roads and bridges in fourteen years time, with an important focus on linking interior areas of South Africa, Zimbabwe and Malawi to the sea. Although not prominent in its national development plan (the Poverty Reduction Strategy Paper) the Nacala, Beira and Maputo corridors are seen as key strategic instruments for economic development in the country.

In Zambia, the National Development Plan 2011-2015 recognises the importance of trade and regional integration in economic growth. It therefore lays out its objectives that include the rehabilitation of road links “under various regional corridors, such as the North-South and Nacala Corridors [to] be implemented with the support of Cooperating Partners and in collaboration with neighbouring countries. This will be supplemented by major improvements of border posts, including those at Nakonde, Kasumbalesa and Kazungula” (Government of Zambia, 2011).

2.3. Reality check: the challenges on the ground

While the policy architecture on regional integration and corridor development seems well established at country and regional level, the institutional and organisational mechanisms for implementation seem to be lacking. As South Africa's NPC states: “African economic integration has stalled on implementation. Poor infrastructure, non-tariff barriers and inefficient border crossings raise costs and limit the scope for more trade. The decision by the African Union to promote regional economic blocs as the foundation for economic integration has not borne much fruit because capacity constraints and national interest have hampered progress. Lately, SADC has started to lag behind the other regions with regard to greater economic integration” (Economy diagnostics: 17).¹⁴

SADC has also undertaken its own assessment of its Regional Indicative Strategic Development Plan 2005-2010 and lists a number of persistent challenges. Key among these is that “though Member States have ratified regional and international binding documents, their domestication remains a challenge, which is resulting in a slowdown of the regional integration”.¹⁵

Symbolic of this is that there are fewer kilometers of roads in Africa today than there were 30 years ago (Raballand and Teravaninthorn, 2009). As the same study states, “Some 70% of Africa's rural population lives more than 2 km from an all-season road. And the cost of transporting goods in Africa is the highest in the world. Not only have high transport costs raised the cost of doing business, impeding private investment, but they serve as an additional barrier to African countries benefiting from the rapid growth in

¹⁴ NPC (2012), Economy diagnostics.

¹⁵ SADC (2011), Desk Assessment of the RISDP 2005-2020, Gaborone.

world trade. Especially for Africa's many landlocked countries, high transport costs mean that, even if they liberalise their trade regimes, they will remain effectively landlocked.”¹⁶

TradeMark South Africa (TMSA) carried out a full analysis of road conditions on the NSC (TMSA 2011). Outside South Africa they encountered 2,403 km of good roads, 5,156 km of roads in good or fair condition, but in need of upgrading or rehabilitation in the next two to five years, and 1,041 km of roads in need of immediate rehabilitation or upgrading. Border waiting times were extremely high, with TMSA (2011a) suggesting that the introduction of the Chirundu OSBP reduced waiting times at that border from four to five days to a few hours or a maximum of two days. Road transport from Lusaka to Durban was estimated in 2011 to take more than eight days, with more than four days spent at borders (Foster and Dominguez, 2011). Our own fieldwork had truckers reporting a round trip of up to a month.

Although faster than other regions in Africa, estimates for SADC suggest that the effective speed of road transport around the region is between 6 and 12 km per hour. This is “not much faster than a horse and buggy”, with delays costing US\$300 per day for an eight axle truck (Ranganathan and Foster, 2011). Rail transport is even worse, with some transport such as seed from Kolawesi in Northern Zambia to Durban taking up to 38 days, 29 of which are customs delays, meaning an effective speed of 4 km per hour. Illustrative data on trade constraints can also be seen in the table below providing cross-border trade figures. Even if only indicative, they highlight the scale of the problem being faced.

Table 1: Border Crossing Hurdles in African Regions

Region	Documents to export (number)	Time to export (days)	Cost to export (USD per container)	Documents to import (number)	Time to import (days)	Cost to import (USD per container)
SADC	7.3	31.2	1,856.3	8.4	38.0	2,273.3
COMESA	7.2	32.4	1,915.3	8.2	38.3	2,457.5
ECOWAS	7.6	27.6	1,528.1	8.1	31.6	1,890.9
CEMAC*	9.0	35.2	2,808.8	10.8	44.0	3,721.4
Middle East & North Africa	6.4	20.4	1,048.9	7.5	24.2	1,229.3
East Asia & Pacific	6.4	22.7	889.8	6.9	24.1	934.7
South Asia	8.5	32.3	1,511.6	9.0	32.5	1,744.5
Latin America	7.1	19.0	1,310.6	7.5	22.0	1,441.1
Eastern Europe & Central Asia	6.4	26.7	1,651.7	7.6	28.1	2,457.5
EU	4.5	11.5	1,025.3	5.3	12.1	1,086.5
OECD	4.4	10.9	1,058.7	4.9	11.4	1,106.3

Source: AfDB calculations based on “Doing Business Report 2011”.

* The aggregate data for the CEMAC region cover all member states with the exception of Chad (i.e. Cameroon, Central African Republic, Congo, Equatorial Guinea, and Gabon). This is due to lack of accurate data and information for Chad.

Source: Ben Barka, 2012

The combination of poor soft and hard infrastructure drive up the costs of transport in (southern) Africa, but more importantly, it also drives the prices upwards. As a World Bank study on transport costs and transport prices (Raballand and Teravaninthorn, 2009) has clearly demonstrated transport prices in Africa are much higher than those in other developing countries because of a host of informal payments and a less conducive regulatory environment that drive up prices. With such sectoral features, investing in new roads or in improved border crossings would probably bring down transport cost, but not automatically the price.

Why, despite the overriding policy support to the objectives of regional economic integration in Africa, or for corridor development, is the reality check in terms of implementation so sobering?

¹⁶ Devarajan, S. foreward to: Raballand, G. and Teravaninthorn, S. (2009), *Transport Prices and Costs in Africa. A Review of the International Corridors*, World Bank: Washington.

The WB Chief Economist for the Africa Region put his finger on this missing link in the policy and regulatory arenas when he stated that “these reforms are deeply political” (Raballand and Teravaninthorn, 2009: p. xii).

Given the political nature and the complex set of institutional arrangements of the reforms needed to facilitate trade along corridors, the approach taken in this paper is to apply a political economy analytical framework to the two corridors in question. This framework helps to outline interactions between structural, institutional and political actors and factors that drive regional processes such as development corridors.

3. Political economy actors and factors driving corridor development

3.1. Applying a Political Economy Approach (PEA)

It is important to begin with a clear definition of political economy analysis. The Development Assistance Committee of the OECD defines political economy analysis as “concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time”.¹⁷

There is a growing body of political economy literature and related research programmes that can be drawn on and applied to regional corridors. Numerous country and sector diagnostics use a political economy framework that distinguishes between three interacting dimensions: foundational or structural factors, that are impossible, hard or slow to change; formal and informal institutions that are more amenable to change over the medium term; and the day-to-day politics and interactions with key political players and sector actors.¹⁸

- *Structures or foundational factors:* This first level of analysis deals with structural features such as natural resource endowments, geography (e.g. whether a country is landlocked, mountainous), the broad structure of the economy, regional relations, the main sources of actual and potential government revenues, etc. The structure of the economy and the resource endowment, for example, may influence the nature of government revenues. Such revenues may be *earned* through taxation or *unearned*, such as those derived from mineral rents and aid. Different sources of revenue bring about different types of commitments and incentives for particular groups such as ruling elites. Other important features may include the history of state formation, the nature of colonisation and labour exploitation, exclusion of regions and population groups, which may cause social, ethnic and economic cleavages, etc.
- *Institutions* or “rules of the game”, the second level of analysis, shape the behaviour of political and economic actors. All social groups have a complex set of rules of the game. These include two categories: formal rules (such as regulative mechanisms and rules that are usually codified in laws and

¹⁷ <http://www.oecd.org/dac/governance/politiceconomy>

¹⁸ In particular some donors (UK, the Netherlands, Norway, the EC, the World Bank, Germany, etc.) have developed and used such political economy tools. See for example: Unsworth, S. and Evans, G. (2011), *Using Political Economy Analysis to improve EU Development Effectiveness. A DEVCO Concept Paper*. Brussels: EC.

monitored or enforced by third parties) and informal rules (norms/values which inform people about what is “appropriate” and cultural-cognitive mechanisms which help groups frame or inform and interpret their environment). In all countries, formal institutions (visible and codified) interact with informal *rules of the game* (much harder to “see” and understand for outsiders). These interactions shape the distribution of power, the nature of political competition, the functioning of markets, etc.

- **Actors:** Structural and institutional factors shape political processes and influence the behaviour and choices of key actors. In a stylised way, one can distinguish three broad categories of actors: the ruling political elite, that may include religious or tribal chiefs etc., state bureaucrats and sector actors. This latter group can be further roughly divided into civil society, private sector actors and firms, farms and households. Each group of actors is not homogenous of course. This third level of the analysis sharpens the focus on the nature and the credibility of policy commitments and how it is translated into action. It helps understand, for example why ruling elites may prioritise the provision of “club goods” to a restricted number of beneficiaries or when it turns these into “public” or “collective goods”, or whether there is space for constructive engagement between the state bureaucracy and sector actors (firms, farms and households).

3.2. History, geography and other foundational factors

In applying this analytical framework, it is important to understand the foundational or structural factors affecting regional integration in Southern Africa. This relates to historical and geographical factors that are hard to change and that have a continuing influence on outcomes of corridor initiatives today. These factors can be looked at in terms of their influence on the regional institutions.

Foundational Factors: Regional Dynamics

A key foundational factor underlying the MDC, and regional dynamics more broadly, relates to the South African state formation and the role of the emerging mining industry at the end of the nineteenth century. The second Boer War (1899-1902) was essentially fought over differences between independent rural Boer republics on the one hand, and the insatiable hunger for cheap labour of the foreign class of mine owners whose interests were defended by the British Empire. While the British won the war and cemented the Union of South Africa (1910), the Afrikaners managed to obtain political concessions in terms of exclusion of the black majority from the voters’ roll.

This had far-reaching repercussions in 1948 when the Afrikaner nationalists of the Nationalist Party won an absolute electoral majority and imposed apartheid rule. The drastic consequences of racial and geographic segregation were felt in the labour and political markets. The apartheid geography imposed massive costs but the guaranteed cheap labour (from migrant labour mobilised in the whole of Southern African) also attracted foreign investments. Subsequent white minority governments were able to tax resource wealth from the extractive sector and distribute these resource rents primarily for servicing a white minority and for state repression. Part of the ruling elite’s survival strategy was therefore to weaken its black majority and its neighbours, to support and nurture state owned enterprises (some of which with economic and military strategic objectives), and impose an industrial policy that would shield it from the (threat of) economic sanctions and that would help finance its vision of “separate development”. South Africa’s neighbours harboured and supported the liberation movement African National Congress.

With the independence of Zimbabwe in 1980, regional dynamics again began to change. South Africa’s neighbours transformed from a coalition of *Frontline States*, which supported the liberation struggle against apartheid in Pretoria, into the more comprehensive political-economic partnership of the Southern

African Development Coordination Conference (SADCC). Its objectives included reducing member state dependence on South Africa, implementing projects with national and regional impact, mobilising resources to boost collective self-reliance, and securing international understanding and support.¹⁹ Perhaps significantly, Mozambique became responsible for coordinating support for the SADCC regional transport sector, which was considered to be vital in terms of building economic independence from South Africa and regional integration.

Namibian independence and the prospects of democracy in South Africa brought about further changes to the regional institutional architecture. The SADCC members launched the Southern African Development Community or the SADC in 1992. With a view to moving from co-ordination of development projects to integrating the economies of member states, the SADC gained a legal and more formal status that its predecessor, the SADCC. Democratic South Africa joined SADC in 1994.

In parallel, COMESA began to take shape in 1978 with the proposal for a sub-regional Preferential Trade Area (PTA). The PTA was finally established in Lusaka by treaty on 21 December 1981, and ratified in 1982. The PTA treaty foresaw a gradual transition to a common market, which began in 1993 with the signing of the COMESA Treaty. Among other things, the COMESA treaty aspires to “the completion of all inter-State missing links, especially the inter-state rail and road links, and the construction of local and domestic ones...to enhance the much needed intra-regional co-operation with neighbouring countries” as well as the “establishment of common border posts”, again including a range of frontline state members but stretching further afield to the Horn of Africa.²⁰ The seeds for the NSC were therefore already planted with that treaty and with infrastructure investments, particularly given the need for Zambia to find an outlet for its copper exports during the apartheid era. These efforts were spurred more recently by the Tripartite and Aid for Trade initiatives, both beginning in 2005.

As such, post-apartheid relations are very much characterised by the challenges of this reorientation of neighbouring countries towards an economic and political powerful South Africa. As Hentz (2005) states, “the last decade of apartheid was worst for post-independence Southern Africa, placing South Africa’s neighbours in a position with little economic or negotiating power to wield”. As such, “What role post-apartheid South Africa would play in the region was anxiously anticipated and debated within the region” not least by leading world powers, international institutions such as the International Monetary Fund (IMF) and World Bank, and, most importantly, within Southern Africa.

Foundational Factors: the Maputo Development Corridor – South Africa and Mozambique

Within this broad context, the MDC is essentially a historic transport link between South Africa and Mozambique. Until 1930 Mozambican territory was arranged in three concessions, each based on an east-west axis serving the ports of Maputo, Beira and Nacala, respectively (Newitt, 1994). As a consequence, Mozambique is estimated to be responsible for 70% of SADC goods transit, with logistic corridors linking the deep water coastal ports with the four neighbouring landlocked countries (African Development Bank et al., 2012). The Maputo corridor is conceived as a transport corridor constructed on the existing railroad that was built already in 1895, nine years after the first gold was struck in the Witwatersrand, from the then still independent Boer Republic of Transvaal to Lourenço Marques (now Maputo) in Mozambique.

¹⁹ <http://www.africa-union.org/root/au/recs/sadc.htm>

²⁰ The COMESA Treaty was signed on November 5, 1993, in Kampala, Uganda, by 16 founding member states: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe. See also: http://www.comesa.int/attachments/article/28/COMESA_Treaty.pdf

The MDC came in the wake of the tumultuous recent history in Mozambique. After colonialism and the upheaval of independence in 1975, a socialist agenda was officially adopted in 1977 but was already being curbed by 1983, with economic liberalisation beginning as of 1987. This began a wave of IMF structural adjustment programmes and increasing aid flows, also following the Peace Accords in 1992 and multiparty elections in 1994. The level of pre-independence Gross Domestic Product (1973) was only reached again in 2001, nine years after the resumption of peace and after massive inflows of external aid (Arndt et al., 2000).

Of all SADCC states, Mozambique paid the heaviest price for the country's support to independence in Zimbabwe and to the ANC. The independence and civil wars brought the Johannesburg-Maputo transport connection to a standstill. It created on the other hand strong ties between the Mozambican leadership of the ruling party FRELIMO and from the ANC. FRELIMO has maintained a strong hold on political power since independence, with also a growing hold on economic interests, while it managed to side-track the opposition party RENAMO (Resistência Nacional Moçambicana).

Seen from the Mozambican side, the end of the war in 1992 also marked the beginning of an increased interest in cross-border transport with South Africa. It was seen as a tool for reviving the economy, and coincided with a decade long privatisation process that was creating a new entrepreneurial class with close connections to the ruling party. After independence (1974) there was already pressure within the ruling party, FRELIMO, to prioritise investing in a north-south railway: President Machel opposed it because it was too expensive (interview authors L. de Brito). In the mid-1990s Mozambican businesses again exerted pressure for investments in a north-south connection. But constraints on public spending after two decades of war reduced the options, and "in the end transport policies were primarily geared towards reviving the east-west corridors from colonial times" (Sequeira 2011: p. 130).

Soon after South Africa's democratic transition, the railway link between Johannesburg and Maputo was therefore prioritised for rehabilitation. The deep-sea water port of Maputo lies 92 km from the South African border and for over a century had served importers and exporters of the nearest South African provinces. South Africa's port of Durban is 1.5 times further away than Maputo for firms in north-eastern South Africa. Due to pressures on the budget of both countries, the old infrastructural layout (road and rail tracks) was chosen despite the changes over the course of a century in the industrial and economic geography over the course of a century.

South Africa's economic geography is also an important factor in determining its connections to neighbouring countries. Some 34% of the country's gross value addition is situated 1,400 m above sea-level in Gauteng at a considerable distance from ports and export markets. 96% of South Africa's exports are conveyed by sea. The country's share of world GDP is about 0.7%, but it has 2.2% of world surface ton-kilometres.²¹ In 2009, South Africa's logistics industry handled 1 530 million tons of freight over 363 billion ton-kilometres, at a total cost of R323 billion (an equivalent in 2008 of 14.7% of GDP - still a considerable logistical cost that constrains competitiveness). The domestic economy is also transport-intensive because of the apartheid geography that imposed physical separation of the majority of its citizens, i.e. blacks, from the major labour markets.

Underlying current economic relations, Mozambique and South Africa have very different levels of income and development. Despite high real GDP growth rates since 1992, Mozambique still ranks 185 out of 187 in the United Nation's (UN) Human Development Index with an average annual income per head

²¹ A surface ton-kilometre is a unit of measurement that captures the weight of goods transported over 1 km on land. (NPC, *Material conditions diagnostic*: p. 22).

of US\$906, compared with South Africa's rank of 121 and an income per capita of US\$9,594²² (United Nations Development Programme, 2013). Maputo and the surrounding area represents the most urbanised and wealthiest region in Mozambique. The neighbouring Mpumalanga province in South Africa has an income per capita approximately 80% of the South African national average (Schutte, 2005). Still the corridor links two highly disparate economies, but there are strong political ties.

Foundational Factors: the North South Corridor and Zambia

As with Mozambique and other countries in the region, Zambia suffered for many years due to its support for liberation movements in the region with negative effects on its economy and regional economic ties. With independence in 1964 closely followed by the Unilateral Declaration of Independence in neighbouring Rhodesia, Zambia was obliged to find new outlets to the sea for its copper exports. This led to construction of the Tanzania-Zambia Railway line (TAZARA), the TanZam Highway, and the TAZAMA crude oil pipeline linking Zambia to Dar es Salaam.²³ While this served to give Zambia the opening it needed, at the same time the TanZam highway was being built along the same lines with US and World Bank support (Monson, 2009). The Northern section of the NSC is based on these infrastructures.

Based partly on these infrastructures, the North-South Corridor is an initiative of the Tripartite of SADC-COMESA-EAC linking Durban to Dar es Salaam including rail, energy infrastructures and borders. Although discussed for many years at the COMESA level, the NSC gained increased momentum with the Aid for Trade initiative launched in 2005 at the World Trade Organization Ministerial Meeting in Hong Kong. It was launched at a 2009 donor conference in Lusaka as a package of projects that together would form one connected corridor. As a landlocked country at the centre of the NSC and host to the original NSC donor conference, Zambia would appear to be a natural champion of regional integration and of the NSC.

Although Zambia's land-locked location has been a historical constraint, the country now finds itself serving the growing markets of the Democratic Republic of Congo and Angola, and member of two major trading blocs. Further, as signatory to both the SADC and COMESA free trade areas Zambia can potentially market itself as a regional trade hub. In terms of industrial development, this position offers Zambian companies potential export markets but also places them at risk of competition from imports from Kenya and South Africa, countries that have "relatively deep industrial bases" (Edwards and Lawrence, 2012). Zambia exhibits a negative trade balance with SADC, importing machinery, cars and electronic equipment, while its trade balance with COMESA is slightly positive (although this depends largely on some key exports - like cereals, and on whether DRC exports its copper ores to smelters in Zambia).

Although considered a lower-middle income country in World Bank rankings since 2011, Zambia still ranks 163 out of 187 countries in the UN's Human Development Index (UNDP, 2013). This is largely due to recent surges in copper prices and the country's reliance on copper for export earnings. Even ignoring any fall in growth due to the financial crisis, copper represented 75% of Zambia exports in 2011, down to 68% in 2012, mainly due to the growth of maize exports after the country experienced a significant production surplus in that year.²⁴ Although representing only 2% of employment, this reliance on

²² Income figures are GNI per capita in PPP terms at constant 2005 international US dollar prices (UNDP, 2013).

²³ The TAZARA railway line linking the Zambian copper belt was built with financing and technical support from the Chinese government before being officially handed over to the Governments of the United Republic of Tanzania and the Republic of Zambia in July 1976.

²⁴ Data from ITC trademap, based on COMTRADE data: <http://www.trademap.org/>.

the export of one commodity therefore also ties the economy to its trade routes for shipping exports out, potentially raising the importance of initiatives such as the NSC.

Given these geographic and economic factors, the 8,599 km road network stretching from Tanzania down to the Port of Durban, makes logical sense for Zambia, as do improved rail networks and border crossings. De facto, the NSC road is already the main road from which Zambia imports most of its goods from the South and exports to the North. At first sight, it also fits within the Zambian government's current "land linked" vision. The broader trade negotiations in which it is institutionally embedded has the potential to solve Zambia's overlapping membership in SADC and COMESA - a feature that is perfectly rational given its trade flows, where both regional bodies are strategically important for the country.

While Zambia is seen as a stable and democratic regime, it is also described as being highly centralised. According to Di John (2010), "state resilience in Zambia has been the result of relatively stable and inclusive bargaining among contending elites, which reduced the possibility of substantial capital accumulation and political power outside of the formal political system". As such, rather than creating greater electoral competition and accountability, "greater pluralism following democratisation complicated collective action and reduced, rather than enhanced, the ability of organisations to disable arbitrary and harmful government discretion" (Pitcher, 2012). This is also an important factor in understanding the motivation of the current government to focus on local roads, for example.

These structural features help explain some of the formal and informal institutions that shape the political incentives of political and other key actors in terms of commitment and actions on corridor development.

3.3. Economic and political actors and factors – incentives and obstacles

This section is structured according to the various categories of actors and the roles they play in relation to the MDC and the NSC. Key questions are:

- Who are and what drives key national public/state actors around the two corridors?
- Who are and what drives the key private sector key stakeholders?
- When and how do public and private sector actors become partners?
- What are the roles of statutory regional bodies?
- What are the roles of external partners such as donors?

Who are, and what drives the key public/state actors at the national level?

State actors and the Maputo Development Corridor

Political leaders in post-war Mozambique and in post-apartheid South Africa were keen to rehabilitate the transport links between Maputo and South Africa's economic powerhouse of the Witwatersrand in the Province of Gauteng. Early in the process in 1995, the newly elected President Mandela and President Chissano signed a Memorandum of Understanding of the *Maputo Development Corridor*. This was a clear indication of South Africa's recognition of past suffering by its northern neighbour as a result of its support in the struggle against white minority dominance of the ANC. Other formal mechanisms were put in place to cement continued bilateral high-level cooperation and to ensure key project development. The MDC was packaged as a Spatial Development Initiative.

The centre of gravity in South Africa lay initially with the Department of Transport, with Cabinet and with the Department of Trade and Industry. Paul Jourdan, former Deputy Director of DTI was South Africa's point man for the SDIs, and provided the "official view" on SDIs (Jourdan, 1998). The SDI programme was "conceived by the Cabinet in 1995 as an attempt to improve the functioning of government in targeted regions of the country, particularly in those areas where the greatest potential for growth exists." In this definition, SDIs are "targeted interventions by central government for helping unlock economic potential and facilitate new investment and job creation in a localised area or region." (idem, p. 717) Its two main instruments include removing bottlenecks to investments and identification of strategic investment opportunities – typically "anchor projects" – in the SDI areas.

In order to help deliver on infrastructure development and attract private sources of funding, the South African government had also endorsed the concept of public-private partnerships. DTI also brought together senior government and parastatal officials (Development Bank of Southern Africa, the Industrial Development Cooperation, Mintek and others) to develop strategies and fast-track project implementation. South Africa's DBSA gradually became an ever more important player as it sought to transform from a narrow apartheid developer of the homelands into a public development actor for the country and the region (see Box 1). A newly created Cabinet Investment Cluster convened all the departments that impact on the investment environment. This way, the SDIs pioneered and facilitated interdepartmental cooperation. SDIs also proved to be a testing ground for intergovernmental cooperation within South Africa as the various SDIs also involved local level and provincial authorities (by 2000 there were 11 SDIs, one of which involved cross-border cooperation and combined this with cooperation with the South African province of Mpumalanga bordering Swaziland and Mozambique).

The MDC initially comprised of five key initial infrastructure or anchor projects that were jointly identified by South Africa and Mozambique. These included i) the toll road from Witbank to Maputo, ii) the upgrading of the railway line from Ressano Garcia to Maputo (with the interface at the port), iii) the upgrading of the port, iv) the dredging of the harbour and v) the upgrading of the telecommunications network between South Africa and Mozambique. In addition, key private sector investments included Mozal Aluminum smelter, the iron and steel plant in Maputo, Foskor expansion projects and Sasol projects in the petrochemical sector.

In South Africa, some key public sector actors were keen to see the MDC move beyond its infrastructural dimensions into the realm of the developmental objectives and of poverty reduction. As of 1997 the official narrative around the MDC emphasised development objectives more explicitly. Although there had been general references to participatory community-based development projects and to gender issues, according to Roodt (2007), Hentz (2005) and Söderbaum (2001) such aspects had never been an institutional or a structural feature of the MDC process.

Box 1: An ever more important regional player: the Development Bank of Southern Africa

The Development Bank of Southern Africa (DBSA) underwent restructuring after an organisational review that reaffirmed "sustained support for infrastructure development and regional integration" within SADC and the wider continent. (DBSA, 2013: p. 7) DBSA invests in projects and partnerships across southern and central Africa. The annual report states unambiguously that South Africa's own developmental ambitions and sustainable growth path may continue to be impeded by "institutional weaknesses and inadequate planning capabilities, alongside regulatory barriers, limited sovereign fiscal space and thin capital markets in many African countries." (DBSA, 2013: p. 8)

DBSA's new strategy on regional integration and cooperation is aligned with South Africa's National Development Plan, the Presidential Infrastructure Coordination Commission as well as with priorities set by

regional institutions such as the New Partnership for Economic Development. DBSA provided financial and non-financial support to the MDC. Together with the Industrial Development Corporation DBSA was a key actor in that their participation ensured other external actors to come on board as the credit risk rating for his undertaking between Mozambique and South Africa may have been too high without their support (interview DBSA, 12 April 2013). At the two sides of the borders there were different realities in terms of local private actors benefiting from – or seeing opportunities in – the MDC process. It was recognised that these spill overs may have been limited, but “there is only so much the public sector can do” (idem). The provincial government of Mpumalanga saw opportunities to engage, and did do so. The involvement of the WB in Mozambique furthermore strengthened investor confidence, and may have proven a critical support for attracting investors. DBSA also committed to the development of the NSC, which has resulted in the roads sector constituting 31% of the DBSA portfolio (idem p. 30).

One particular area of concern relates to project preparation. Interviewees at the DBSA and at the Department of Trade and Industry (interview Lerato Mataboge, March 2013) stressed the difficulties in overcoming mistrust or the sensitivities and the complexities involved in assessing the economic, financial and political potential or viability of soft and hard infrastructure projects in an environment marked with such differences in size, capacity, etc.

In 1997 South Africa and Mozambique established the Maputo Corridor Company (MCC) as a facilitating entity for developmental purposes. The establishment of the Maputo Corridor Company with public and private sectors meant that the “MDC for the first time articulated a specific commitment to integrated development, participation and disadvantaged communities”. Next to the stated objectives of infrastructure development and private investment, the CEO of the Maputo Corridor Company, David Arkwright, also promoted the development of institutions to ensure sustainability, which included community participation. However, this vehicle was dissolved only three years into existence, to be replaced by the Maputo Corridor Logistics Initiatives (MCLI), a business association for corridor companies.

From the perspective of the Mozambican government, the MDC was as an important signal to the outside world of stability and the viability of carrying out major foreign investments. In particular, investments in the Beluluane Industrial Park and Mozal aluminium smelter at the Mozambican side of the border have contributed to Mozambican export earnings and boosted the image of the country as a place for investors. Unlike its South African counterpart, the Mozambican Ministry of Trade and Communication had a narrower focus and interest and appreciated MDC largely in terms of its capacity to generate investments. At the time of the creation of the MCC, the same Minister of Trade and Communication expressed that “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” (Carlson 1997: p. 59, quoted in Roodt).

As part of investments to improve the corridor, further infrastructure development had to be undertaken in the Mozambican port of Maputo. To reverse the derelict state of port infrastructure, the Mozambican government had to attract capital. It could only obtain concessional lending from the World Bank if it accepted the condition of privatising the port services. Unlike Durban, where strong dockworker unions were able to push back the plans for retrenchments and privatisation, Maputo had no tradition of unionised dockworkers’ mobilisation. The containerisation at the Maputo port further altered the composition of the labour force in that new capital-intensive investments required a flexible and small labour force.

Also the port of Durban experienced pressures for privatisation as it was expected to increase productivity and reduce costs. Yet there were also counter pressures. The container terminals were kept under public management as this component represented the most profitable branch of Transnet, the state owned enterprise that owns both rail and ports, and dominates the transport business (see also Box 2). Revenue from port activities in South Africa was “locked into a complex cross-subsidisation scheme to

support costly railway operations and a large pension scheme for its workers, which was inherited from the apartheid days” (Sequeira 2011: p. 144). Moreover, privatisation would also threaten the ANC’s powerbase in Kwazulu-Natal (President Zuma has his powerbase in Kwazulu-Natal).

Box 2: Parastatals and transport corridors

State-owned Transnet (formerly Spoornet) dominates the logistics environment in South Africa and owns and operates a network of rail freight, port and pipeline assets. For a long time, the rail-component of the MDC was less advanced than other corridor components. This situation has improved. Negotiations on the rail-link between Mozambique and South Africa started as early as 1995, yet it was only in 2007 that an agreement was reached to have a joint management by Transnet and the Mozambican parastatal CFM (Mozambique Ports and Railways). Donors helped fund a US\$25m infrastructure rehabilitation project in 2008. Nonetheless general complaints in interviews relate to the capacity of CFM due to a lack of locomotives and rolling stock. The silo company in Maputo, for example, suffers regular delays while waiting for trains to be assembled to empty silos of their stock for onwards transport.

A key factor in understanding rail traffic along the MDC is the pricing, and the role that the Maputo port plays vis-à-vis Durban. While some interviewees cite the increasing congestion in Durban that benefits Maputo port, rail pricing in South Africa reportedly reduces the competitiveness of using the Maputo corridor. This partly relates to the common ownership of South African rail and ports. But as with road transport, rail prices are also affected by the imbalance in trade between South Africa and Mozambique. Corridor traffic tonnage is dominated by coal and magnetite (an iron ore) transported by rail from South Africa to third markets through Maputo port. Nonetheless, rail traffic is considerably less than could be expected, as evidenced by the extremely high level of road usage for coal transportation from South Africa to the Maputo coal terminal, reflecting a preference for road transport even for such a product ostensibly suited to rail.

However, within government and in the Presidency there were also voices in support of reforms. The DTI for example pointed to the “high port charges for the export of value-added goods, compounded by serious inefficiencies in rail and port freight logistics” (IPAP 2012: p. 19). And the National Planning Commission in the President’s Office cited a negative report by the Port Regulator stating that South African ports perform poorly, operating at levels below comparative operations at costs that are significantly higher than the global average. This poor performance is largely due to “the absence of competition in terminal operations and Transnet’s business model, which uses surplus generated by ports to fund investments elsewhere. The trade-offs obscured within the Transnet group must be addressed if port prices are to be competitive.” (NPC 2012: p. 187).

This preference for roads relates to more basic problems in the integration of South African and Mozambican rail. While the South African side is electrified, the Mozambican side is not. As such, delays are incurred Mozambican diesel engines are attached to incoming trains, and are often not powerful enough to pull wagons that subsequently are left behind, at times leading to major delays of those wagons. This is at least partly responsible for train turnaround times, which according to some reports can be from 20 to 40 days. This compares with 2 days for the South African coal-line, and 17 days for Tanzanian rail. In addition, the lack of electricity on the Mozambican line means there are no refrigerated wagons so that perishables destined for the port must travel by road.

A recent Memorandum of Understanding between South Africa’s Transnet National Ports Authority and Mozambique’s Maputo Port Development Company offers opportunities for collaboration on matters of common interest in areas of infrastructure development, engineering, training and marine services. As the accompanying press release stated, “Contrary to popular belief Transnet National Ports Authority and the Maputo Port Development Company are not competitors and the agreement will open up opportunities for a closer working relationship and sharing of knowledge”.²⁵

(Based on Byiers and Rampa, 2013)

²⁵ <http://www.mcli.co.za/mcli-web/news/2013/2013-1262/Newsflash1262.htm>

Cross-border cooperation also reflects the potential and limitations of inter-agency cooperation and coordination between and within countries. The Lebombo-Ressano Garcia border along the Maputo Development Corridor is broadly considered a success with major reductions in transit times from South Africa to Mozambique since its launch. This has partly to do with the vast improvement in road quality, and the concession of the Maputo Port to a private consortium, but also to investments to improve border-processing times for freight traffic through separating freight and passenger channels, extended border opening times and the recent introduction of an electronic single-window.

Improving border flows also relies a lot on improving inter-agency cooperation. While plans for a one-stop border between Mozambique and South Africa have been on the drawing board for a number of years and have yet to be realised, delays have reportedly related to the complexity of working with so many different government departments. These include, inter alia, Customs (South African Revenue Services on the South African side, Alfandegas on the Mozambican one), Home Affairs, the Police, Defence Force & Intelligence Agencies, Agriculture, Trade and Transport.²⁶ This lack of coordination was confirmed during our interviews, with particular reference to the absence of a bilateral custom-to-custom agreement. Nonetheless, recent newspaper articles suggest that a new concession will both lead to a one-stop border post and single-electronic window (MCLI, 2013)²⁷, the combination of which should help ease cross-border traffic.²⁸

Additional challenges remain in promoting further integration along the Maputo corridor and broadening its benefits. According to Söderbaum and Taylor (2008), “development [was] believed to arise more or less automatically as a result of the implementation of some major investment projects, mainly in infrastructure, aluminium smelters, iron and steel projects and so on”, with very few concrete measures taken to ensure people-centred development. Indeed, the employment impact of the Mozal smelter and its contribution to Mozambican government finances have been relatively limited for such a large investment (e.g. Castel-Branco and Goldin, 2003), leading to criticisms that Mozal has done little for improving broader employment opportunities and economic development in Mozambique.

The principle benefits from the MDC in Mozambique are perceived to have flown to consumers more than to producers through lower costs of South African imports. With improved functioning of the corridor and declining tariff rates on South African imports, southern Mozambican consumers have benefited from access to more and more varied produce, and increasing investment by retailers. But the impact on production is more ambiguous and anecdotal evidence suggests it has been negative. Paul Jourdan also alludes to this when he highlights the need for “high-rent resource infrastructure” to be open to other, lower rent resource use such as agriculture, forestry and tourism, since these sub-sectors do not generate sufficient returns to finance the corridor infrastructure (Jourdan, 2012; interview Jourdan, March 2013).

Although the main emphasis of the MDC has been on infrastructure development, there have also been efforts to integrate it with provincial and local development planning initiatives. In 1996, the Department of Transport assisted the Province of Mpumalanga with setting up a technical unit. The Limpopo Province became involved through a Joint Technical Committee that allowed national departments to inform provinces about ongoing projects and progress. While still in existence, the Maputo Corridor Company also gave “additional impetus to involving local government and disadvantaged communities” (Roodt 2007: p. 10). One of the key provincial champions of the MDC, the Premier of

²⁶ MCLI 2012: <http://www.mcli.co.za/mcli-web/mdc/border.htm>

²⁷ MCLI, 2013, <http://www.mcli.co.za/mcli-web/news/2013/2013-1269/Newsflash1269.htm>

²⁸ Interestingly, the 15-year concession has been given to a consortium including the Zambia Border Company with experience from operating Zambian borders but from whom concessions were recently removed, discussed below.

Mpumalanga M. Phosa, had been an ANC exile in Mozambique during the apartheid years and was invaluable in overcoming the lack of formal institutions for cross-border cooperation with strong informal ties of trust during the peace years. However, due to ANC infighting in the province, he was replaced as premier, with a subsequent loss of integration momentum and provincial push. A complicating factor has been that the Province of Mpumalanga has to work across two state boundaries with Swaziland and Mozambique without sufficient mandate or capacity to do so.

In 2008, renewed efforts were made to accelerate the developmental aspect of the MDC through the Maputo Development Corridor Flagship. This joint initiative between the Maputo Council and Mpumalanga Province again aims to maximise investment in the corridor as well as social development, employment opportunities and the increased participation of historically disadvantaged communities. Further, the MDC serves as a tool for agricultural promotion in the Mozambican government's agricultural policy. A key aim presented in this agricultural policy is to support the development of value chains and farmer participation in commercial markets for basic agriculture products along six corridors and their related products, with the Maputo Development Corridor to focus on rice, horticultures, chicken and cattle.

Local economic development along the corridor may therefore begin to receive renewed attention although how those living along the corridor can benefit more from investment and employment remains a major question. Producers and traders need to achieve higher standards to access the South African market, whether in the form of transport regulations and requirements or Sanitary and Phytosanitary (SPS) regulations on agricultural produce, suggesting that greater development along the corridors will require more targeted government and other support at building capacity to meet those standards.

State actors and the North South Corridor in Zambia

Looking at the NSC from a Zambian perspective immediately underlines some contrasts with the MDC. To begin with, the number of actors involved in the NSC is larger given the wider number of countries involved in the overall project. Priorities are also harder to identify among a considerably larger number of sub-projects, while the benefits of investments are potentially also harder to capture by any given country, particularly where infrastructures are used for transit.

Further, while 'fortuitous' timing may have played a role in the success of the Maputo Development Corridor this is far less evident for the case of Zambia and the NSC. Zambian political priorities are currently focused on integrating the national rural economy. President Sata was elected in Zambia in 2011 on a campaign highlighting fighting corruption, lowering taxes, creating more jobs and promoting better livelihoods (Government of Zambia, 2012). While regional road connections are cited as priority in political statements and discourse, they are not ostensibly a significant part of the political agenda domestically.

Subsequently, the Sata Government has prioritised ambitious plans to develop the country's infrastructure and road networks. This intended - through the "Link Zambia 8000" and the "Pave Zambia 2000" projects - to focus on developing infrastructure on a national scale and on urban residential roads. These two plans are complemented by the investment plan financed by donors (ROADSIP II), all to be implemented by the Zambian Road Development Agency. The government announced that 14,000 jobs had been created as a result of public works, underlining the link with the government's election manifesto.²⁹

²⁹ <http://zibanizambia.com/2013/05/12/14000-jobs-created-under-the-link-zambia-8000-road-project/>

While these plans address legitimate development policy objectives, they also represent a prioritisation challenge between major regional transport axes and national rural roads. With a large rural population, reliant on agriculture and access to markets, reducing national transport costs has the potential to raise productivity and therefore rural incomes. This orientation is also politically attractive: big, nation-wide road building plans are popular in developing countries since they showcase the incumbent governing party's willingness to "do something" about the nation's development. Further, with approximately 13 million inhabitants, there is a tendency to make sure that every region and district has its bit of road under the national plan, creating unrealistic expectations with citizens (Raballand and Whitworth, 2011). These three factors seem to explain why the government puts major emphasis on national rural roads rather than regional transport axes.

Despite the political imperative in investing in roads, external experts debate on whether or not there is a need for additional investment in rural road. According to Foster and Dominguez (2011), the main road network in Zambia is relatively well developed and in good condition compared to other resource rich African countries, with 80% of main roads in good conditions. They state that Zambia is "one of the few countries in the region with a road sector budget in excess of what is needed to maintain the road network", partly financed through a road levy and fuel tax, while there is "over-investment in Zambia's main road network". They therefore suggest to "shift resources away from over engineered trunk roads toward neglected rural networks."

However, Raballand and Whitworth (2011) as well as other donors to the road sector suggested that for their level of use, many rural roads would be better left gravel. Moreover, they point out that "Zambia is too poor and sparsely populated to maintain the entire 40,000 km Core Road Network to desired standards, let alone the other 26,000 km of feeder, park and community roads" (Raballand and Whitworth 2011: p. 23). They also point out that a reduction in transport costs does not automatically result in a lowering of the transport prices. In an uncompetitive environment with low traded volumes "reducing vehicle operating costs is unlikely to lead to corresponding reductions in transport prices" (idem: p. 15).

The focus on rural roads does not imply that NSC roads are entirely being neglected in Zambia. Some stretches are currently being revamped with donor support, through the Road Development Agency, or with funding from the Tripartite Trust Account's "catalytic" fund. It does mean, however, that targeted revamping of major axes is, despite Zambia's overt reliance on them, politically less prioritised than big national plans whose strictly "economic" rationale can be cast in doubt but whose political salience is the more pronounced in an environment where clientelism and competitive politics play important functions for political incumbency or winning elections.

Another major area where state actors have been active in the NSC relates to border crossings, as the Chirundu OSBP illustrates. Targeted political efforts and pressures can bring some degree of success. This border post links Zambia and Zimbabwe, and is the first OSBP of its kind in Africa with an aim to lower transit times through four main channels. The OSBP aims to improve cross-border flows through i) a common legal framework, ii) common procedures and traffic flow, iii) using ICT systems, and iv) common integrated facilities. In essence, the idea of an OSBP revolves around joint operation by the authorities on the two sides of the border, in order for shipments to go through procedural matters and inspection in one go.

Opened by the Presidents Banda and Mugabe in 2009, the Chirundu OSBP came about through a number of factors. It had been discussed already back in 2005, but with the official launch of the NSC initiative, there was a need for some early successes to accompany that public event. Donor finance was

available to finance the construction of a new building while it had Presidential support and has reportedly been run with a bottom-up decision making approach. This has built on stakeholder inputs through meetings with the public and the private sectors in 2005, 2006 and 2007 (TMSA: 2011a).

While the Chirundu OSBP has been a major hallmark of the NSC project, this “success story” still faces major challenges in practice. On a recent visit to the post, truck drivers acknowledged a significant reduction in waiting time, yet the crossing was still reportedly taking between two and five days. The accumulation of waiting at the Beitbridge and Chirundu borders as well as numerous queues at weighbridges can reportedly turn the 2,000km journey from Durban to Lusaka into a three week odyssey or more. While there are a range of potential factors that might cause delays beyond border administration procedures, including driver behaviour, delays on the part of clearing agents or importer payments, and the continuously increasing flow of goods, further improvement at Chirundu may also be hampered by inter-agency coordination challenges.

One of the biggest challenges to a fully effective OSBP in Chirundu relates to coordinating agencies between and within countries operating around the border. Agencies involved at borders, with their national procedures, requirements and legal frameworks include: police and defence, standards bureau, health, ministry of transport, among others. An efficient OSBP requires the simplification and coordination of all these agencies to avoid and reduce duplication and delays - a recent government enquiry refers to there being eleven different agencies at Zambian borders (Republic of Zambia, 2011).

Yet, the current legal framework does not provide for inter-agency coordination, although the Zambian government is currently looking into the issue (Tralac, 2013). This is more than a simple technical adjustment as streamlining procedures and agreeing to a common framework for cooperation also significantly diminishes the discretion each agency has in carrying out its responsibilities. As such it may lead to redistributive shifts in resources and responsibilities between agencies present at the border, bringing potential “passive resistance” to further streamlining to a single-window approach. Such process will affect the variety of opportunities for rent-seeking of a range of service providers, and hence may create obstacles, underlining again the importance of political interests and the degree to which these can be met through such a project.

Who are the key private sector stakeholders and other non-state actors and what drives them?

Private sector and civil society actors can be drivers and beneficiaries of corridor initiatives, can act as oversight actors to hold governments to account in corridor implementation but can also act as brakes on reform. This depends on the potential gains and losses to different private sector actors as well as ideology, institutional incentives, and how non-state actors perceive their interests and mobilise their organisational strength. Extractive sector players, industry associations and a number of trade unions, especially in South Africa, are relatively powerful, well-organised and well connected non-state actors in Southern Africa.

The private sector, however, is not a monolith. There is a wide range of private sector actors with differentiated interests in corridor development including international and national companies (largely mining), commercial farmers, logistics companies, input suppliers, traders, informal traders, storage providers, transporters and infrastructure providers, smallholder producers, and others. Trade unions, specialised NGOs, business associations, civil society organisations, research institutes may also take up roles. However, the precise role and focus depends on the breadth of scope of the corridor in question - the broader the scope, the harder it is to identify winners and losers and build common interest coalitions to

push for reforms or hold governments to account. By the same token, the broader the scope the more diluted efforts may be to fully implement the agenda, thus running up against if not active resistance, at least passive resistance to change.

Non-state actors and the Maputo Development Corridor

The private sector can be seen as drivers of the corridors through the design of corridor investment blueprints or by providing major investments themselves for which they rely to some degree on a functioning corridor. Besides the fortuitous political circumstances (see previous section) the Mozal aluminium smelter close to the Maputo harbour has also been an important driver for attracting investor interest to the MDC - especially in terms of rejuvenating the Maputo port. For this plant, roads, a port, power stations, telecommunications, water supply and drainage systems had to be built or upgraded through a mixture of African and European public and private finance. This huge project benefited from a more cost-efficient transport corridor, but also may have contributed to reducing the risks for other private actors to get involved in financing this undertaking. In an attempt to establish greater linkages with the local economy, the Beluluane Industrial Park was set up nearby to encourage supplier firms to invest, although the linkages are reportedly limited. Without this anchor project of Mozal it is debatable whether or not the full corridor project would have gone ahead.

From the perspective of financing corridors in Africa, complaints abound that transport infrastructure projects are not sufficiently attractive for private sector investors, at least in the short term. However, the N4 road concession between Witbank and Maputo has shown that private financing can be combined with public funding to build and maintain a toll road. Again, the prospect of intensive use by Mozal may have provided incentives for private investors, and the prospect of slow investment in rail rehabilitation and poor performance by Spoornet (later Transnet) may also have discouraged investors. Studies also indicate that South Africa is one of the only countries in sub-Saharan Africa where traffic density is such that it justifies certain toll roads (Briceno-Garmendia and Foster, 2010).

The MDC gave also rise to a new sort of intermediary player. Corridor development involves multiple stakeholders with asymmetries of information, resources and...stakes. There are also numerous technical and other complexities to overcome. And there may be interest or organised groups seeking to broaden the development outcomes of public and private investments around transport corridors and transform it into "development corridors". South African and Mozambican stakeholders agreed in 1997 to establish the Maputo Corridor Company. It was set up as a facilitating entity, comprising of public and private actors of South Africa, Mozambique and Swaziland. It evolved into a public sector driven organisation, which alienated the Mozambican Minister of Trade and Communication who favoured an exclusive private sector agenda for the MCC. With support from the South African government and donors it set up projects that included public sector capacity development, policy research, facilitation of cross-border development initiatives such as biodiversity projects and tourism. Until its closure in the beginning of the new millennium, MCC also gave impetus to involving local government, informal entrepreneurs and disadvantaged communities.

In order to tackle numerous impediments to increased cross-border trade and investments throughout the corridor development process, new private sector initiatives emerged. In 2003, the Lowveld Chamber of Business and Tourism had identified seven main problem areas, one of which being the lack of socio-economic development of communities along the MDC. A new organisation, the Maputo Corridor Logistics Initiative, was "established in the true spirit of public-private partnership" (MCTK, 2004: p. 24). It was funded and established by private infrastructure investors, service providers and other corridor

users from both countries with minor representation from public actors in South Africa. It was registered as a South African Section 21 (not for profit) organisation in Nelspruit (capital of Mpumalanga Province) with the initial mission to ensure that the border post between South Africa and Mozambique would be operated as an efficient 24 hour commercial clearing facility (as of mid 2013 not yet realised due to hurdles on the South African end³⁰), and to negotiate with Spoornet for a wider variety of cargo to and from Maputo port.

MCLI is a membership organisation which seeks to promote the logistical development of the MDC and the interests of its members. The first MCLI coordinator, Brenda Horn, was the former marketing logistics and administration manager of Manganese Metal Company, a company that had encountered difficulties exporting containers through Maputo from its plant in Nelspruit at 200 kilometres. The closest alternative is the South African port of Durban at 800 kilometres. BHP Billiton is a major shareholder in Manganese Metal Company, as well as in Mozal. MCLI consists of infrastructure investors, service providers and stakeholders from Mozambique, South Africa and Swaziland – all players that are interested on the promotion and further development of the Maputo Development Corridor as the region's primary logistics transportation route. The former premier of Mpumalanga, Mathews Phosa, acts as the South African Chairman of the MCLI. But another MCLI purpose is to “create an increasingly favourable climate for investment and new opportunities for communities along the length and breadth of the Corridor”.³¹ The new CEO of MCLI confirmed that this developmental ambition of MCLI remains a challenge, and requires dedicated efforts and a clearer understanding of informal practices and of communication with marginalised communities (PERISA workshop, July 2013).

Examples of other forms of citizen or private sector engagement in transport or corridor development include trade unions and truckers' federations. The Federation of East and Southern African Road Transport Associations (Fesarta) offers a pertinent example of how particular institutional problems may result in particular forms of mobilisation or collective action by certain stakeholders. Given the variety and the high incidence of non-tariff barriers that truckers and their member associations encounter, Fesarta has embarked on lobbying and engaging with the RECs to stimulate member states to comply with agreements on reducing non-tariff barriers. Fesarta also encourages members to make use of the TradeMark Southern Africa web-based reporting and monitoring mechanism for non-trade barriers (see also 3.2.5). But, as Fesarta's Executive Director stated, there is a growing impatience among Fesarta members with participating in workshops and conferences where one “leaves with a warm feeling” without having changed malpractices on the ground (interview with Barney Curtis, 28 March 2013). Says Curtis: “We are close to the RECs, but that does not lead us anywhere” in terms of resolving the malpractices that have been identified by truckers and brought to the attention through the officially recognised channels as set up by TMSA. The organisation now feels it should stop acting as a “Cinderella organisation” and “stand up more firmly against arbitrary treatment” (idem).

More fine-grained analysis is being undertaken (Sequeia, 2011) into private sector attitudes to soft and hard infrastructure issues related to transport. Sequeia's ongoing research into structure and relations of transport costs and firm behaviour on the South African side of the corridor (with vast areas occupied by manufacturing, agro-processing, mining and smelting industries) and on the Mozambican side of the corridor (which serves industrial and primary production such as steel mills, petro-chemicals, quarries, mines, smelters, and plantations of forests, sugar cane, bananas and citrus) provides valuable insights in transport costs, causes of corruption, and their effects on private sector actors. Despite the privatisation of the Maputo port, corruption remains high in that deep-sea port. The median bribe

³⁰ See also: Bowland, C. and Otto, L. (2012), Implementing Development Corridors: Lessons from the Maputo Corridor. SAILA Policy Briefing 54, August 2012.

³¹ www.mcli.co.za (cited in: Söderbaum and Taylor, 2009).

represented a 129% increase in total port costs for a standard 20-foot container, or an equivalent of 14% of total shipping costs. The equivalent for the port of Durban was 32% in total port costs, and 4% of total shipping costs. The first survey data and analysis suggest that firms are willing to incur higher costs “because of an extreme aversion to the uncertainty surrounding bribe payments at the most corrupt port. The uncertainty in Maputo appears to be linked to the short time horizons of customs officials because of high job turnovers” (Sequeira: p. 157). So privatisation of the Maputo port has not removed this obstacle.

The private sector in Zambia and the North South Corridor

In contrast to the MDC, the NSC has ostensibly less private sector involvement as a driver, while the difficulty in identifying beneficiaries implies few vociferous coalitions pressuring for change and reform in Zambia. This may be because of the structure of the Zambian economy, its relatively centralised decision making, or because the Zambian private sector still faces challenges in organising a coherent representative platform. Even larger corporations involved in mining, which largely depend on road and other infrastructure to ship their equipment in and produce out of the country, do not appear to organise and lobby for improved roads and customs.

The financial viability of infrastructures may be even more in doubt for the NSC than for the MDC. Over longer time horizons there are potentially lower returns on infrastructure investments, and other factors reduce the financial viability of these projects. The implication for the NSC road network is that it perpetuates reliance on governments and donors/International Financial Institutions (IFIs) in the short term, while it does not guarantee sufficient levels of investments for keeping the NSC road network in a fair to good condition. Even with over 95% of goods being transported by road, TMSA (2011) estimates that with a 20 year cost recovery period and a toll of US\$0.03-0.06 per vehicle kilometre, this would require a minimum of 13,000 to 15,000 vehicles per day on the road to cover the full costs of tolling and road maintenance. Very few sections of the NSC have this level of traffic (TMSA, 2011).

The copper sector would appear to be a clear candidate for private sector organising or coalition building for pressurising government to improve NSC infrastructures. In Zambia, six companies account for almost all copper exports while fifteen firms account for more than 80% of total export earnings (Sutton and Langmead, 2013). The reliance on copper for export earnings is balanced to some extent by the growth of non-traditional exports. According to Lawrence and Edwards (2012), the non-traditional exports grew by 20% per annum from 2002 to 2007, including metals, sugar, chemicals, cement, wire and cables, and flour. Still, Zambian exports remain largely dominated by unprocessed copper export. Poor infrastructure and inefficient customs operations result in higher costs, and consequently less competitive products. These seem good motives for the private sector (whether inwards or outwards oriented, given the need to ship inputs through roads) to push the trade facilitation agenda forward.³²

However, despite the high level of concentration - or because so few firms are so dominant - private sector associations are fragmented in Zambia, with some caveats, notably in the agricultural sector. Pitcher (2012) notes that “the proliferation of organisations within the business sector, their inability to mobilise their members, policy differences, and the poor state of their finances undercut collective efforts to check opportunistic state discretion during the 1990s”. In other words, collective action challenges hamper business voicing common concerns and represent private sector concerns in Zambian policy processes.

³² Further, interviewees suggest that in the case of copper, while transport costs are high, taxation issues are the focus of their lobbying efforts rather than improving transport, while southbound traffic of one uniform cargo is said to be less burdensome than aggregated cargos, and northbound traffic.

The Zambia Business Forum brought together seven of the largest sectoral organisations (including ZACCI ZNFU, ZAM, Zambia Banker's Association, Chamber of Mines, and ZCSMBA). The forum's role was to present a collective voice to discuss the government's Private Sector Development Reform Programme, which began in 2004. Still, "the Zambia Business Forum did not build cohesion among business" (Pitcher, 2012). Many members failed to pay their membership fees, leading to its gradual demise. The setting up of an apex body of private business associations is currently being discussed. Yet, it seems that the private sector still lacks voice in Zambian policy making, particularly on regional or cross-border issues. Note that this is not only the case for Zambia, but that regionalism on the continent generally fails to attract private sector attention.

This private sector fragmentation seems to partially explain the lack of responsiveness from government. Some of the interviewees mentioned that when dialogue between public authorities and private sector took place, this was because government wanted to signal compliance with donor conditionalities on non-state actor involvement, and not because it was serious about resolving some of the problems that the private sector faces when trying to organise collectively.

From a South African private sector perspective, the NSC ostensibly offers producers access to much of the market in the subcontinent. However, the externalities from the NSC are potentially harder to capture for South Africa than in the MDC. While a functioning NSC potentially opens up Angola and the DRC as more accessible markets for South African producers (not to mention Botswana, Zambia and Zimbabwe), anecdotal evidence suggests that South African producers increasingly target non-African markets, including Eastern Europe and Asia for agricultural goods, for example. As South African producers can increasingly meet international standards, there are higher value markets than the immediate region. In political economy parlance, the "cost of no agreement" around the NSC and the TFTA are significantly lower for South Africa as a whole, than for its neighbours, something that potentially frames the forms and kind of private sector engagement around the two corridors.

Nevertheless, border post issues show up in Government to business dialogues that are organised under the Private Sector Development Reform Programme.³³ The report notes that no less than 17 agencies are present at Zambian border posts, and proposes that this should be addressed in order to drive the cost of trading down. This suggests that costs are indeed "visible" to firms, and they are aware of the problem, and of its sources. What might be missing, as compared to the MDC is a coherent, organised private representation body nudging – or pushing – the agenda forward, and, conversely, space for them to get involved in the "day to day" running of the NSC at the governmental level.

Although not specifically related to either the NSC or the MDC, the Tripartite Mechanism on Non-Tariff Barriers Reporting, Monitoring and Elimination allows various private sector actors to play an oversight role and exert accountability pressures in promoting corridor efficiency. Established with donor support, the non-tariff barriers reporting and monitoring tool allows traders and transporters to notify a central coordination body of the presence of NTBs, which subsequently can be tackled through the relevant REC and government channels. To date, 74.6% of all reported NTBs from several COMESA, EAC and SADC countries have reportedly been addressed through the system. Examples include the acceptance of certificates of origin for sugar produced in the region so that it can be traded in the region duty-free and the removal of certain arbitrary transit fees and charges on road networks in the region.³⁴ Remaining NTBs are said to be mainly policy related and require intensive and ongoing bilateral efforts to

³³ See Ministry Of Commerce, Trade And Industry (2012).

³⁴ <http://www.fesarta.org/824>

completely eradicate them. The system already provides a channel for the private sector to demand greater corridor implementation and trade facilitation.

When do public and private stakeholders become partners – Public Private Partnerships

Public-Private Partnerships (PPPs) can take many forms, and definitions vary from loosely defined public- private collaboration to more legalistic interpretations. In their more legalistic form, PPPs represent a particular form of public procurement that involves contractual arrangements with the private sector, usually over longer periods of time. The legal property is transferred back to the public sector at the end of the contract. PPPs are usually set up to overcome the poor management and inefficient service provision that have been associated with past public infrastructure investments through *State Owned Enterprises* in Southern Africa (OECD 2013). The essential rationale for such PPP projects is that the public sector benefits from private sector financing and expertise that would otherwise remain out of reach. Unlike the traditional forms of public procurement, PPPs “imply greater participation of the private sector as they transfer both the construction and the operation of the asset and involve private contractors over lengthier periods of time”. (OECD 2013: p. 6) But such partnership between the public and private sectors is also demanding on the public sector as it has to take those measures that build sufficient trust and create incentives with private actors to engage in a PPP. One could say that PPPs hold the middle ground between full public provision of services and full private provision.

In cross-border corridor development this aspect of attracting finance is important, as are the potential benefits of private management and maintenance. This includes the operation and maintenance of infrastructure assets such as roads, railways, toll stations or ports. But for such a PPP to be attractive for the private sector, numerous inputs are required from the public sector, especially in a region where there are so many barriers and obstacles to cost effective transport. Further, where institutional frameworks are weak, politics may play a prominent role in whether or not there is sufficient oversight that both governments and firms uphold their side of the contractual arrangement.

PPPs and the Maputo Development Corridor

In the mid-nineties, both South Africa and Mozambique faced chronic fiscal constraints on financing road projects. Setting up PPPs is much more complex than conventional public procurement. As indicated above, when South Africa's Cabinet launched its SDI programme in 1995³⁵, there was strong bureaucratic and political commitment behind this complex undertaking. The first Spatial Development Initiative, the MSC, was officially launched at an investors' conference in Maputo in May 1996. One explicit objective was to mobilise private sector support to rehabilitate the primary infrastructure along the corridor, i.e. a single toll road from Witbank (in South Africa) to Maputo, renewal and upgrading of the port of Maputo, re-establishing and renewing railway links to Maputo port and setting up a one-stop border facility on the border of South Africa and Mozambique.

The contract for sub-Saharan Africa's first PPP was tendered barely two months later following the Build-Operate-Transfer principle. 350 km of old road had to be rehabilitated and 50 km of new roads had to be built in Mozambique. A private consortium – Trans-African Concession – financed it and barely two years later it was inaugurated. Mozambique and South Africa treat it as a joint project and the consortium get a 30-year concession for this toll road. According to the Development Bank of Southern Africa (Taylor,

³⁵ As of 1997, South Africa's National Roads Agency encouraged unsolicited bids from private companies as a means for the private sector to upgrade and toll a number of regional roads (Taylor, 2000).

2000) tolls raised on the Mozambican side are not significant (only 3 to 4% of the total). In fact, South African road users are effectively subsidising Mozambican users of the toll road.

The institutional and organisational steer and back up behind this Spatial Development Initiative and PPP is both ‘thick’ and ‘minimalist’. It is thick in the sense that multiple public actors are involved, with an initial strong steer from the Department of Trade and Industry and its Special Projects Directorate. The main structure for coordinating the SDIs was the Overall SDI Coordination Committee, which convenes SDI project managers and senior government and parastatal officials to develop strategies that fast-track project implementation. A new structure was created at the highest political level, the Cabinet Investment Cluster³⁶, which brings together all the ministers whose work impact directly on the investment environment. This body ensures the coordination at the highest level of government. Jourdan notes, that through this process “SDIs have been something of a test case for interdepartmental cooperation within government” (Jourdan 1998: p. 719). This process involved among other things attracting private investors for utilities and regional public goods. Söderbaum compares the institutional architecture of the MDC to a network structure in that it is non-bureaucratic with a more or less “minimalist approach to institutions and designed to meet the challenge of interdepartmental coordination and maintain flexibility and speed in planning and implementation” (Söderbaum 2011: p. 11). The DTI also pushed for the creation of a PPP-unit in the Department of Finance and a new unit in the DBSA.

Whatever the merits of these institutional arrangements, Söderbaum and others have also pointed to the downsides and the dangers of a too light corridor approach (see also 3.2.2). In terms of the PPP construct, the criticism seems to focus on the fact that many potential users remain too poor to pay tolls, and local communities that could be benefiting from this corridor road and its users are excluded from the benefits. “There is a strong emphasis on commercial viability but very few concrete measures for a people-centred development path” (Söderbaum and Taylor, 2008). Söderbaum refers to the high degree of social and economic informal trading networks along the corridor, and the complex interplay between these informal processes and the formal arrangements in place. Some of the informal traders (primarily women) tried to set up shop along the N4 toll road, but were prevented from doing so. According to Söderbaum and Taylor, the “MDC project is geared towards strengthening ties between state and a small number of big business actors, with the result that the informal economy is seen as a problem” (Idem, p. 47). The high expectations placed on the MDC – partly due to government’s *public relations* selling SDIs and PPPs to attract a broad range of potential investors and to win over sceptics of such “neo-liberal” policies – are partly to blame for the lack of understanding of content and purpose of corridor development. In the words of Jonathan Mitchell: “neither politicians nor the citizenry understand PPPs or the Corridor” (cited in Söderbaum 2001: p. 14).

PPPs and the North South Corridor

Over the past decade, Zambia has shown an ambiguous relation to PPPs. Compared to the region Zambia is ahead in that government has already passed a PPP policy in 2006. Government approved the PPP Act three years later, and in that very same year it created a PPP Policy Unit. However, the PPP regulations are still pending (OECD, 2013). Moreover, the initial positive signals were undermined by the subsequent withdrawal of numerous private border post concessions after the presidential elections (2011-2012). The experience of the NSC-related public-private partnerships in Zambia serve to further underline the importance of understanding politics, ideology, institutional incentives, the economic reality, and the importance of the balance between winners and losers in the successful implementation of such projects.

³⁶ CIC was replaced by the Presidential Infrastructure Cluster

Zambia has so far not used private concession arrangements for its roads, but it has gone ahead with such concessions for managing the rail network, some border posts and it is planning a number of toll roads. A Railways Systems of Zambia concession was already in place in 2003. Although originally intended to last 20 years, the Zambian government removed the South African investor's rail concession in September 2012, ostensibly due to the failure of the concessionaire to meet contractual obligations. They cited "mismanagement of Zambia Railways infrastructure and rolling stock, leading to deterioration of assets and resultant loss to the nation as a whole".³⁷ Criticisms include the "abandonment of the inter-mine railway network, high railway transportation costs, failure to meet minimum service levels for passenger freight, unacceptably high levels of derailments and overall and unsatisfactory performance".³⁸ Newspaper reports cited suggestions that the concession had been given in a "dubious manner".³⁹

In the case of border management, the Zambian Movement for Multi-Party Democracy (MMD) government under President Banda awarded a private concession to an Israeli company to run the borders with the Democratic Republic of Congo (Kasumbalesa) and Tanzania (Nakonde) in 2009. There were also plans to extend the concession to another four border posts. The concession was removed from the Israeli company in late 2012 "to bring sanity to the way business was conducted at the border posts" and root out alleged corruption. Questions were being asked in the press about why the then government in which the President served chose to give a foreign company to operate the border post.⁴⁰ A commission of enquiry found irregularities in the way in which the contracts had been awarded.⁴¹ The Kasumbalesa border post has since reportedly increased revenues by 50%.⁴²

While the broader policy context may be one of "engaging the private sector for development", there is a lack of clarity and trust in the way in which PPP policy is being implemented. Certain institutional forms may be in place, but there are clearly shortcomings in the way these institutions function and manage the complex PPP processes. This has encouraged speculation and controversy. While the PPP policy and act were approved under the previous MMD governments of Presidents Mwanawasa and Banda, the investigation of the above concessions was carried out by President Sata's Patriotic Front government, which was elected in 2011. The press ran stories about political score-settling. Claims of dubious circumstances are countered by complaints about lack of government support as laid out in concession agreements. There are allegations that the commission of inquiry on the border post concessions was itself led by individuals who had previously been associated with losing bids for concessions for border management. These issues highlight the need for effective regulatory and oversight institutions if PPPs are indeed to work in practice and ensure good practice on the part of government and concessionaires in implementing the different elements of a corridor initiative.

But even where the removal of a concession is legitimate, there is the underlying question of the viability of the concession in the first place. This clearly impacts on how the concession is carried out, and depends largely on external factors including government policies and priorities. Until the 1990s nearly all Zambia's foreign trade was transported by rail with the switch to road occurring with the collapse of copper prices in the 1980s (Raballand and Whitworth, 2011). This increased competitiveness of road transport, particularly in the post-apartheid era. As such, and despite widespread calls for the government

³⁷ Statement: <http://www.scribd.com/doc/105742199/Railway-Systems-of-Zambia>

³⁸ Statement: <http://www.scribd.com/doc/105742199/Railway-Systems-of-Zambia>

³⁹ http://www.coastweek.com/3537_44.htm

⁴⁰ <http://www.trademarksa.org/news/kasumbalesa-nakonde-borders-repossessed>

⁴¹ Commission enquiry document:

<http://trademarksa.org/sites/default/files/publications/Report%20%7C%20Zambia%20Revenue%20Authority%20Commission%20of%20Enquiry.pdf>

⁴² <http://allafrica.com/stories/201308030074.html>

to invest in rail, with road and road transport improvements, Raballand and Whitworth find that “few of the new rail routes proposed in the Sixth National Development Plan appear economically viable under any circumstances” (idem). As such, as much as politics may play a part in deciding whether or not to award concessions and work through PPPs, their viability and the role of other policies are also fundamental.

What roles have statutory regional bodies such as the Regional Economic Communities played?

Essentially, RECs can be understood as institutionalised and mandated forums for dialogue, negotiations, drafting and agreeing of regional rules that render possible inter-state cooperation on trade, infrastructure, and other areas of regional cooperation. They also have some role in financing, managing, implementing and monitoring. In the case of corridors, relevant roles for RECs to take up may involve a range of aspects such as financing, setting regulatory frameworks (on axle load, border post procedures, tariffs, sanitary and phytosanitary measures, or on removing other obstacles to regional integration). The relationship between RECs and development corridors is, however not as straightforward as this basic summary suggests.

Historically, cross-border development corridors or Spatial Development Initiatives provide an example of a concept that started off at the national level and was gradually regionalised at the REC and the African Union level. The MDC was the first SDI project comprising infrastructure, public sector involvement, private investors, and spatial planning. The SDI methodology was later taken up by SADC because of its innovative, all-encompassing approach. So the MDC was not initiated as a REC initiative, but a strictly bilateral endeavour between South Africa, and its neighbours Mozambique and Swaziland. As Hentz (2005) notes in the case of the MDC, this could be seen as a direct attempt to achieve concrete regional integration while delegating as little national sovereignty as possible to regional organisations, in this case SADC.

The MDC still largely functions outside of SADC, its main institutional anchor being located in South Africa’s bureaucracy and in the Maputo Corridor Logistics Initiative. In the case of the MDC, there was not much of a role played by the RECs. But as indicated above the MDC was key in demonstrating the usefulness of the SDI and corridor approach for regional development, and therefore left a strong legacy on regional infrastructure projects undertaken by SADC and other RECs. Additionally, Söderbaum (2001) explains that the relatively “light” institutional setup of the MDC was deliberate, and backed by several South African constituencies willing to “fast track” regional cooperation initiative.

In the case of the NSC, the relationship with RECs is not straightforward. The NSC is undertaken under the banner of the Tripartite Free Trade Agreement, a configuration involving COMESA, the EAC and SADC with its own set of procedures and decision-making processes. This setup can be explained by the wish to address regional concerns going beyond the geographical reach of a single REC. Currently, the Tripartite initiative is hosted at the COMESA Secretariat, in Lusaka. At its launch, the NSC was heralded as a new, “regional approach” to infrastructure development, replacing the traditional national project approach with its associated risks of fragmentation and lack of coherence.

For a number of reasons, the TFTA’s institutional infrastructure pillar has succeeded in promoting some aspects of a “regional approach” but not others. At present, for example, most NSC projects are funded through national arrangements between national governments and donors. Regional funding mechanisms have been developed but “need to be championed politically”. TFTA countries have not yet managed to agree on the governance aspects, including agreeing on priorities of fundable projects, corridor monitoring systems (TMSA, 2012), etc. Identification of priority projects, for example, is done at the

regional level, and the NSC disposes of a trust fund, held at the Development Bank of Southern Africa. The UK's Department for International Development is the only donor to fund the "Tripartite Trust Account". Difficulties with managing regional funds include member states' governments trying to get the most "mileage" out of regional funds for their own roads.

Most actors whom we interviewed or who participated in the workshops recognise that regional – or rather cross-country – leadership from South Africa was (and still is) key to the relative success of the MDC. This is not surprising: South Africa is the region's heavyweight and can provide crucial impetus to regional projects like the MDC. But it was equally clear that in many other policy arenas or cross-country projects, South Africa's motives and policy actions were questioned. Even though RECs have not played a role in the MDC, there is no questioning about the REC potential to play conducive roles to corridor development, but how these roles and mandates should be articulated in conjunction with the roles and responsibilities of member states, and how optimum cooperation between private and public actors should be encouraged remains unresolved.

Meanwhile, the examples of successful functional cooperation point to the possibility for multiple stakeholders and institutions to engage in effective regional cooperation. Besides the scope of the soft and hard infrastructural complexities and the multitude of countries (and diversity of country stakeholders) involved, some stakeholders also pointed to the need for sufficient attention to project preparation, and the particular requirements in terms of technical, political and process management skills. The same stakeholders pointed out that RECs are not equipped for project preparation/planning and for managing regional mechanisms for infrastructure financing. One of the interlocutors at the Development Bank of Southern Africa summarised the challenge of the hard and slow work of project preparation by referring to the need to "distinguish true regional integration from the concepts or the dreams".

What roles have external partners such as the European Union and other donors played?

As we saw, SADC did not play a role in the start-up of the MDC, nor did traditional donors. Yet donors did play a more prominent role in launching the NSC. The strong pull and push behind the MDC was entirely endogenous. Committed public and resourceful private sector actors on both sides of the border between Mozambique and South Africa fell in line behind broadly similar interests in a context in which they could overcome hurdles and mobilise sufficient human and financial resources to get the necessary infrastructure, anchor investments, and regulatory frames in place for corridor development. In the case of the NSC, donors may have given a strong push to the idea and to launching the initiative as they pledged US\$1.2 billion in support of the NSC at the 2009 Conference in Lusaka.

Donors provided support for corridor investments, but not in the volumes as promised or through the regional channels set up for this purpose. A TFTA Trust Fund was created to promote strategic planning and avoid fragmentation and the funding of disjointed national projects (with different procedures, timelines and framework). The EU, for example, did not and does not intend to contribute to the TFTA Trust Fund hosted at the Development Bank of Southern Africa. The arguments in favor of such trust fund were not convincing enough to neutralise counter arguments such as loss of control over funds, diminishing visibility and increasing bureaucratic or entry costs.

There seems to be a shared sense among donors that there is a rich regional institutional architecture in Africa, but also that there are serious constraints "limiting capacity of the regional institutions to drive the development of regional infrastructure" (PIDA: p 53). There are more than 30 executive continental bodies, RECs, and different national planning agencies, some of which have been

created to resolve the capacity constraints experienced by the existing regional bodies without resolving the underlying issues. The resulting complexities, lack of clarity about functional responsibilities and uncertain financing strategies have “slowed progress on coherent regional strategies, realistic programmes for integration priorities (such as regional infrastructure and trade integration), and technical plans for specific projects” (see also Briceno-Garmendia and Foster, 2010: p. 155). The Study PIDA points to the “lack of a clear mandate and the capacity to coordinate and promote the implementation of investments in support of regional integration”.

Not surprisingly, some donors developed a reticence to channel funding through regional institutions. Regional funds delivered through RECs have faced a number of challenges such as slow disbursement rates, lack of technical and project preparation capacity, and perhaps more fundamentally a “mismatch” between the norms governing aid delivery and the political realities of regional integration (Byiers and Lui, 2013). Indeed, principles of good donorship such as country ownership and donor alignment behind country strategies are inherently problematic when dealing with regional organisations whose governance is by definition multi-layered. For example, “ownership” of a given project by a REC might be problematic since in fact ultimate buy-in for the project rests with national governments. Similarly, alignment between donor projects and REC plans presupposes that these REC plans are already aligned to the ambitions or priorities of the member states.

Donor choices in terms of support channels and projects also create incentives and influence partner country policy choices in transport and corridor development. Six major multilateral and bilateral donors support hard and soft transport infrastructure in Africa and Southern Africa (EU, World Bank, African Development Bank, US, Japan, UK) with another 20 donors active in the transport sector (DAC 2012). Donors have, for example, contributed to institutional reforms such as setting up road agencies and funds throughout Africa with the purpose to generate domestic resources for road maintenance through fuel levies. In Zambia, government still depends on budget allocations for more than three-quarters of its resources rather than through the fuel levies from the road funds. For the road sub-sector Raballand and Whitworth (2011) highlighted that “as elsewhere in Africa, road investments are invariably popular in Zambia” (idem p.15) – more so than road rehabilitation, maintenance and the enabling environment for proper road governance.

But donors have also shown a greater interest in supporting road infrastructure and rehabilitation rather than in maintenance. This donor preference reinforces a tendency with partner country governments to prioritise road infrastructure over road maintenance. Governments tend to prefer the visible infrastructure development over more tedious and less visible road. Moreover, capital investments are more amenable to feed clientelist politics. Donors have partly fuelled this “capital bias” according to Briceño-Garmendia and Foster (2010: p. 215) as donor willingness to fund asset rehabilitation has created perverse incentives for countries to neglect maintenance. Despite the poor track record of the efforts by the Zambian government to maintain the Core Road Network “donors have pressed the Government of the Republic of Zambia to expand the network of feeder roads”, investments for which according to Raballand and Whitworth there is insufficient evidence to justify this choice (Raballand and Whitworth 2011: p. 21).

South African interlocutors reiterated that RECs were well placed for a number of functions and roles, but also warned that external actors “should be careful not to attribute them roles for which they are ill equipped or poorly mandated” (interview the Department of Trade and Industry, March 2013). The sentiment was that donors seemed to push RECs to take up too many roles, for example in areas such as project preparation and coordination. RECs may therefore “stretch” the notion of coordination beyond the useful into the realm where coordination “infringes on the principle of country

policy ownership” (interview the Department of Trade and Industry, March 2013). In the words of interlocutors at the Development Bank of Southern Africa, donors had to be more realistic about both the potential and the constraints of RECs and related bodies. Project preparation, for example is clearly beyond RECs as it involves complex tasks, with a diversity of state and non-state stakeholders in politically sensitive cross-border processes in which it is “important to distinguish true regional integration from the concepts or the dreams” (Interview DBSA, April 2013).

4. Conclusions, lessons and implications

Key findings of the comparative analysis of two transport corridors

While regional integration is taking place across the continent, it is not happening at the pace and the scope that the institutional architects in the Regional Economic Communities and their member states had agreed upon. Southern Africa is no exception. In looking for answers as to what obstructs or what drives regional integration, this study focuses on one particular type of integration process: cross-border transport corridors.

- Despite the fact that all Regional Economic Communities in Southern Africa have embraced transport corridors as key development programmes, transport over land and regional trade in this region is both slow and costly.
- The political economy analysis of the Maputo Development Corridor and the North-South Corridor examined historical and other structural features underpinning corridor initiatives, as well as the institutional frameworks and how these interact with the interests and resources of key state and non-state stakeholders.
- The Maputo Development Corridor is the older of the two corridors and its relative success can be ascribed to the alignment of national and cross-border interests at a critical juncture in the history of Mozambique and South Africa. Strong private sector interests and key anchor investors contributed to the first effective public-private partnership in Africa around the corridor and toll-road.
- The scope of the Maputo Development Corridor was more limited with a smaller number of agencies and stakeholders, with more easily identifiable interests for likely beneficiaries than in the case of the North-South Corridor. The private sector actors around the North-South Corridor are more dispersed, and resembles more a collection of projects funded by different donors under a variety of funding arrangements.
- The study looked more particularly at one land-locked country, Zambia, which forms part of the 8,600 km North South Corridor and is a potential beneficiary of effective corridor development. Despite these clear benefits and being a signatory to the North-South Corridor, the Zambian government has prioritised other investment priorities over improving its part of the transport corridor.
- Despite being conceived as a *Spatial Development Initiative*, the Maputo Development Corridor did only marginally deliver on the promise to extend the development benefits to informal producers and disadvantaged rural communities.

Relevance of the political economy analysis of transport corridors

Comparing two Spatial Development Initiatives or cross-border transport corridors in Southern Africa through a political economy lens has proven useful in three ways. Firstly, the PERISA workshops (October 2012 and July 2013), dialogue and study findings (interviews and literature review first half 2013) confirm the relevance of identifying concrete or functional forms of cross-border cooperation

along the same lines as suggested by Briceño-Garmandia and Foster for regional infrastructure more generally: “Regional infrastructure is an ideal entry point for integration processes, because the costs and benefits and the rights and responsibilities can be more easily defined” (Briceño-Garmandia and Foster 2010: p. 145). In the absence of more comprehensive and effective regional integration reforms and implementation arrangements through the formal Regional Economic Communities’ architecture one may have to envisage incremental yet meaningful steps that build trust, engage state and non-state stakeholders, develop institutions, strengthen capacities, test policies, demonstrate incremental development outcomes and create ever broader buy-in.

Secondly, transport corridors can provide helpful entry points for combining soft and hard infrastructure development. The North-South Corridor and the Maputo Development Corridor, for example, provide a spatial conduit around which key state and non-state stakeholders can dialogue, identify bottlenecks of all sorts, and prioritise hard and soft infrastructure investments. The difficulties with implementing seemingly simple soft sector reforms – such as setting up One-Stop Border Posts – are a reminder of the need for realism. Ignoring these complexities may result in wasted resources and reform opportunities.

Thirdly, Spatial Development Initiatives usually come with the promise of further downstream development initiatives or spillovers. Yet, such processes or spillovers do not come about automatically. Despite the well-intentioned narratives and initial steps to promote the *development* component in the Maputo Development Corridor, the potential for broader development outcomes for rural communities remained largely untapped. So spreading development benefits from corridor investments more widely requires dedicated efforts by public authorities and non-state actors. In the case of the MDC new intermediary organisations or programmes (such as the Maputo Corridor Logistics Initiative) seem to take up some of the development and cluster challenges that may make the soft and hard investments more inclusive, sustainable or profitable in the longer run. The policy discourse accompanying fundraising efforts usually overstates the potential for actual delivery on development outcomes (see also Rodrik, 2013). So this needs to be featured in when assessing the chances of success.

Findings and challenges for regional integration in general – what to do next?

This paper set out to compare the economic and political drivers and obstacles of the Maputo Development Corridor with the North South Corridor. This comparison has highlighted the key challenges for specific processes of regional integration. It also pointed to some of the key context specific actors and factors that contributed to overcome some of these challenges in the most effective and oldest Spatial Development Initiative: the Maputo Development Corridor. Some of the findings point to an agenda that can be relevant to regional integration in Southern Africa beyond the corridors. This agenda to tackle regional integration challenges can be clustered along the following categories of actions:

Building a political consensus and trust:

- This study confirms that regional strategies and policies come second to domestic politics and policies. Member-states shape and inform the agendas, programmes and the institutional implementation arrangements of the various Regional Economic Communities. Yet, in the actual implementation, it is national priorities that may override regional agreements.
- The structural, historical and institutional factors (relating to cross-border conflicts, resource and other dependencies, etc.) that hold back processes of regional cooperation and integration need to be understood.

- The potential drivers, processes and entry points for functional cooperation and for creating trust need to be explored and/or tested more fully.

Developing a realistic agenda of regional integration:

- “Africa has an extensive architecture of regional political and technical bodies, but these face problems because of overlapping memberships, limited technical capacity and limited enforcement power” (Briceno-Garmendia and Foster, 2010: p. 143).
- There are numerous gaps between the regional treaties and strategies on the one hand and the country level development strategies and policies on the other hand. Thus, the emphasis of regional institutions may have to shift from the all-embracing, comprehensive and ambitious REC agendas to include a more focused, facilitative and realistic agenda based on lesson sharing and learning.
- But this requires an agenda setting that involves key stakeholders and actors that may not yet be roped in. The example of the South African National Planning Commission (with support from the Development Bank of Southern Africa) may be illustrative for the types of facilitation and multi-stakeholder platforming required. The National Planning Commission has taken steps to engage with National Planning Entities in the region to strengthen capacities and linkages for ensuring stronger alignment between the national and regional development plans, and in support of cross-sector dialogue on cross-country cooperation.

Aligning donor support with existing incentive mechanisms for regional cooperation

- The implementation gaps, institutional constraints and lack of synergies at the various regional and national levels can be reinforced by ill-considered external support mechanisms and strategies. Poorly calibrated aid can create disincentives for key organisations or stakeholders to cooperate and coordinate.
- Given the multiple problems associated with cross-border functional cooperation and the variety of state and non-state actors involved, particular attention should be given to intermediary or special purpose organisations or sectoral technical bodies that focus on regional or cross-border multi-stakeholder problem solving, facilitation and knowledge development.

Setting priorities for investments:

- Generally speaking, the investment agenda in Southern Africa is huge, with numerous competing sectors (economic and social), levels (not just national and sub-national but also regional) and state and non-state stakeholders. Clearly, Spatial Development Initiatives offer advantages in that they help focus on benefits and trade-offs, and offer conduits for national public authorities to engage with the private sector, with sub-national entities and with other non-state groups in priority setting.
- The political and institutional incentives under which national political elites operate need to be understood. Too often, political expediency – and not economic rationales – informs policy choices about soft and hard investment preferences, as the case of prioritisation of rural roads in Zambia illustrates.
- Institutional reforms in the area of state-business relations and in the governance of state owned enterprises will be critical to facilitate or enable Public Private Partnerships, mobilisation of private sector (anchor) investments, or more broadly in striking a balance between public and private interests.

Combining soft with hard infrastructure development:

- Transport corridors clearly demonstrate that soft infrastructure investments (regulatory and policy frameworks, implementation and monitoring agencies, accountability relations etc.) may be at least as important as the actual hard infrastructural planning and development.

- It makes little sense to have infrastructure development without appropriate and harmonised regulatory frameworks and without the legal and/or administrative environment that is conducive to public and private sector cooperation.
- The enthusiasm with which seemingly straightforward soft investments such as One-Stop Border Posts were undertaken is now being tempered with a dose of realism. The combined multi-agency coordination failures and technocratic/technical failures cluster into sticky obstacles that merit dedicated attention.
- Planning and designing such complex investment projects is not a run-of-the-mill affair. Assessing the political feasibility is as important as the appraisal of social, economic, financial, technical, administrative and environmental feasibility. Moreover, there is an important aspect of understanding the informal, cross-border dynamics, as well as the interactions between formal and informal institutions.

Facilitating project preparation and cross-border finance

- All complexities and challenges related to soft and hard infrastructure development mentioned above have to be assessed and somehow addressed in the initial phase of project preparation. Regional or cross-border project preparation is costly and time-consuming. Benefits, income, profits may only be visible or generated over longer periods of time.
- Given the relatively poor record of the fragmented Project Preparation Facilities (Infrastructure Consortium for Africa, 2012) sufficient resources have to be set aside for process facilitation in preparation of investment dossiers, especially when the public sector is seeking to partner with private sector interests. Timely and careful attention needs to be given to credible confidence building measures and capacity building.
- External partners need to prioritise African institutions through or with which to work. Donors should avoid further fragmentation through setting up disconnected project preparation facilities, and accept that project preparation costs in Africa will likely be higher than the average.

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This publication benefits from the generous support of ECDPM's core, institutional and programme funders: The Netherlands, Belgium, Finland, Ireland, Luxembourg, Portugal, Sweden, Switzerland and Austria.

ISSN 1571-7577

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