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Corridors of power or plenty?

Lessons from Tanzania and Mozambique and implications for CAADP

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Acronyms

AFDB	African Development Bank
ASDP	Agricultural Sector Development Programme
ASP	Agricultural Strategic Plan
AU	African Union
BRIC	Brazil, Russia, India and CHina
CAADP	Comprehensive Africa Agriculture Development Programme
CFM	Mozambican Rail
COMESA	Common Market for Eastern and Southern Africa
DfID	Department for International Cooperation (UK)
DRC	Democratic republic of Congo
EAC	East African Community
ECDPM	European Centre for Development Policy Management
ESRF	Economic and Social Foundation
FANRPAN	Food, Agriculture and Natural Resources Policy Analysis Network
FAO	Food and Agriculture Organization
FAOSTAT	Food and Agriculture Organization statistical dbase
FDI	Foreign Direct Investment
IFAD	International Fund for agricultural development
MCLI	Maputo Corridor Logistics Initiative
MDC	Maputo Development Corridor
MFN	Most Favoured Nation
MPDC	Maputo Port Development Company SA
NEPAD	New Partnership for Africa's Development
PEDSA	Strategic Plan for the Development of the Agriculture Sector
PROSUL	Maputo and Limpopo Corridors Value Chains Development Project
RAP	Regional Agricultural Policy
REC	Regional Economic Community
RECs	Regional Economic Community Secretariat
ROO	Rules of Origin
SADC	Southern African Development Community
SAIIA	South African Institute of international affairs
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SARS	South African Revenue Service
SDI	Spatial development initiatives
SPS	Sanitary and Phyto-Sanitary
TAFSIP	Tanzania Agricultural Food Security Investment Plan
TAZAMA	Tanzania Zambia Mafuta
TAZARA	Tanzania Zambia Railway Authority
TMSA	The TradeMark Southern Africa
TRAC	Trans African Concessions (Road operator)
UNAC	União Nacional de Componeses (National Peasants Union)
WB	World Bank
WEF	World Economic Forum

Executive Summary

1. The “corridors approach” is fast gaining importance as an economic development strategy, particularly in Africa. Largely based on historical transport connections across the continent, corridors have moved from transport to so-called development corridors, embodying a range of development objectives aimed at overcoming coordination failures in investment and taking advantage of agglomeration and spillover effects, to boost trade and productivity.

2. Development corridors target an increasingly wide array of policy challenges, with an increasing focus on agriculture. They aim to increase regional trade through better physical and soft infrastructures, improve markets for agricultural inputs and outputs, set out agricultural investment opportunities, engage with international investors, and promote the integration of small-scale producers into international value chains.

3. SADC Policy Frameworks have adopted corridors as a major policy direction and point to the role of corridors in general and to promote agricultural development. Further, the SADC Regional Agricultural Policy identifies them as key to achieve its specific objectives.

4. This study looks at the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) and Maputo Development corridors and their roles in addressing constraints to market integration for agricultural producers and potential lessons for the Comprehensive Africa Agricultural Development Programme (CAADP) to maximise its impact on smallholders, particularly at the regional level.

5. While the Maputo corridor is a development corridor in its broadest sense linking Maputo in Mozambique and its South African hinterland, including Johannesburg and the surrounding area, SAGCOT builds on the existing Uhuru (TAZARA) transport corridor between Dar-es-Salaam in Tanzania and Zambia to focus particularly on agriculture and agri-processing promotion. Their difference in scope provides a useful basis for lesson learning on achieving development goals that can benefit all actors involved, especially smallholders.

6. The report is based on a review of the relevant literature and stakeholder interviews in Mozambique, Tanzania and South Africa. The study identifies key issues from discussants and the literature with a view to further promoting frank policy dialogue on the corridor approach in the context of food security and trade facilitation processes.

7. Corridors can do much for farmers but the existing literature and our interviews tend to show they risk being ‘corridors of power’ rather than ‘corridors of plenty’ so far.

8. A key finding is that cross-border trade is increasingly improving, particularly for larger operators. This relates in part to corridor-related initiatives to improve both “hard” aspects such as infrastructures and “soft” aspects such as border and port management, often with the support of donors.

9. Current constraints to regional and national value chain integration reportedly relate more to ‘behind the border’ issues. These include a supportive business environment for domestic farmers and the private sector in general, access to agricultural support services and, the challenge of engaging with smaller producers. Other cross-cutting constraints are very much to do with land access and implementation of tax policy and business regulations.

10. Numerous private sector interviewees are sceptical of the “statist” approach to identifying investments perceived to underlie the corridors approach and CAADP investment plans. While large infrastructure projects benefit from being brought to a bankable stage, several pointed to the fact that they have their own agricultural investment plans, credit lines and in some cases regional partners, but suffer from a lack of access to land and a weak business environment.

11. While corridor approaches offer an attractive approach to overcome coordination problems, working with such a wide range of actors is nonetheless difficult in practice. For example, to operate an integrated border-post is complex, as it is for integrating roads and rail connections highlighting the importance of functional institutional collaboration.

12. Encouraging investors to take a leap of faith where the wider business environment is an obstacle remains a challenge, particularly where markets for inputs and outputs are product and producer specific, raising the question of how far the coordinating role of the corridor approach can function. As a marketing vision it appears useful, but as a roadmap for coordinating integrated investments it remains to be proven.

13. The challenge to help small-scale operators benefit from corridors is enormous, whether in agriculture or other sectors. In agriculture this is particularly important as only around 10 percent of smallholders can generally benefit from such approaches.

14. The Maputo Development Corridor experience suggests that the focus on small-scale producers and traders can get lost due to other more immediate concerns. The time and financial costs involved in working with smallholders and their representatives are high. For SAGCOT to achieve its development objectives, investors will have to be willing to absorb these costs in the long-run.

15. It is important to understand the drivers of corridor initiatives, the frameworks in which they operate, the interests at stake, and the ultimate beneficiaries. The range of actors includes donors, international platforms, international companies, presidents, ministries, government agencies, smallholder producers, commercial farmers, input suppliers, aggregators and traders, informal traders, producers, storage-providers, transporters and infrastructure providers.

16. The impact of the corridors approach will depend on the interactions of these actors. According to interviews, local actors, both large and small, private and public, have largely remained outside the corridor processes. The driving role of high-level politicians and international companies is therefore an advantage but also a risk.

17. A positive reading of the Maputo Development Corridor is that it led to vastly improved infrastructures linking South Africa and Mozambique and considerable investments. A sceptical reading is that it has served political interests, the more powerful South African private sector and Mozambican elites, with little benefit for poor people and small-scale producers.

18. A positive reading of the SAGCOT Corridor would point to its attracting international agribusinesses, their willingness to engage with smallholders and the potential sustainability brought by commercial interests. The potential flip-side is that the process is also being driven by those powerful international agri-businesses, raising the question of how to ensure the widespread developmental benefits expressed as objectives in both corridor initiatives, beyond a narrow share of the population.

19. A role for CAADP may lie in ensuring that additional opportunities and support is provided to smallholders to benefit from corridors, for instance through linking those large infrastructure developments with the upgrading of feeder-roads and storage facilities. More specifically, given the regional nature of the corridors, an important role may be to ensure that region-wide coordination takes place in harmonising policy frameworks and instruments to support farmers in a regional CAADP approach.

20. CAADP can help transform the regional dimension of corridors from intention into reality. Although SAGCOT is planned as a regional corridor linking Tanzania, Malawi, DRC and Zambia, and private sector investments will require this, at present it remains primarily a Tanzanian project. The MDC experience shows that, even when corridors are designed and developed to connect neighbouring countries, there is a risk that the stronger economy will reap the benefits of the corridor initiative.

21. CAADP could promote synergies between policies and investments for agriculture growth and corridors development. A particular focus could be to strengthen the 'software' dimensions of the corridors. Ensuring that region-wide coordination takes place on key 'software' components such as regional market information systems, matchmaking exercises between buyers and sellers, trade facilitation tools, trading floors, custom procedures, business facilitation and harmonization of administrative regulations.

22. CAADP might use the MDC and SAGCOT corridors to inform and guide future initiatives, given the wide and growing interest in the approach. This could be done both by looking at concrete examples such as the introduction of progressive legislation with regards to community involvement in case of land investment and more generally by keeping the national as well as the regional interests and perspective at the core of these initiatives.

23. A more in-depth, narrowly focused political economy analysis would help in specifying what each relevant actor could do for the successful integration of corridors approaches and proposed CAADP-related investment. This approach goes beyond technical solutions that often are already available, to explore proposals for incremental change around bottlenecks that are more political than technical.

24. Overall, there is a need for deeper understanding and more dialogue to build trust between different parts of the private sector, policy makers and other key stakeholders at the national, regional and international level. More importantly, there is a need to understand when, where and how broad policy reforms can further ensure smallholders can benefit from increasing attention to promoting investment and trade in agriculture, with a view to finally raising productivity and incomes for the vast populations relying on agriculture in Africa.

1. Introduction

"Africa has made an unprecedented commitment and resolve to place agriculture at the centre of efforts to address continuing hunger, malnutrition and poverty, and to deliver agriculture-based economic and social transformation" (NEPAD, 2012). So states a recent report on the Comprehensive Africa Agriculture Programme (CAADP) of the New Partnership for Africa's Development (NEPAD), a programme of the African Union.[1]

The importance of enhancing the performance of agricultural markets to meet this challenge is evident and is a key objective of CAADP. But with the tenth anniversary of the Maputo Declaration in 2013, progress on CAADP commitments is mixed. Despite high average economic growth rates, poverty levels in Africa remain high while the vast majority of the poor rely on agriculture for their livelihood. Agricultural productivity is low while markets for agricultural inputs and outputs are highly segregated both within and between countries, suggesting these might be important focal areas for CAADP action.[2]

One approach to boost productivity is to promote greater trade and investment in agricultural inputs, production and support services.[3] This requires actions not only to implement signed regional trade agreements, but also to address non-tariff barriers and harmonise standards, to promote the commercialisation of agriculture more broadly, to improve infrastructures, and lower the bureaucracy associated with trade more broadly. It also requires measures to directly address challenges faced by smallholders and informal traders.

Achieving these objectives is increasingly thought to require greater engagement with the domestic and international private sector. This is recognised by the Busan High-Level Forum outcome document, the G8 New Alliance for Food Security, the G20, the World Economic Forum, as well as through initiatives such as Grow Africa and Aid for Trade, both of which also form aspects of CAADP.[4] As one report puts it "*the challenge is how to invest in agriculture, both from a national and international perspective, in ways that not only boost production, but also secure food and livelihoods, create jobs and reduce poverty, recognise the rights of local men and women and at the same time take care of environmental issues*" (Kaarhus et al., 2010). This is no small challenge.

Corridors as a unifying approach?

All of these issues combine in the approach offered by development corridors. Although not uniquely defined, development corridors are often based on historical transport connections between countries but have moved from transport to so-called development corridors. These target an increasingly wide array of policy challenges including increasing regional trade through better physical and soft infrastructures, improving markets for agricultural inputs and outputs, laying out investment opportunities, engaging with international investors, and working to promote the integration of small-scale producers into international

[1] Established by the AU assembly in 2003, the CAADP commitments include are to increase public investment in agriculture to a minimum of 10 percent of their national budgets and promote agricultural growth to a rate of six percent per year, based around four key pillars: (1) Sustainable Land and Water Management; (2) Market Access; (3) Food Supply and Hunger; and (4) Agricultural Research. See the following for a more in-depth discussion of the SADC CAADP Regional Compact: Rampa, van Seters and Afun-Ogidan (2012).

[2] For example, a recent study on Ethiopia suggests that use of improved hybrid maize could help quadruple productivity; and "even if just half the farmers achieved the productivity associated with using hybrid seeds, the domestic production would replace commercial imports" (World Bank, 2012).

[3] The AU Joint Conference of African Ministers of Agriculture and Ministers of Trade held in November 2012 was entitled "Boosting Intra-African Trade: A key to agricultural transformation" (AU, 2012).

[4] G20 (2011), G20 (2010).

value chains. On paper the corridor approach overcomes multiple coordination problems that hold back greater gains in productivity and agricultural trade.

Development corridors have been highlighted as a key policy tool within SADC as reflected in the 2003 SADC Regional Indicative Strategic Development Plan. More recently, at the SADC Heads of State Summit in Maputo in 2012, incoming chairman President Guebuza 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, 2010). These are the explicit goals of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) and the Beira Corridor in Mozambique, for example, both of which are at an early stage.[5] At the same time, although increasingly linked to agricultural initiatives through PROSUL, the Maputo Development Corridor (MDC) linking southern Mozambique to South Africa has been operational since the mid-1990s but with a more generally developmental scope, potentially offering interesting lessons regarding the challenges faced.

A key question is whether the corridors genuinely offer themselves to development, or if they only serve the interests of the economically and politically powerful. Are they "corridors of power", or are they "corridors of plenty", finally offering an approach to boost the incomes and well-being of smallholders and low-income households through regional value-chain integration? And what role can CAADP play to make sure to maximize their role as corridors of plenty?

This study looks at the role of the SAGCOT and Maputo corridors in promoting value-chain integration at the national and regional levels in SADC. It focuses on the SAGCOT and the Maputo Corridors to draw lessons for policy makers, particularly in terms of their roles in promoting investment, value-chain integration and regional integration; in addressing current private sector constraints to market integration; and the potential supporting role for CAADP processes in maximising their development role, particularly at the regional level and for the benefit of smallholders.

The report addresses these issues through a review of the relevant literature as well as stakeholder interviews in Mozambique, Tanzania and South Africa. While a broad range of actors and interests was represented during the interviews, the study does not pretend to provide a scientifically rigorous impact analysis for these corridors. Instead it raises key issues from discussants and the literature to further promote frank policy dialogue on the corridor approach, in the context of food security and trade facilitation processes.

Can the promise become a reality?

The study finds that while corridors can do much for farmers, the existing literature and our interviews tend to show they risk being 'corridors of power' rather than 'corridors of plenty'.

While corridors offer an approach to overcoming a range of investment coordination problems, institutional coordination in practice is extremely difficult. To illustrate, collaboration and coordination among the many different actors required to operate an integrated border-post is complex, as it is for integrating roads and rail connections. Encouraging investors to take a leap of faith where the wider business environment remains a challenge and where markets for inputs and outputs are product and producer specific then also raises the question of how far the coordinating role of the corridor approach can take it. As a marketing vision it may serve its purpose, but as a roadmap for coordinating integrated investments it remains to be proven.

[5] For a discussion on infrastructure and corridors in the region, see African Development Bank (2011).

In addition to the high transactions costs of coordinating actors, the challenge to integrate smallholders is enormous. Separate studies suggest that only around 2 to 10 percent of smallholders can usually benefit from such projects. Further, as the Maputo Development Corridor highlights, unless corridors focus primarily on development objectives, they may be limited in their impact on small-scale producers and traders. The time and financial costs involved in working with smallholders and their representatives are extremely high. As such, though beneficial for the poor on paper, SAGCOT will have to prove that investors are willing to absorb these costs in the long-run, an issue that attracts doubt given their externally driven nature and close connections to multi-national companies.

At a narrower level, cross-border trade is improving, particularly for larger operators. This is partly due to corridor-related initiatives to improve both “hard” aspects such as infrastructures and “soft” aspects such as border and port management, often with the support of donors.

However, promoting regional and national value chain integration appears to rely more on ‘behind the border’ issues. Access to improved agricultural support services and a supportive business environment remain a key necessity for domestic farmers, with the challenge of engaging with smaller producers still very much present. A corridors approach may be able to help overcome this by providing a narrower geographical focus to policy efforts to address these aspects however it nonetheless requires special consideration of mechanisms to benefit small-scale producers, particularly since not all will be able to benefit from value-chain type programmes.

A fundamental issue about corridors then is to understand their drivers, the frameworks within which they operate, the interests at stake, and the ultimate beneficiaries. A sceptical reading is that the Maputo Development Corridor serves political interests, the more powerful South African private sector and Mozambican elites, with little benefit for poor people and small-scale producers. The SAGCOT Corridor is also being driven by powerful international agri-businesses with linkages on the ground yet to be proven, depending also on the frameworks for engagement or participation in the corridors initiative, currently under development. The major question then is how to promote and ensure the widespread developmental benefits that is expressed as an objective in both corridor initiatives.

What role then for CAADP? While the CAADP has yet to prove it can move from policy to implementation itself, an opportunity may be in ensuring that additional support is provided to small-holders to better assist them in taking advantage of the changes underway through these corridors. More specifically, given the regional nature of the corridors, an important role may be to ensure that region-wide coordination takes place in harmonising policy frameworks and instruments to support farmers in a regional CAADP approach.

The remainder of this study is organised as follows: Section 2 on “Corridors in Principle” discusses the constraints currently faced in promoting greater agricultural production and trade in Sub-Saharan Africa and how a corridors approach might address these. Section 3 looks at “Corridors in Policy”, providing an overview of the role corridors are given in existing policies at a continental, regional and national level in Mozambique and Tanzania. Section 4 then relates this to “Corridors in Practice”, examining the different interests and challenges faced by different involved stakeholders based on existing studies and stakeholder interviews. Section 5 concludes with a discussion of lessons that can be learnt.

2. Corridors in Principle

2.1. Food production and agricultural trade[6]

Africa has been a net importer of agricultural products for the last three decades while the SADC region is in a similar situation (Rakotoarisoa et al., 2011). Intra-SADC trade in agriculture represents only 15 percent of total intra-SADC trade, and 22 percent of SADC's total agricultural trade including non-SADC countries. Further, 54 percent of total SADC agricultural trade is due to South Africa. At the same time, 61 percent of SADC's 227 million inhabitants are estimated to rely on agriculture for their livelihoods (SADC, 2012). Relatedly, poverty rates are high in the region, highlighted by the Human Development index rankings of 153 for Tanzania and 184 for Mozambique out of 187 countries, above Burundi, Niger and the DRC (UNDP, 2012).

Africa reportedly has 60 percent of the world's total uncultivated arable land with an immense potential for agricultural productivity growth. According to some figures, only 25 percent of SADC's arable land is under cultivation with 85 percent of that used for forage and the rest for crop production. While figures suggest that 45 percent of the rural population lives in areas of high agricultural potential, it is not clear what share of "high agricultural potential" land is already under cultivation and within relatively easy reach of backbone infrastructures (SADC, 2012). As discussed below, the issue of land availability, determining what is genuinely available, and where this is located is a key issue for the corridors approach such as SAGCOT.

At the same time, the agricultural sector in sub-Saharan Africa has low productivity, low productivity growth and much informal trade. According to SADC, labour productivity in the agricultural sector is thirty times lower than in developed countries, while land productivity for cereals stands between 1.5 and 1.7 metric tonnes per hectare, below the African average of 2 tonnes per hectare (SADC, 2012). Only about 20-25 percent of local agricultural production is marketed and formal intra-African agricultural exports account for only 19 percent of total intra-African exports (UNECA, 2010).[7] The SADC average annual growth rate will need to rise from its present 4 percent to meet the CAADP target of 6 percent annual growth.[8]

The poor performance of the sector is attributable to a combination of factors. These are variously cited as declining investment in agriculture; inadequate physical infrastructures; high cost and shortage of fertilizers and high quality seeds; restricted access to credit; limited access to regional and international markets; and lack of conducive policy and business environments.[9] This is not to mention the more general problems associated with transport costs, border restrictions and general constraints to moving goods from one place to another. At the same time, with strong population growth there is a need for job creation, with agriculture and agricultural trade having the potential to play an important role. The corridors approach may help address these constraints.

6 A recent ECDPM Briefing Note (Rampa, 2012) gives a brief overview of the importance of regional integration for African agriculture.

7 Interestingly, Angola and Mozambique were the only countries in the SADC group to increase per capita food production over the period 1990 to 2006 (UNCTAD, 2009). However, it is important to note that most of intra-African agricultural trade is informal and therefore remains largely unrecorded.

8 SADC (2012).

9 See SADC (2012), or UNDP (2012), for example.

2.2. Fragmented Markets & Critical Mass

Regional integration in Africa is essential given the small size of most economies and the often arbitrarily drawn borders that pay little heed to the distribution of natural endowments.[10] However, intra-regional trade in goods is low.[11] Although generally in decline, tariffs still remain a hurdle in regional agricultural trade. While Tanzania has almost completely liberalised trade within the East African Community (EAC) it still maintains restrictive barriers on most food products from SADC countries. In comparison Mozambique has relatively low agricultural tariffs.[12] Removing these trade barriers, particularly at the regional level, will play a key role in promoting economic development within the corridors and thereby increasing food security.

However, beyond tariffs, there is a range of non-tariff barriers to trade in agricultural goods. These relate to standards and particularly Sanitary and Phyto-Sanitary regulations that, although necessary to a degree, serve to inhibit regional trade. Small-scale producers inevitably have greater difficulty in achieving standards than larger producers. Reflecting this, Tanzania and Mozambique rank 94 and 97 of 132 countries in the 2012 Enabling Trade Index of the World Economic Forum (WEF, 2012).

Beyond this, there is a lack of critical mass in both input and output markets that make agricultural production in the region uncompetitive. As well as requiring stable prices, technical expertise, and infrastructures, producers also need efficient tractor services, warehouses, cold-storage facilities and improved agro-inputs such as improved seeds and fertilisers.[13] "*The key segments of the industry that drive and control growth in the sector are: agro-dealers, food processors, supermarkets, support service institutions and financing companies*" (UNDP, 2012). Although they drive the sector, they require sufficient market size in order to engage, and their absence may therefore be a determining factor for future investments.

Value-chain integration is therefore not only about promoting international and regional integration. It is also about promoting greater market integration between rural producers, communities, villages, districts, and provincial towns. While domestic roads and transport costs can be high, these are further exacerbated for regional trade by additional burdens at borders. This underlines the need for an integrated approach.

Transport costs associated with trade within Africa are extremely high, particularly in landlocked countries. Transport costs can account for 20–60 percent of delivered food prices[14] with some estimates putting the cost of shipping a container from Durban to Lusaka, for example, at between $5000 and $8000, compared to $1500 from Japan to Durban.[15] According to a milling company interviewee, this makes it cheaper to import grains from South America than from up-country, costing $45 per tonne compared with $80 per tonne.

While trade facilitation measures are required to simplify and harmonise bureaucratic procedures for trade, it is important to understand other factors affecting the cost of trade. A recent study suggests that vehicle operating costs along four of the main transport corridors in Africa are no higher than in France, but transport prices remain among the highest in the world, especially in trying to ship goods

10 Brenton and Isik (2012)
11 Further, formal figures understate the real levels of trade, with high levels of informal trade also a manifestation of some of the constraints to producing and trading.
12 Kuhlmann et al., (2011)
13 UNDP (2012)
14 World Bank (2012)
15 Pearson (2011)

from landlocked countries to ports.[16] This then points to the need to understand and address transport market regulations and operations and not only focus on infrastructures and bureaucratic delays.

At the same time there is a range of potential agribusiness opportunities. These are witnessed by the rapid growth of the packaged food market in Africa of 8.3 percent between 2005 and 2009.[17] According to UNDP research, there are $10bn of investment opportunities in Sub-Saharan Africa in the agro-food sector, relating to fruit concentrate processing, cassava processing, soya bean and other oil seed plant cultivation as well as fresh vegetable production and maize and rice production.

As such, it is important to understand how to engage low-productivity agricultural smallholders into commercial relationships to take advantage of these opportunities. To encourage investments will require the critical mass of producers, suppliers, input providers and purchasers.

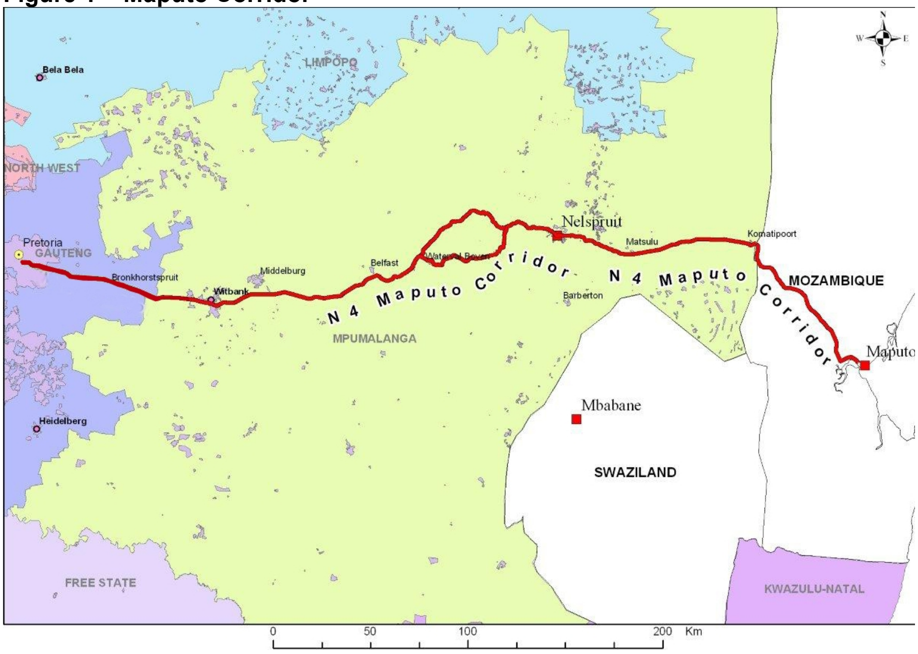
2.3. Bring back the corridors!

A corridors approach offers potential responses to these challenges. As a Maputo Corridor representative has put it, whereas a transport corridor is a corridor “connecting two points of economic activity as reliably and as cost-effectively as possible”, a development corridor is an “integrated programme focused on crowding-in of investment on the back of typically transport and energy infrastructure” with a view to providing broader development impacts.[18]

The focus on a corridors approach is not new in Mozambique or Tanzania. Mozambique has long served its hinterland with access to its ports and indeed has far better infrastructures along its East-West axes than it is has linking the North to the South of the country.[19] The Maputo Development Corridor in particular has long been an export channel for goods from the area around Johannesburg and Pretoria, with a corresponding inflow of migrant labour to South African mines.[20] Following the first free elections in South Africa in 1994, and as a way of promoting development in southern Mozambique after 17 years of civil war that ended only in 1992, the MDC was championed in 1995 as one of South Africa’s Spatial Development initiatives. Although the MDC was not originally conceived as an “agricultural corridor”, this aspect is gaining momentum with recent policy approaches such as PROSUL, discussed below.[21]

16 Teravaninthorn and Raballand (2009)
17 UNIDO (2012)
18 MCLI (2010)
19 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). Political tensions with Rhodesia and apartheid South Africa in the immediate post-independence era limited the levels of exchange, but the underlying structure remained and is indeed being resurrected, not only as an approach to address constraints in the agricultural sector, but also as part of ongoing investments in the extractive sector to ship out coal.
20 In the 1970s, 40 percent of exports from the Witwatersrand area went through Maputo, while hundreds of thousands of Mozambican workers also migrated along the corridor to the mines and farms in South Africa (Roodt, 2008).
21 Although not explicitly linked to the MDC initiative, Mozambique obtained US$39 million in loans and donations to finance agricultural activities in the provinces of Maputo, Gaza and Inhambane with the funding made official in in early October 2012. This includes funding for the Value Chain Development Project in the Maputo and Limpopo Corridors, named PROSUL, which is intended to support the activities of small-scale producers. The programme, which will be carried out in 19 districts of Mozambique, will include repairing and expanding irrigation systems in the horticultural production areas, including designing, building and maintenance of construction projects, as well as boosting the associations that use the water, including institutional support for the irrigation companies (MacauHub, 2012).

Figure 1 – Maputo Corridor[22]



South Africa is Mozambique's major trading partner but trade flows are imbalanced. South Africa accounts for 44 percent of Mozambique's imports, but only 20 percent of Mozambique's exports and 37 percent of Mozambique's total foreign trade.[23] At the same time, formal employment has been declining in South Africa since 1971, the number of hectares under cultivation has been in decline since 1974, while land under irrigation has not expanded since the 1990s.[24] Big questions therefore arise regarding the potential role of the corridors approach not only for Mozambique but also South Africa.

Tanzania has three main corridors serving its inland neighbours, the southern, central and northern corridors, all originating in Dar es Salaam. SAGCOT is based on the southern corridor, sometimes referred to as the TAZARA or Uhuru Development Corridor, long considered an important outlet for Zambia to the sea through the TAZARA railway line, the TamZam Highway, and the TAZAMA crude oil pipeline.[25]

The idea that corridors might address many of the constraints cited above therefore has a long-running resonance. Many of the issues of promoting development, particularly relating to boosting agricultural productivity and smallholder engagement, relate to coordination problems - the private sector is not willing to invest if there is no access to inputs and a vibrant market, while firms will not invest to provide inputs if the demand is not there.[26] A coordinated approach that focuses public investments, donor attention, and identifies opportunities for private sector investment through a corridor approach may then

[22] Map from Digital Logistics Capacity Assessment: http://dlca.logcluster.org/MOZ/logistics-infrastructure/road-assessment/road-contacts/Roadtoll.jpg
[23] Castel-Branco (2004)
[24] National Planning Commission, 2011.
[25] 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. While this served to give Zambia the opening it had lost, again due to Rhodesia and apartheid South Africa which led to its moniker the "Freedom Railway", at the same time the TanZam highway was being built along the same lines with US and World Bank support (Monson, 2009).
[26] Haussman et al. (2008) relate this to "self-discovery externalities", reducing the incentive for firms to experiment to discover what activities can work successfully, "coordination failures", that mean that all the complementary, coordinated investments that are required for certain activities to be viable do not occur; and "Missing public inputs" whereby investments are seen as unattractive due to a lack of certain key public inputs such as infrastructures or a sound legal framework.

be a suitable approach. Further, intangible aspects of the approach may bring benefits to local operators, with anecdotes in interviews of greater access to credit due to a location within the SAGCOT corridor.

Figure 2 SAGCOT Corridor[27]

An important characteristic of the corridors examined here is their multi-regional dimension. While the Maputo corridor covers only two SADC countries, SAGCOT aims to link countries in COMESA, the EAC and SADC. Both form a part or link to the Tripartite North-South Corridor. While this may ostensibly lead to a need for coordination among additional parties, it also raises the possibility that corridors can serve as rallying points for regional CAADP policies in different RECs to complement corridor initiatives.

3. Corridors in Policy

3.1. Big ideas, big policies

Policies to promote food security and agricultural transformation in Africa are framed within the CAADP process. Implementation of CAADP is centered around national and regional plans or 'compacts', ideally designed as an agreement between all stakeholders (public, private as well as donors) and serving as a framework for partnerships, alliances, and dialogue to design and implement the required policy interventions and investment programmes.[28]

With the tenth anniversary of the Maputo Declaration in 2013, progress on CAADP commitments is mixed.[29] For the 8 countries in the region where relevant data is available, only Malawi and Zambia have ever attained the 10% target of public expenditure on agriculture as stated in the Maputo Declaration, with

[27] Map from SAGCOT Partnership - http://www.sagcot.com/uploads/pics/Clusters.jpg

[28] While 40 out of the 54 African Union member states are engaged with the CAADP process, as of November 2012 30 are reported as having signed national CAADP Compacts, 20 have prepared investments plans, and 14 have held successful business meetings. www.nepad-caadp.net

[29] Only 7 of the 15 SADC member states have signed CAADP compacts, namely DRC, Malawi, Mozambique, Seychelles, Swaziland, Tanzania and Zambia, with mixed progress on achieving the 10 percent target of public expenditure (Chilonda et al., 2012)

overall SADC agriculture expenditure averaging 1.91% between 2003 and 2010. Only Madagascar and Zimbabwe, Malawi, Mozambique and Tanzania have achieved the CAADP agricultural GDP annual growth target of 6 percent for any one year, whilst SADC averaged around 4 percent between 2003 and 2009.

While CAADP itself makes no explicit mention of using corridors, a major focus is placed on partnering with the private sector and on promoting regional approaches to addressing food security. In support of this, the Grow Africa partnership platform was initiated to accelerate investments for sustainable and inclusive growth in African agriculture in support of CAADP with the corridors approach as a major focal area for work in Tanzania, Mozambique and Kenya.[30] Both Mozambique and Tanzania have approved CAADP compacts, with the Mozambique's based on its PEDSA 2011-2020 (Strategic Plan for the Development of the Agriculture Sector) which highlights six Development Corridors, namely:

- Pemba-Lichinga Corridor
- Nacala Corridor
- Vale do Zambeze Corridor
- Limpopo Corridor
- Maputo Corridor
- Beira Corridor

In addition, the G-8's New Alliance for Food Security and Nutrition, launched in May 2012, also aims to support CAADP by launching New Alliance Cooperation Frameworks.[31] Tanzania was one of the four original alliance countries, with Mozambique joining in September 2012.[32] While the G8 initiative is focused at the national level, the corridors approach aims to be regional in nature, an issue discussed again below.

SADC Regional Agricultural Policy

Although SADC has not produced a Regional CAADP Compact, its draft Regional Agricultural Policy (RAP) is currently being finalised with Ministers expected to adopt it in May 2013. This aims to address not only the fact that "the agricultural sector has over the years become less attractive to investment", but also the perceived lack of "coherent policies to support agricultural development at both the national and regional level as one of the major impediments to agricultural growth". As such, its objective is to promote "collaborative actions at the regional level and complement national actions to stimulate competitive production and trade of agriculture-based products."[33]

A range of constraints is cited at the farm-level that constrain agricultural development in the SADC region, similar to those mentioned above.[34] This results in 117 "expected interventions" across 35

30 WEF (2012)

31 These aim to align with priority activities from each partner's CAADP national investment plan and include predictable funding commitments, specific policy actions, and statements of intent from the private sector.

32 The focus of the Mozambican Cooperation Framework is the Beira and Nacala Agricultural Growth Corridors and Zambeze Valley in Mozambique, with the Maputo corridor being also the focus of some cooperation aspects. The Tanzanian Framework pays a great deal of attention to how to build on the initial processes begun under the SAGCOT initiative (G8, 2012a).

33 SADC (2012)

34 In terms of market structure, the RAP points out that the vertical integration that occurs in high-value agricultural value chains tends to exclude a large share of small farmers, while some of the most food insecure are unlikely to be able to participate in markets. Nonetheless, it does also mention the emergence of new models that link smallholders to large farms. Indeed, the SAGCOT approach to be discussed here is based on that premise. As such, one of the key aims described in the RAP is to promote smallholder commercialisation while additional social protection measures and labour policies are required for those most food insecure.

intervention areas of "policy outcomes", intended to be carried out in a coordinated way across the fifteen SADC member states as part of the RAP implementation. This clearly represents an important challenge.[35]

Although not the main focus of the RAP, cross-border corridors are referred to as part of the overall strategy and are the stated focus of the current SADC Chairmanship of Mozambique. Cited "expected interventions" include "Promoting the development of natural resources and agri-business activities and investment, in relation to cross-border transport corridor initiatives", as well as "promoting new infrastructure development in agriculture specific areas that have a regional/multi-country scope".[36] As this suggests, a corridors approach may play a fairly comprehensive role, while SADC currently has twelve corridor initiatives underway.[37]

Overlapping with SADC-specific policies, other initiatives are underway to improve the North-South Corridor to reduce the costs of doing business in the Eastern and Southern Africa region. It is a flagship programme of the COMESA-EAC-SADC Tripartite, with the SAGCOT representing a section of the North-South Corridor network while the Maputo Corridor is a connecting spur to the port of Maputo.[38]

3.2. Maputo Development Corridor

While the Maputo corridor was envisaged as a "development corridor" rather than explicitly to promote agriculture, there are nonetheless some lessons to draw for promoting regional value-chain integration.[39] The Maputo Corridor is a flagship SADC corridor and results both from Mozambican and South African political and economic interests. It is also one of the oldest in the region and plays a potentially crucial role in linking to other corridor initiatives, including the North-South corridor but also the Trans-Kalahari Corridor.

The Maputo Corridor initiative builds on a South African strategy dating from the mid-1990s. "Spatial development initiatives" (SDI) were planned throughout South Africa aimed at tapping "unrealised economic potential".[40] Its overall objectives were to upgrade the Maputo port and border posts and 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; and iv) to ensure a "holistic, participatory and environmentally sustainable approach to development".[41]

Major cited successes in the MDC are the rehabilitation of the Witbank to Maputo road as a 30 year concession and the first public private partnership (PPP) in Southern Africa.[42] Others include the Mozal smelter plant, for which roads, ports, power generation, telecommunications, water supply, and

35 SADC (2012). To address those constraints, the RAP lays out four specific objectives: promoting competitive and sustainable production; intra and extra-regional trade in agricultural goods; increased private and public sector engagement in the value-chain; and enhancing agriculture's contribution to reducing social and economic vulnerability. These are accompanied by a long list of more specific policy proposals, all of which can potentially be addressed through a corridors approach.
36 SADC (2012)
37 Bowland and Otto (2012)
38 TMSA (2011)
39 The land around the MDC on the Mozambique-side is mostly not prime arable land, which adds to explanation of why it's not explicitly about agriculture.
40 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.
41 Bowland and Otto (2012)
42 Soderbaum and Taylor (2007)

drainage systems were built or upgraded with a mixture of African and European public and private finance.[43] The Belulane Industrial Zone attached to the MDC presently hosts 33 companies, 23 of which are in the industrial free zone, representing additional MDC-associated investments.[44] According to some estimates the MDC attracted $5 billion of private funding between 1996 and 2005.[45]

The Maputo Corridor is also considered a success with major reductions in transit times from South Africa to Mozambique since its launch. This is partly to do with the vast improvement in road quality, and the concession of the Maputo Port to a private consortium. But improvements also relate to investments to improve border processing times for freight traffic through separating freight and passenger channels, extending border opening times and initiating the process towards a "one-stop border post" that would further improve flows.[46]

In 2008, renewed efforts were made to accelerate the *developmental* aspect of the MDC through the Maputo Development Corridor Flagship. This joint initiative between 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. This suggests a recognition that social development and employment were not as prominent in the first phase as had been hoped.[47]

Although not explicitly an "agricultural corridor" the Maputo Corridor nonetheless serves as a tool for agricultural promotion in the Mozambican government's agricultural policy (PEDSA). A key aim presented in the PEDSA 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 Corridor to focus on rice, horticultures, chicken and cattle, partly through the PROSUL initiatives referred to above that recently received $39m from IFAD[48] This is consistent with the overall Mozambique Poverty Reduction Action Plan 2011-2014 which has as two of its main pillars the need to raise agricultural production, productivity and employment and the need to improve access to markets.[49] In addition, there are commitments to create a favourable environment for investment in the agricultural sector, clearly an important element of the corridors approach.

3.3. Southern Agricultural Corridor of Tanzania

Tanzania and in particular the SAGCOT are increasingly seen as a "showcase for public-private partnership in agricultural growth".[50] Launched at the World Economic Forum (WEF) in May 2010 in Dar es Salaam, SAGCOT builds on the existing TAZARA/Uhuru transport corridor with the aim of being an

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43 In a recent speech the Premier of Mpumalanga also referred to the fact that "the toll road project created numerous direct and indirect employment opportunities whilst billions of rands were also committed in secondary development along the corridor, and in various sectors including agriculture, mining, tourism and manufacturing (Office of the Premier, 2008).

44 Beluluane Industrial Park website, accessed 25 October 2012: http://www.beluzone.co.mz/?__target__=companies-work-with-bip

45 Kuhlman et al., 2011.

46 See, for example Bowland and Otto (2012) but also a wealth of information on the site of TradeMark Southern Africa: www.trademarksa.org and Southern Africa Trade Hub: http://www.satradehub.org

47 MCLI (2010)

48 Other corridors and crops are: Pemba-Lichinga: with focus on potato, beans, maize, soya, cotton and tobacco; Nacala: with focus on cassava, maize, cotton, chicken and fruits; Vale do Zambeze: with focus on rice, maize, potato, cattle, flocks, cotton; Beira: with focus on maize, horticultures, chicken, soya rice, cattle;Limpopo with technological support from the Research Centre in Chókwè with focus on rice, horticultures, cattle (CAADP Compact (2012), and Republica de Mocambique (2012).

49 Republica de Moçambique (2011).

50 G8, 2012a.

international public-private partnership that can catalyse "*large volumes of responsible private investment [...] to deliver rapid and sustainable agricultural growth, with major benefits for food security, poverty reduction and reduced vulnerability to climate change*".[51] The goals of SAGCOT are considerably more ambitious than those of the Maputo Development Corridor, with $2.1bn of potential investments to be catalysed over a twenty year period, public sector grants and loans of $1.3bn and an increase in land under profitable production of 350,000 hectares.

Working with major international companies such as Yara, Monsanto, DuPont and Unilever, the initiative aims for "equitable and sustainable partnerships with smallholder producers".[52] A key goal is to help overcome the risk of investing in smallholder agriculture by providing a safer environment for the necessary long-term 'patient capital' to help finance agriculture-supporting infrastructure[53]. As such, the SAGCOT blueprint promotes production clusters along the corridor each of which will involve a nucleus farm and outgrower schemes, cold storage facilities, infrastructure access, inputs and finance as well as access to research. Public funds will finance a catalytic fund of $50m for startup agribusinesses incorporating smallholders; 'patient capital' will finance the cost of "last mile infrastructures" such as farm roads and irrigation connections; and loan guarantees and currency risk instruments will leverage capital from the banking sector.[54]

The SAGCOT initiative sits at the nexus of an array of policy initiatives. These include Grow Africa and the G8 New Alliance, while also an element of the Tanzania CAADP Compact and the Tanzania Agricultural Food Security Investment Plan (TAFSIP). It is also underpinned by the Agricultural Sector Development Programme (ASDP) and Agricultural Strategic Plan (ASP), both aimed at increasing agricultural productivity and profitability, generating employment in rural areas and ensuring national and household food security.[55] It further follows and in principle builds on the Kilimo Kwanza, or "agriculture first" programme, initiated by the Tanzanian National Business Council and adopted by government in 2009 with a view to modernising and commercialising agriculture in Tanzania through a focus on the private sector. SAGCOT is therefore presented as a way of implementing all of these strategies and attracting much needed private sector investment.

4. Corridors in Practice

The above overview highlights the wide range of issues but also actors involved in this agenda. While the above policy documents, investment blueprints and strategies all set out important guidelines for policy implementation, it is also important to look at where each of the different actors fits into the overall agenda in practice, and how they might affect its final outcome.

To do so requires an understanding of the underlying political economy of such an approach. We therefore lay out the different actors involved in each of the two corridors discussed above and summarise their main interests and incentives in relation to the corridors as presented in our interviews and the literature. By doing so this section gives an overview of the complex dynamics and interactions between

[51] SAGCOT (2011)
[52] SAGCOT, 2011.
[53] Hebebrand (2011)
[54] "Patient capital" is defined as long-term, low-cost subordinated capital provided by donors and invested in the early stages of private sector agricultural ventures (SAGCOT, 2011).
[55] Tanzania Brief 2 - Strategic Investment Priorities for Agricultural Growth and Poverty Reduction p.2

context, incentives and power that revolve around the corridors approach. Based on this one can propose incremental improvements based on a clearer understanding.

4.1. A large cast of actors and interests

As the draft SADC RAP highlights, there is a diversity of agricultural actors operating in SADC countries. Large scale commercial farming is better integrated in the market economy, with high levels of efficiency and competitiveness in many cases. In contrast, while diverse as a sub-sector itself, small-scale farming is generally less efficient, works with limited assets and access to technology etc. and operates very small plots of land, frequently of less than one hectare.[56] Clearly their benefits from the corridors approach will depend very much on the degree to which these different actors can engage in it.

Beyond these it is also important to identify actors engaged at the policy formulation and agricultural support services levels. These include international donors and platforms, national presidents, ministries, government agencies, project partners, smallholder producers, commercial farmers, input suppliers, aggregators and traders, informal traders, producers, storage-providers, transporters and infrastructure providers, international companies etc. As such, there is a wide range of different interests, incentives, motivations and challenges faced depending on where each of the actors fits in the value chain and the corridor initiative.

In the corridors examined here, there are some specific actors that it is important to focus on. A non-exhaustive list of actors is presented in the table below.

[56] SADC, 2012.

Corridor Actors

		MDC	SAGCOT
External	**Public**	South African Presidents Donors Mpumalanga provincial government CAADP/NEPAD/AU/SADC Various South African Ministries SARS customs officials	G8 Key donors: WB, AfDB and USAID CAADP/NEPAD/AU/SADC/EAC
	Private	Transnet Port & Rail Mpumalanga province firms Gauteng province firms Maputo Corridor Logistics Initiative (MCLI) South African investors (e.g. Shoprite) Transport Companies	World Economic Forum Yara Fertilisers Other International SAGCOT partner firms
Domestic	**Public**	President Chissano President Guebuza Minister of Planning Minister of Agriculture Ministry of Industry and Commerce Customs officials	President Kikwete Planning Commissioner Minister of Agriculture Planning Commission Ministry of Agriculture TAZARA (Tanzania Zambia Railway Authority) Tanzania Ports Authority (Dar es Salaam Port) SAGCOT Centre Tanzania Investment Centre
	Private	Clearing agents Corridor companies (particularly MCLI members) Corridor transport companies CFM - Mozambican rail TRANSNET RSA rail company Moz companies on corridor Maputo Port company TRAC road operator Commercial agricultural producers Smallholders Processors Traders/collectors Storage companies	Existing firms in the SAGCOT region Potential national investors Road Transporters Commercial agricultural producers Smallholders Processors Traders/collectors Storage companies
	CSOs	Smallholders organisations, networks etc (e.g. UNAC)	Smallholders organisations, networks etc (e.g. FANRPAN)

High-level supporting actors

Given the Maputo Development Corridor's genesis following 17 years of Mozambican civil war and the first post-apartheid South African elections, it benefited from high-level leadership. Presidents Chissano and Mandela and their respective Ministries of Trade and Industry took the lead, which "*undoubtedly provided political impetus to the MDC..., which is particularly interesting in view of the more or less chronic difficulties to ensure implementation of most types of regional intergovernmental cooperation projects in Africa in the past*".[57]

The SAGCOT initiative also has high-level political champions in President Kikwete, and the World Economic Forum. This is seen by some as crucial for the success of the SAGCOT corridor, especially to maintain its focus on smallholder agriculture.[58] While President Kikwete is understandably pleased to be able to showcase his country through this initiative and establish a legacy in Tanzania, it is also suggested that the World Economic Forum embraces the initiative partly to justify its own relevance as an actor in Africa and the developing world.

While high-level support for corridors is important, critics suggest that "it is difficult to dispute that the MDC is designed first and foremost for 'big business' from South Africa and a limited set of countries in the North". To these people, the MDC was based on the "naive assumption" that development arises more or less automatically as a result of some major investment projects, mainly in infrastructure with little emphasis on a people-centred development path.[59] This scepticism is further fuelled by the reputed personal business interest held by President Guebuza in TRAC, the company that operates the crucial N4 toll route between Pretoria and Maputo.[60] Other reports also point to the lack of broad-based welfare gains.[61]

Critics also see SAGCOT as essentially "externally driven" and potentially to the benefit only of elites and outsiders. Interviewees for this report suggest that the Presidential involvement in the project is such that there is little sense of "ownership" even within the government institutions such as the Ministry of Agriculture and the Planning Commission, with the plan apparently "not grounded in national plans and budgets". This then raises questions about the sustainability of the initiative, particularly as President Kikwete's second and final term comes to an end in 2014. As a recent report puts it, "*Moving into implementation, more and more decisions will happen further and further down the organization chart, and it will be critical that local and line managers buy in*."[62] The high-level "external" nature of the initiative also tends to create distance and thus disenchantment from national actors, whether in the private sector or civil society, who feel excluded.

There are also broader geo-political issues to consider. This relates to the historical context of the corridors, but also to more recent concerns regarding the "drive to access markets for South African industry" and the need to "to take care it respects the sovereignty of the other members".[63] A key objective of the Spatial Development Initiatives is believed to be to embed foreign and South African investment in new foreign African environments, while "extending the reach of South African capital in Africa is also an important goal for the Zuma regime."[64] South Africa is reportedly keen to project itself as "the gateway to

[57] Soderbaum and Taylor, 2007.
[58] Kuhlmann et al., (2011)
[59] Soderbaum and Taylor, 2007.
[60] Nhachote (2012). While this may not constitute 'evidence', perceptions do affect investment decisions, so are part of the equation, especially when looking from a political-economy angle.
[61] Kuhlmann et al, 2011.
[62] Jenkins, 2012.
[63] van den Bosche (2011)
[64] Miller (2011)

Africa" within international partnerships since its invitation to join the BRIC (Brazil, Russia, India and China) formation.[65] These national economic strategic issues therefore have a powerful role and, while not necessarily anti-developmental, are likely to affect the attention paid to social and economic development aspects of the corridor project.

Multinational companies

Meanwhile, international businesses such as Yara, a key proponent of SAGCOT, are clearly driven by profit but also increasingly by business models aimed at low-income countries and markets. The role of Yara in promoting the SAGCOT initiative has been fundamental, with one recent study highlighting their role in the conceptualisation, promotion, partnership facilitation, provision of seed funding and actually investing in the corridor through their port investment. Already in 2004 Yara was in discussions with the President Mkapa government which evolved into the Tanzania Agricultural Partnership". [66] This then formed the basis for the SAGCOT initiative, with the incorporation of additional aspects that built up to the corridor approach. While apparently an indication of how profits can indeed help promote pro-development initiatives, the leading role and interest of Yara may also represent a refreshing change and some hope for sceptics of the eternal succession of state-led agricultural policies,

However, there is also underlying scepticism of private sector ventures. Those suspicious of the developmental motives of multinational companies point to the "prime port land" that was snapped-up by Yara for its $20m investment in a fertilizer terminal, with doubts surrounding the process through which land was given. According to some reports, Yara efforts originally focused on the Beira Agricultural Growth Corridor in Mozambique but switched to SAGCOT when it was discovered that the land available for developing the Beira port was not suitable.[67] While good for SAGCOT, it also illustrates one of the principle fears expressed around international private sector engagement for development, namely the potential lack of long-term commitment.

Despite the high-level commitment of both Presidents and the international private sector, SAGCOT so far has little to show. While it will take time, according to interviews there are so far limited investments in commercial agriculture that can be attributed to SAGCOT activities, there remains a lack of access to affordable finance, and the business environment remains challenging.[68] This is not to mention concerns around access to land, discussed below, although not unique to work on corridors. Further, Yara reportedly requires to move 200,000 tonnes per year of fertiliser through the port to make it profitable, thus relying on Zimbabwe, Malawi and Zambia markets, highlighting their own vulnerability to movement along the corridor but also its broader development.

Line Ministries and Local Governments

Beyond the presidential interest in the Maputo corridor, the initial leading Ministries were the South African and Mozambican Ministries of transport.[69] This underlines the view that above all the Maputo Corridor has been an infrastructure and large investment project with social and economic development as something of a secondary aspect. This may have changed with the relaunching of the MDC in 2008, when the South African Mpumalanga province took over the lead, while responsibility has passed to the Mozambican Ministry of Planning and Development with coordination with the Ministry of Transport and Communications and the Ministry of Agriculture.[70]

65 van den Bosche (2011)
66 Prorustica, (2006)
67 Kaarhus et al., 2010.
68 UNDP, 2012.
69 Roodt, M.J., 2008.
70 Roodt, M.J., 2008.

Geographically and sectorally focused approaches necessarily face a number of tradeoffs relating to national and more local level strategies. In Mozambique, the government has a policy of increasing access to electrical energy in *postos administrativos* (the local administrative level below districts), meaning that the private sector investor is left to install his own electrical connection in non-urban areas. While a corridors approach may bring additional capital to pay for "last mile connections" as proposed in the SAGCOT document, any public contribution will have to balance this against promoting more widespread access to energy. While the private sector is ostensibly prioritised in Mozambique, the political concern for showing improvements in electricity access at the local level appears to have precedence at present.

The issue of local government roles is also important in relation to land (discussed below) and taxation. As described by one interviewee, in Tanzania the decentralised nature of the government means that local authorities design and charge their own taxes, resulting in unharmonised tax codes and varying tax conditions across authorities. This was cited as an important constraint to encouraging further investment along the SAGCOT corridor.

Donors

Although less prominent in the MDC than the SAGCOT initiative, donors have an important role in the corridor initiatives. While for the MDC this related to financing studies, improving border functioning and the establishing of public-private partnerships for the rehabilitation of infrastructures, the SAGCOT idea apparently came as a surprise to most donors, driven as it is by private sector firms.

Nonetheless, donors have long had a role in promoting agricultural development so their potential role in SAGCOT is considerably greater than in the MDC. While common funding baskets for agriculture have existed in both Mozambique and Tanzania, donors have also been involved in supporting the CAADP process. However, while the CAADP compact is based on the government's agricultural strategy in Mozambique, according to interviewees the CAADP investment plan was being written by consultants with little consultation, under pressure from certain donors eager to disburse funds under the G8 New Alliance. This priority of the 'final product' (investment plan) over the process responds to short-term goals and appears to undermine the CAADP goal of building on private sector participation, risking alienating private sector operators.

Similarly in Tanzania, interviewees suggested that donors had at times been driving their own agendas, with resistance to government policy proposals. As one paper puts it, "Tanzanian agriculture is the focus of multiple external initiatives with diverse rationales, objectives and implementation modalities".[71] Although the government had the ASDP as its central strategy for 2006-2013, it was encouraged by certain donors to prepare a different CAADP document under time pressure to ensure additional "CAADP funding". This was also to align with donor priorities given disagreements on the emphasis placed on irrigation and district issues, for example, while the Kilimo Kwanza had also sparked debates with donors about how interventionist agricultural policy should be. This then also led to the preparation of the TAFSIP (CAADP Investment Plan) with a view to accessing further donor funding. As this very brief overview suggests, the process of designing policies and then adapting them to international needs has undoubtedly brought costs, not least in terms of time.

As the SAGCOT investment blueprint lays out, donors are expected to play a role through the catalytic fund and in contributing to the "patient capital fund". At present, the only "money on the table" is $50m for the catalytic fund, contributed by the World Bank, DfID and USAID. Although these three main donors are willing to support the effort, the institutional design of the catalytic fund had been

[71] Cooksey, 2011.

overlooked by the SAGCOT initiators, leaving this as a key task being undertaken at present. Indeed, some suggest that there is too much focus on the catalytic fund, with more efforts required on stimulating investment not only from other SAGCOT signatories but also other investors. Further, this is far from the $20bn or so of investment envisaged in the SAGCOT blueprint, while apart from Yara's port investment none of the international investors have yet to come forward with any new investments.

For donors who are contributing more widely to agricultural development in Tanzania, focused initiatives such as this raise issues of prioritisation and the dangers of "orphan" areas. One donor representative was acutely aware of this, suggesting that his agency was focusing their attention *away* from the key target areas of the SAGCOT plan. This again raises issues of coordination and a potential need for this to take place at the national level.

Indeed overall there is a concern about who drives the corridor projects and the strategies they include. As one paper states on agricultural policy in Africa, "on balance, donor aid supports essentially statist policies which serve to marginalise the private sector as the 'engine of growth'".[72]

Corridor Coordinating Institutions

The MDC is to some degree overseen by the MCLI, located in Nelspruit, South Africa.
This is a non-profit organisation consisting of infrastructure investors, service providers and stakeholders from Mozambique, South Africa and Swaziland to promote and further develop the MDC "as the region's primary logistics transportation route".[73] The MCLI promotes investment around the corridor and works with the authorities to raise issues that constrain trade along the corridor. As such they coordinate the views of service providers and users of the Maputo Corridor and market the strategic benefits and opportunities offered by the corridor with less explicit focus on development-related aspects. However, due to funding fatigue of existing private sector funders it is unclear how long this model can last, so that the MCLI is reportedly at something of a crossroads.

SAGCOT implementation is overseen by the SAGCOT Centre. The SAGCOT Centre's purpose is to "*coordinate investment and action by a range of players to address a range of opportunities and needs at once – thus kick-starting environmentally sustainable and socially beneficial commercial agricultural development in the Corridor*."[74] This is an important role with a range of functions. While the initiative is to some extent still in its early stages, interviews suggest that after a year of functioning in October 2012, the centre had only three staff compared to the originally planned 6 or 7 staff plus support staff. Further, there are doubts about the financial sustainability of the SAGCOT centre, with few if any dedicated government resources to the SAGCOT centre and an apparently non-guaranteed financial future.

Rail Transport actors

Although the rail has long been behind other aspects of the MDC, rail traffic along is now reportedly better than it was. While negotiations on the rail-link between Mozambique and South Africa began in 1995 it was only in 2007 that an agreement was reached to have joint management by Transnet (formerly Spoornet) and CFM[75] while donors helped fund a $25m infrastructure rehabilitation project in 2008.[76] Nonetheless general complaints in interviews relate to the capacity of CFM due to a lack of

72 Cooksey, 2012.
73 MCLI Website, accessed 24 October 2012: http://www.mcli.co.za/mcli-web/mcli/aboutmcli.htm
74 Jenkins (2012)
75 Negotiations broke down, with a concession finally awarded to an international consortium including Spoornet and CFM, the respective national rail operators, in 2002. However, the Mozambican government cancelled the concession in 2005. MCLI 2012: http://www.mcli.co.za/mcli-web/mdc/rail.htm
76 ISIZA 2009: http://www.isiza.co.za/features/bric-nations/303573.htm

locomotives and rolling stock; an example being provided by the silo company which 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 Maputo port plays vis-a-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.[77] 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 it might be, 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.

This preference for road 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 while Mozambican diesel engines are attached to incoming trains, while trains on the South African side are often too large for Mozambican locomotives to haul, at times leading to major delays for the wagons left behind.[78] This is at least partly responsible for train turnaround times, which according to some reports can be of 20 to 40 days.[79] This compares with 2 days for the South African coal-line, and 17 for Tanzanian rail.[80] 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.[81]

The TAZARA railway linking Dar es Salaam and Zambia is also frequently criticised in interviews. Cited problems relate to poor management as well as a lack of investment. For a number of firms more investment in rail was seen as a fundamental priority, particularly given current congestion around the port area of Dar es Salaam and time taken to enter and leave the city. However, reportedly bad experiences with a concession on the central corridor rail-line, this has apparently contributed to hesitations to concession the TAZARA line. Nonetheless, agreements between TAZARA and Zambian Railways Limited in early 2013 as well as new locomotives may mean improvements in the near future.[82]

Road operators

The Maputo to Witbank N4 road (EN4 on the Mozambican side), completed in 2004, was at the time the biggest project finance deal in Southern Africa[83]. It is operated by Trans African Concessions (TRAC) on a concession lasting until 2028. Although traffic volumes were initially low due to the introduction of toll fees, the project is now seen as a successful example of public-private infrastructure partnerships. Indeed, some interviewees suggested that the EN4 is a victim of its own success with constraints on the railways leading much of what should ideally be transported by rail such as coal and

[77] The fact that in South Africa the ports, rail and pipelines are owned by Transnet means that rail pricing is therefore set with an implicit subsidy from rail to ports, meaning that to Maputo rail prices are relatively high, even if the port prices are reportedly lower than in Durban. This also means that at harvest periods, South African companies are given priority over others, leading to delays for Mozambican and other regional producers who rely on the South African rail network.
[78] Nathan Associates (2008).
[79] Nathan Associates (2008).
[80] OECD/WTO (2011)
[81] The railway companies of Mozambique, South Africa and Swaziland and the Maputo Port Development Company have agreed to set out measures to improve coordination of rolling stock on their respective railways with a Joint Operation Centre to be set up to integrate and manage cargo flows and optimise the performance of the rail and port systems along the Maputo corridor (MacauHub, 2012a).
[82] East African Business Week (2012)
[83] Farlam (2005)

magnetite to be transported by road as referred to above. This adds to the congestion along the road, and particularly on the outskirts of Maputo and Matola where urban sprawl is very much focused along the sides of the EN4, suggesting that road congestion will become a more serious problem in the near future.

A key element of the EN4/N4 concession is the toll charged to road users. This has proved to be a politically sensitive issue in both South Africa and Mozambique, with a negative impact on residents obliged to pass through the toll gates on a regular basis. One impact of this has been that the Mozambican government has been unwilling or unable to fulfill its commitment to raise the toll on an annual basis in line with inflation. Given the agreement that TRAC should be allowed a profit margin of eight percent, a knock-on effect is the reported lower-standard of maintenance of the Mozambican side of the road, a point of frustration expressed by transporters interviewed for this study.

The issue of congestion is also of major concern around Dar es Salaam port and the TanZam Highway. Although this is being improved with assistance from donors, as the Maputo example shows upgrading roads to keep up with traffic may not be enough given the likely impact on further use of the road and port, and urbanisation along improved arteries. Although not directly related to road operators, private sector interviewees also complain about roadblocks and checks along the highway that lead to delays.

Ports actors

The role of the ports in providing an entry point for imports and exit for regional exports makes these a key part of any corridor. Following the example of the N4 toll road, the Maputo Port is operated through a joint venture between a consortium led by the largest British port operator and the Government of Mozambique. Maputo Port Development Company SA (MPDC) was awarded the concession over the whole port in 1998 but it only became effective in 2003. Shareholders include Portus Indico and Mozambique Gestores with 51 percent and CFM and the government of Mozambique with 49 percent.[84] In contrast, the Dar es Salaam port is a parastatal although a part of port handling and loading has been contracted to a Hong Kong private firm TICTS that operates considerably more efficiently than the Port authority, which is called into use when TICTS reaches capacity.

As with rail and roads, both ports can become victims of their own success, requiring continual investment and upgrading to keep up with demand. This is particularly important if indeed corridor projects lead to increased investment and trade flows. According to one interviewee, Maputo is the “most exciting port in the region”, in terms of their pricing, their recent investment in a citrus terminal and the potential compared to South African ports in the region and in particular can be cost-saving for Zimbabwean and Zambian exporters in particular. However, while the citrus terminal is reported as a success, more generally the ports suffer from a number of problems related to access transport. This is also very much the case in Dar es Salaam, where plans are in place to reduce turnaround times from between 4 to 12 days to 1 to 2 days.[85]

Speaking to truck drivers running the Maputo Corridor, their view was that indeed the border is not the problem, nor even the port handling. To them, the issue of whether or not they managed to pick up cargo and reach the border before it closed depends on the efficiency of the clearing agents. This often

[84] Of this 49% share, 16% belongs solely to the government; but CFM is the supervisor of those interests. The present concession agreement runs through 2043 while by 2020, 80% of the freight of the harbour is expected to come from South Africa. Most of the competition from the Maputo port comes from Durban and Richards Bay in South Africa. In recent years, the port has experienced increased demand for its services. In 2010, the traffic at the Port of Maputo was USD 8.8 million tons and it is projected that traffic in 2011 will reach USD12.6 million tons (Farlam, 2005).

[85] http://www.trademarkea.com/wp-content/uploads/2012/09/TMEA-Summary-Sheet-Dar-22-5-12.pdf

means loading at 09:00 but waiting to leave with the requisite paperwork at only 16:00. “On a good day, we can load and leave on the same day - otherwise we spend the night here”. Clearly if Maputo is to compete with Durban port, that is an important cost to be considered.

As such, there is again a balancing act to be found. While ports need sustained freight volumes to make them viable, “users need a one-day turnaround to make it worth their while, especially considering that many users incur a double cost with their vehicles returning empty”.[86] [87] This then has knock-on implications for transport requirements and potential bottlenecks, underlining the need for coordination.

Border post operators

Apart from the physical infrastructures, a key constraint along cross-border transport routes relates to border delays. Although 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, there is broad agreement that the border crossing conditions have vastly improved, particularly with longer opening hours. This reflects the enhanced cooperation between the Mozambican and South African authorities and considerable investment, including donor contributions, to improve procedures.

Inevitably some work remains to further improve border procedures on the Maputo Corridor. Current delays in operationalising the initiative originally taken by Presidents Mbeki and Chissano reportedly relate to the complexity of working with so many different government departments including, inter alia, Customs (SARS / Alfandegas), Home Affairs, the Police, Defence Force & Intelligence Agencies, Agriculture, Trade and Transport.[88] This lack of coordination was confirmed during our interviews, with particular reference to the absence of a bilateral custom-to-custom agreement.

In addition, Mozambique is not yet using the SAD500 multi-purpose goods declaration form. This covers imports, exports, cross-border and transit movements that helps reduce paperwork and allows for quicker turnaround times with fewer errors, less confusion, lower costs, and improved trade efficiencies.[89] Similarly, complicated trade/border procedures relating to the SADC Rules Of Origin (ROO) are often considered so complex that many exporters and producers prefer to pay the MFN (Most Favoured Nation) duty than to go through the heavy bureaucratic process to qualify for the intra-SADC preferential tariff. One firm exporting from central Mozambique talks of the five hour window they give themselves to reach Johannesburg to allow for holdups and meet their flight - they need to send a car to the border a day before their trucks arrive to ensure that the paperwork is carried out and they can minimise delays, running the risk of wasting trucks full of produce if not.

While the SAD500 is being applied between Tanzania and Zambia, the Tunduma-Nakonde road border between the two nonetheless suffers from inefficiencies. This led recently to protest and accusations of deliberately slow procedures to allow parking charges to be applied to waiting trucks, which can spend up to ten days waiting to be cleared at the border.[90] Work is nonetheless underway to launch a one-stop border post that may provide some respite for traffic along this corridor, although the suggestion

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86 Bowland and Otto, 2012.
87 As such, Mozambique Ports and Railways (CFM) and Transnet in South Africa have announced investment plans intended to increase rail capacity to the Matola Coal Terminal. Vitol and Grindrod have also announced that they would conduct a feasibility study for an expansion of capacity at the Matola Coal Terminal by 20 million tonnes per year. http://www.trademarksa.org/news/railways-and-yet-more-railways-enter-vitol
88 MCLI 2012: http://www.mcli.co.za/mcli-web/mdc/border.htm
89 Southern Africa Trade Hub, 2012. http://www.satradehub.org/trade-facilitation/sath-content/activities/regional-integration/trade-facilitation/speeding-up-customs-clearances
90 http://www.trademarksa.org/news/truck-drivers-decry-bureaucracy-tunduma-border

that border revenues on specific imports such as fuel and cars are a priority over promoting ease of trade flows may imply that the one-stop border post is not addressing the principal constraint.

Road transporters

While road transport companies can to some extent benefit from the constraints in the rail sector, interviews suggest that the main beneficiaries are South African transport companies. This is not to say that Mozambican transporters have not benefited from the improved state of the main arterial road to Mozambique and reduced times to cross the South Africa-Mozambique border. However, given that trade flows are primarily from South Africa to Mozambique, the majority of transporters are also of South African origin.

Although a number of factors affect transport prices and costs, a key determinant is the ability to travel with full trucks. Both domestically and internationally, a key constraint is the lack of "backhaul" opportunities for trucks to transport goods on outwards and return journeys which essentially doubles the transport cost for goods.[91] A number of interviewee companies highlighted the importance of scale and diversity in this regard. In Tanzania one of the large transport arms of a company group manages to have 250 trucks on the road at a time, shipping goods domestically and to Zambia, Malawi and DRC. In Mozambique, a milling company making flour, pasta and animal feed out of waste products manages to combine trips to export animal feed to South Africa and bring back inputs. Nonetheless, the large trade imbalance with South Africa means that there are inevitably empty trucks doing return journeys.

But the limited backhaul opportunities are not only related to scale and diversity of production. They also relate to transport market structure and licensing requirements. For example strict and expensive licensing requirements, high truck safety requirements in South Africa and stronger business networks within South Africa, for example, make it difficult for Mozambican transporters to engage. Some also point to cartels operating in the South African transport market, hampering not only Mozambican operators but also small South African transporters. Added to this, processors and importers decry the lack of a North-South railway line within Mozambique rather than corridors - this then relates to the high cost of transporting products from the centre and North of the country relative to from South America.

National businesses

National businesses ostensibly play a key role in the corridors approach. The key industry segments include agro-dealers, food processors, supermarkets, support service institutions, and financing companies.[92] As well as from expected investments, national businesses are expected to gain from improved infrastructures, border procedures, from deeper markets and greater access to credit, among other benefits. Big players like South Africa based Shoprite who control whole value chains but with shops in the whole SADC region have a vested interest in the corridor approach and can be drivers of change. At the same time they are said by some to be forming cartels effectively blocking out smaller operators.

Fruit producers face a particular set of constraints relating to the perishable nature of the goods and thus their susceptibility to delays. By way of example, companies exporting fruits to South Africa face restrictions relating to fruitfly. This has led private companies themselves to finance the building of an inspection station to smooth the process and allow their products to enter South Africa, leading them to

[91] his is studied in detail in Ward, N., Barreto, E., 2011, "Technical Report: Road Freight Transport Services Diagnostic Study", Southern African Trade Hub, Submitted to USAID/Southern Africa, http://www.satradehub.org/in-the-news/road-freight-transport-services-diagnostic-study

[92] UNDP, 2012.

suggest in interviews that a greater regional role could and should be played by SADC, i.e. in harmonizing SPS measures and building compliance-capacity within the weaker economies in SADC.

A key aspect of the corridor approach to promoting investment is the integrated approach to overcome coordination failures. This is underlined, for example, by the case of grain storage companies who rely on rail capacity both to provide business by bringing grains from South Africa, in the case of Maputo grain storage companies, and to allow them to send grain onwards and free up storage space for future consignments. As such, when there is a lack of locomotives or wagons, consignments can be delayed for up to three weeks waiting for the suitable train to be assembled. Depending on client needs and locations this can lead either to competition through road transport, resulting in additional heavy road traffic along fast congesting roads, or diversion to other ports, particularly Durban in South Africa. So reliance on third party services and lack of integration between different services can be a major constraint.

An underlying assumption of the CAADP investment plan approach and that of SAGCOT is that private sector companies would invest if the investment opportunities were better marketed. However, national private sector interviewees were all sceptical of this “statist” approach with several pointing to the fact that they had investment plans and in some cases regional partners, agreed credit and clients but simply suffered from a lack of access to land. While not necessarily a representative case, the underlying point stands that the private sector, and the domestic private sector in particular, can often be well placed themselves to identify investment opportunities without government investment frameworks. As the discussion on international firms shows, even with an investment framework and commitments, this does not necessarily lead to concrete investment.

In Tanzania, Kilimo Kwanza had been seen as a private sector led initiative, based on wide private sector consultation and with domestic producers in mind. Part of its approach was to use government funds to purchase farm machinery inputs. However, it has been criticised for inefficient purchases of inappropriate farm inputs and machinery and limited reach within the population of agricultural smallholders, with most benefits accruing to a limited number of large farmers.[93] Moreover, interviewees expressed dismay that SAGCOT is currently the “new focus”, after a perceived limited period of attention and effort to make Kilimo Kwanza work first.

Despite the “key role” for the domestic private sector, an overall sense from interviewees was that a) they had more to offer than international firms and b) were not being included in on-going initiatives. Existing companies operating in the SAGCOT area and working with smallholders were not aware of CAADP or the SAGCOT initiative. While business associations were aware, they expressed a sense of watching the process from afar, while civil society was similarly uninformed on CAADP and the SAGCOT, a point also made in recent reports.[94] As such, despite the rhetoric, as one report puts it “on balance, donor aid supports essentially statist policies which serve to marginalise the private sector as the ‘engine of growth’”.[95] This lack of deeper engagement may have negative impacts in terms of the sustainability of the growth corridors initiative.

For private sector agricultural producers and exporters in Mozambique, South Africa and Tanzania the principal concerns were very much the same. While South African producers are targeting Northern markets, and eastern Europe in particular, they face many of the same problems that Mozambican and Tanzania producers face in targeting regional markets. There is a lack of support services not only in

93 For example, ReliefWeb: http://reliefweb.int/report/united-republic-tanzania/tanzania-farmers-slow-embrace-kilimo-kwanza
94 For example UNDP (2012)
95 Cooksey (2012)

terms of input markets and storage etc., but also in terms of market intelligence, access to credit and trade finance, and other logistical costs.

In interviews carried out in Mozambique, the principal constraints to engaging in agriculture and integrating value chains both nationally and regionally relate to the domestic business environment. Specific aspects related to engagement in the policy processes, the genuine degree of commitment to private sector promotion, even through the CAADP process and investment plan that are ostensibly supposed to be based on in-depth private sector consultation. In the specific case of Mozambique, there is a sense that the national private sector is not engaged in policy discussions and not prioritised other than on paper.[96]

Beyond these, a recent study on constraints to the agricultural sector highlights numerous other aspects. These include constraints related to the duplication, overlap and sometimes inconsistency of licensing procedures and requirements; weak extension and training and therefore low productivity agricultural workers; lack of harmonisation of non-tariff barriers and poor contract enforcement among others.[97]

Smallholders

A clear concern in the corridors approach is to work with small-scale operators and producers. According to some, the principal benefits of the MDC have been to elites, to the benefit of South African export companies, principally of extractive resources, and businesses benefiting from the purchases by Maputo elites.[98] In interviews a lot of emphasis was placed on the imbalance in economic power of operators on either side of the border, with Mozambican producers struggling to formally compete on South African markets. At the same time, the traffic on the Maputo Corridor road is predominantly coal-trucks, while this also makes up the bulk of rail traffic.

Although the MDC was not explicitly aimed at smallholders, they have to a degree only benefited through informal channels. "Outside the parameters of the official are the informal trading networks that have been established along the MDC to take advantage of the increased flow of traffic".[99] While this includes trade in goods, vegetables, fruits and clothing, anecdotally much of the maize found in informal markets in Johannesburg is of Mozambican origin. Similarly, much of the trade along the Tanzania corridors, SAGCOT included, is informal trade heading for Zambian markets and others in the region. The question then is how to work with this informal trade to maximize benefits from the corridors approach, whether or not within the formal sector.

Reports suggest that value chain approaches only work for 2-10 percent of the smallholder population in general, while at present, a number of factors leave smallholders at the mercy of larger producers.[100] These include the fact that larger businesses have their own packaging and aggregation facilities, and the lack of information flows along the value-chain that means that smallholders

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96 A cited example is that of VAT, where agricultural producers are exempt from VAT on inputs but have no way of proving that they are indeed agricultural operators. Similarly in Mozambique, the reduced fuel tax for the agricultural sector can only be used by those able to install a large fuel tank, not to mention various other documentary requirements. The exchange laws mean that exporters must convert 50 percent of their export earnings into local currency, while 70 percents of inputs are likely to be imported given limited local supply. The message received is that although agriculture is priority on paper, in practice it is not.

97 Abt Associates (2011)

98 Roodt (2008)

99 Soderbaum and Taylor (2007)

100 Vorley et al. (2012)

are often unaware of current market prices. This also relates to the degree to which middlemen can themselves get exemptions from specific charges and regulations, information which smallholders will clearly have difficulty in finding.

As such, engaging small-scale operators is complicated, costly and time-consuming. This is raised in the context of both the MDC and engaging with small-scale enterprises, and the SAGCOT commitment to link investments with smallholders. One interviewee engaged in horticultural production in central Mozambique pointed out the great difficulty of working at scale with smallholders to produce for sophisticated markets where product specifications on the size, shape, colour and weight of fruit and vegetables are extremely demanding, not to mention issues of packaging, use of pesticides etc. In their specific case this had led to a specific choice of the vegetables to be grown by outgrowers, and those to be grown by the central nucleus farm. While this is surely well known to those engaged on SAGCOT planning, it illustrates the intricacies and potential complexities of working closely with smallholders.[101] New projects launched in the SAGCOT area will face similar challenges.

A major aspect of initiatives promoting agriculture through a corridor approach is that there are large amounts of land currently unused. However, interviewees in both Tanzania and Mozambique pointed to the fact that "almost no land is genuinely unoccupied". In the case of the SAGCOT area, "the vast majority of land is either village land or has title problems, with little available for purchase or long-term lease, and there is no comprehensive land survey showing which is which".[102] Further, it is considered by some to be the most fertile land in the country. Another study suggests that "village level elites, working with individual central state politicians have often used the new laws which strengthen Village Council control over community based lands to transfer property rights to new investors"[103]

As such, before addressing problems with cross-border trade, smallholders have a need to solve basic economic weaknesses to benefit from corridor investments. They face a number of issues such as lack of insurance, poor rural infrastructures, poor credit access (particularly given difficulties in using land as collateral), difficulties accessing inputs and a general lack of entrepreneurial skills. While integrated development corridors may be able to ease some of these constraints, there is a clear need for additional support for smallholders, even to engage with large firms under the corridors initiatives, offering a potential focus for CAADP processes.

Some of these issues can potentially be addressed to benefit small scale farmers through organisation into cooperatives or clusters. There are examples in Mozambique and elsewhere of farmers associations and cooperatives succeeding in producing crops such as soya bean for the local chicken industry and sesame for export to markets such China and India. This also relates to the issue of critical mass and efforts to aggregate produce for export. While this again offers a potential model for engaging more actively in value-chains along corridors, the same constraints faced by larger businesses remain.

[101] Indeed, central Mozambique has had both an influx and subsequent departure of agricultural investors from Zimbabwe, blamed on a variety of factors including a drop in international prices (in this case for tobacco), low repayment of credits and limited delivery of produce by outgrowers. Kaarhus et al, 2010.
[102] Jenkins (2012).
[103] Gray and Khan (2010)

4.2. Cross-cutting issues

National business environment still key

As recognised in all of the interviews and policy documents discussed in the previous section, for any of the corridor initiatives to fully function, the underlying business environment remains fundamental. As a brief illustration it is of interest to look at what firms have expressed as the principal constraints they face, as illustrated in Figures 3 and 4 below. In Tanzania, electricity supply is cited by 73 percent of interviewed firms as their biggest obstacle to doing business. This is in contrast to Mozambique, where the biggest obstacle faced is more spread out among different aspects such as access to finance and informal competition, although electricity is also a constraint. While surveys of less than 500 firms may not necessarily be representative at the national level, it nonetheless underlines the point that there are some basic constraints that firms face in achieving the ambitions set out in approaches such as that of SAGCOT and other growth corridors.

Figure 3 - Enterprise Survey Constraints - Tanzania[104]

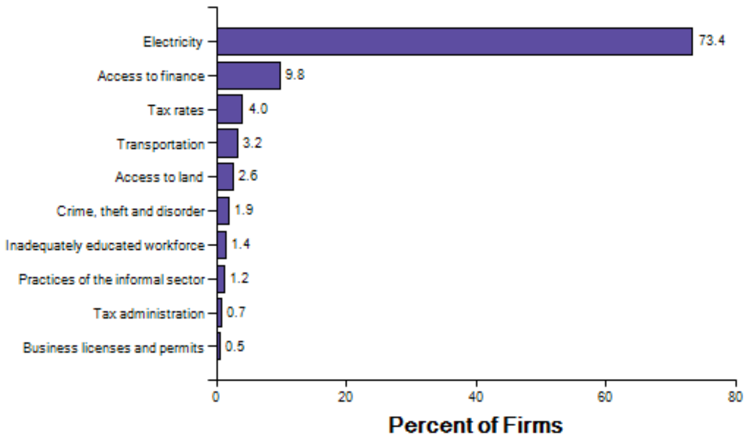
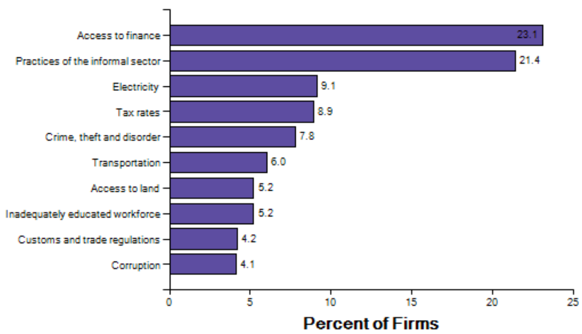


Figure 4 - Enterprise Survey Constraints - Mozambique[105]



[104] World Bank (2006), based on sample of 419 firms in the food, garments, other manufacturing, retail and other services sectors, principally based in Dar es Salaam and employing up to 99 workers.

[105] World Bank (2007), based on sample of 479 firms in the food, garments, furniture, retail and “other” sectors, principally based in Maputo and employing up to 99 workers.

While the above data reflect a sample of firm-level opinions, the following lays out the rankings of Mozambique and Tanzania in the recent Doing Business survey of the World Bank. In contrast to the above, these are based on *de jure* estimates of the time taken to carry out a number of procedures, offering an additional view of the constraints to firms. In overall terms, Tanzania is ranked 134 out of 187 countries for "ease of doing business", while Mozambique is ranked at 146.

Table 1 Doing Business Rankings for Mozambique and Tanzania

Topic Rankings	TZ DB 2013	TZ DB 2012	MZ DB 2013	MZ DB 2012
Starting a Business	113	117	96	82
Dealing with Construction Permits	174	170	135	135
Getting Electricity	96	95	174	174
Registering Property	137	140	155	160
Getting Credit	129	127	129	127
Protecting Investors	100	98	49	46
Paying Taxes	133	128	105	103
Trading Across Borders	122	119	134	135
Enforcing Contracts	36	35	132	132
Resolving Insolvency	129	128	147	146

The above then clearly raises questions about the SAGCOT role in improving, or working within, the existing business environment. The SAGCOT investment blueprint states that "fundamental to SAGCOT's future success is a policy and business environment which is supportive of private investment in commercial agriculture" in areas such as "land legislation, agricultural taxes and tariffs, import and export restrictions, and access to utility services".[106] The question this poses is the degree to which the corridors initiative relies on these reforms, and the degree to which it can drive these reforms. As discussed above, SAGCOT and the MDC are both seen as involving more private-sector actors than any previous policies, suggesting that these interests might be the key to stimulating policy reform to promote business.

However, national-level businesses in particular seem sceptical that initiatives such as the corridors approach will change anything. There is scepticism about the genuine political desire and capacity for reform given the decades of similar policy prescriptions and promises. Even in current "private sector led" approaches, the reality suggests that these remain statist in their approach to encouraging investment and coordination, if not in their objectives.

Land Access

Perhaps the key aspect discussed among all interviewees and stakeholders is the issue of land. Firstly, there is widespread scepticism regarding the degree to which estimates of "available" or "arable" land reflect the reality with numerous interviewees pointing to the inconsistency of deals struck at the national level that bear little relation to reality on the ground. This relates in some degree to customary land-use practices and tenure where, for example, land not under cultivation may still be "occupied". Although not uniquely a problem for corridors, according to one donor spokesperson, even the use of the SAGCOT catalytic fund will take time due to the expected long delays in gaining access to land for new

[106] SAGCOT (2011)

investors. Most foreign investors are actually seeking higher-value lands – with higher rainfall, access to irrigation and proximity to markets – which is very rarely unoccupied[107].

To illustrate, the fact that there is no public land registry in Mozambique hampers productive land use. Contracts for larger land deals between the government and investors are kept secret and only announced publicly for concessions over 10,000ha[108]. The lack of transparency in the acquisition of land rights then reportedly encourages rent-seeking behavior both by local and foreign investors. After a spate of contentious large-scale land deals, the government halted all awarding of large concessions since 2009 although there are suggestions that new concessions may have been granted since 2011.[109]

Large tracts of often prime agricultural estate are also in the hands of political and economic elites. In Mozambique for instance, these once productive farming lands have often been left largely unused or underused since the end of the civil war. According to one report "since the system of acquiring land rights lacks transparency and allows the well-connected to obtain large holdings at virtually no cost, rent-seeking behavior is encouraged[110]". Public servants and local government representatives equally benefit under the current regime through bribes in exchange for provision of data on available land or inspections require bribes[111].

Innovative land management policies used within SAGCOT might prove to be a good example of the way forward. Tanzania already has some of the most progressive legislation with regards to community consultation in case of land investments. And every FDI initiative within the corridor area is subjected to a village council meeting to ensure no 'land-grabbing' is taking place. But a lack of formal contracts between the village, the farmers and the investors means that in practice there are some reports of smallholders still being "taken for a ride" and selling or letting their land under unfavourable conditions[112].

5. What lessons can we draw?

Both MDC and SAGCOT are big on aspirations and follow the logic that spatial development projects along infrastructure backbones can play a key role in promoting private sector investment and value-chain integration. They further embody regional aspirations to promote greater trade and improve regional value-chain integration, at the same time promoting development and poverty reduction in associated countries.

The discussion presented here points out some of the basic constraints, what the corridors might do in theory, how they appear in policy, and some of the lessons from examining corridors in practice. Although corridor approaches are narrow in geographical scope, they are very wide in terms of the related actors, policies and interests at stake. The question then is whether or not this approach offers the best route to finally overcoming the barriers felt in the private sector and the agricultural sector more particularly.

107 Mousseau et al. (2011)
108 Hanlon et al. (2011)
109 Hanlon et al. (2011)
110 World Bank (2005)
111 Abt Associates (2011)
112 Mousseau, et al. (2011)

5.1. What can and can't corridors do?

The evidence brought together by this study suggests that corridors can play a key role in providing focus to policy-makers and investors alike. There is an inherent attractiveness to narrowing the geographical scope of efforts to promote investment and of laying out in quite specific terms where the investment opportunities lie and how these relate to one another. There is a positive associated dynamic that suggests that the alignment of public and private interests associated with the corridors approach can be a strong force for ensuring that policies and plans related to the corridor are indeed implemented.

Corridors can play a marketing role that leads to improved conditions for smallholders and helps overcome the lack of critical mass required to efficiently serve markets. This can then have knock-on effects, for instance, on access to credit. Revitalised infrastructures also have the potential to bring input and output markets closer for small-scale producers, allowing greater aggregation and greater benefits to be had from parallel investments.

The major challenges relate to engaging with domestic actors and the implications for broader policies affecting the economy beyond the boundaries of the corridor area. Without explicit commitment and tailored support to smallholders, there is a risk that most of the benefits of the corridors approach accrue to already powerful interests in the economic and political spheres. Corridors cannot be the only mechanism to provide support to smallholders but the degree of support they receive would seem to be a fundamental factor in determining the success of the corridors.

As the above has also highlighted, underlying everything is the question of the broader business environment and access to land. Without reforms to lower the bureaucratic costs to firms, to ease land access procedures while protecting smallholders to a reasonable degree, and to improve the efficiency of infrastructures and border crossings, corridor investments face the same constraints as investments in general. The hope is that interests and demands for reform associated with the corridors movement can lead to more widespread improvements in the business environment; but this remains to be realised.

Coordination among actors is also a clear challenge and is likely to impact on the time taken for corridors like SAGCOT to become fully operational, and further time for the benefits to be felt by small-scale producers. Again this points to the need for greater focus on the process of engagement among the range of different public and private actors involved, and the need to put smallholders at the centre of efforts operating complementarily to SAGCOT to boost smallholders' skills and access to services.

Key lessons from the MDC that might apply to SAGCOT are in many ways similar to those presented above. The successes that are associated with the MDC relate in particular to attracting large investments, in improving the transport infrastructures and ports, and in vastly lowering time spent crossing the border. As such, specific tools such as online payments for trucks arriving at the border from South Africa, or a separate border crossing for freight, can lead to major gains in border efficiency. But again, the benefits to small-scale producers are not automatic so while SAGCOT is perhaps more explicit in following that objective, it is an aspect of the approach that will need to remain at the center of implementation and further investment promotion.

5.2 What can Regional CAADP do?

While progress on CAADP has so-far been mixed, it remains the principal policy framework for promoting agricultural development in Africa. Given the increasing popularity of the corridors approach to promote agriculture and the stated desire to promote greater value chain integration, with or without the corridors, what lessons can we draw for CAADP policies, particularly at the regional level?

Corridors can do much for farmers but the existing literature and our interviews tend to show they are mostly 'corridors of power', benefiting relatively few, rather than 'corridors of plenty'. As research cited above suggests, 90 percent of smallholders are likely to be left out of such value-chain approaches. A broad role for CAADP would therefore be: i) to provide complementary support to ensure that development corridors benefit small-scale producers, those outside of the immediate corridor vicinity (for instance through linking those large infrastructure developments with the upgrading of feeder-roads and storage facilities); ii) to promote the regional dimension, thus serving the interests of wider segments of the population (not only well established commercial operators) and of all members of a REC (not only the already competitive economies).

In terms of engaging with as wide a share of the population as possible, CAADP can offer complementary policies and support for farmers. This should primarily aim at building the critical mass of producers, suppliers, input providers and purchasers, required to develop truly regional value chains, hence also de-fragmenting regional markets. While this is to some degree the focus of SAGCOT already, nonetheless complementary activities might include strengthening 'software' components of corridors such as regional market information systems, matchmaking exercises between buyers and sellers, trade facilitation tools, trading floors, custom procedures, business facilitation and harmonization of administrative regulations. These should also explicitly aim to serve smallholders who are currently outside formal value-chain relationships.

The regional dimension of corridors can help food security by connecting food surplus with food deficit areas, and increasing intra-regional trade of food staples. But as the discussion above highlights, there are a range of practical constraints which require complementary support mechanisms. The availability of information such as surplus/deficit areas of food production and food prices is one example that is key to enhance food security for SADC countries and intra-regional trade and therefore could benefit from CAADP support. While corridors do aim to improve cross-border trade, to help promote food security it will be important to ensure that the mechanisms envisaged by the corridors do indeed link surplus and deficit areas rather than focusing only on the most fertile areas and shipping food out through ports.

An important role for a regional CAADP compact and investment plan may therefore be to ensure that region-wide coordination takes place both in harmonising policy frameworks and instruments to support farmers. Corridor development is often a 'collection of bilateral arrangements' or 'unilateral actions by one country' rather than a regional cooperation framework. Enhancing collaboration on their software components through regional agriculture and trade facilitation tools could improve coordination and harmonization around corridors management in the region. This would reduce transaction costs due to multiple national and bilateral management structures for corridors, which often have varying functions, power and responsibilities from country to country as well as limited linkages with the REC Secretariats.

A positive spillover from regional CAADP (or RAP) linking agriculture and corridors development could therefore be to make corridors a truly regional endeavour. The SAGCOT concept and related political rhetoric present it as an international corridor, linking up Tanzania, Malawi, DRC, and Zambia. This is also necessary to make certain investments commercially viable, such as fertilizer investments. But at present SAGCOT is primarily a Tanzanian project.[113] While the MDC experience shows that even when corridors are designed and successfully developed to connect two (or more) neighbouring countries, a serious risk exists that it is the stronger economy in the region (i.e. its private sector) that reaps the main benefits of the corridor initiative. Addressing such imbalances as part of regional CAADP preparations and implementation could facilitate the identification of more mutually beneficial arrangements for all countries involved, since the overarching objective of a food-secure region is in everyone's interest and could moderate self-interested behaviours that countries typically adopt in purely physical infrastructure development processes.

To ensure more balance and regional participation, CAADP can serve as a platform for strengthening dialogue around the production side bottlenecks to economic integration. This could take place beyond the trade facilitation challenges, where technical solutions seem more clear-cut and readiness to change less problematic compared to the tricky, often political, aspects like access to land or credit and the general business environment.

Vice-versa, the corridor approach can help regional CAADP to focus on specific value chains and geographical areas, around which it should be easier to stimulate private-public dialogue on food security. As a comprehensive policy framework, CAADP has often failed to really capture the attention and interests of all relevant private sector stakeholders; but bringing it to real discussions about investments in which crop or province and about how to better accessing markets is a real incentive to participation. Our analysis shows that this is the trend for both SAGCOT and MDC, able to involve more private sector actors than previous policies in those countries. The challenge remains to combine corridors and regional CAADP approaches and processes to achieve a similar degree of participation by smallholders.

A related additional contribution of a regional CAADP compact is the identification of priorities in terms of regional value-chain development and the corridors that would facilitate that. Given diverging interests between Member states and among the private sector, CAADP can act as a broker forum. By analysing the possible alternatives in light of potential benefits to smallholders, a regional approach can ensure that regional value chains benefit both the private sector and the small farmers in the same country, as well as both the weaker economies within SADC and the competitive ones like South Africa. Exactly like Mozambique did for its national CAADP compact[114], the RAP should identify which corridors should be considered the priority regional agriculture development corridors (and to promote which regional value chains).

CAADP should use the best practices from these and other corridors to inform and guide future initiatives. Given the growing enthusiasm for corridors, it seems appropriate that experience of corridor initiatives should be shared across RECs. For instance, SAGCOT could establish an online-payment system so that trucks arrive at border with all fees and taxes already paid for, just like they do on the on South African side of the Maputo corridor, while the Maputo corridor should become more agriculture and smallholder friendly, by replicating some of the positive experiences of SAGCOT (such as progressive legislation with regards to community consultation in case of land investments).

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[113] No discussions about SAGCOT seem to have taken place so far as part of national CAADP processes in Malawi, DRC, and Zambia, and as part of the RAP preparations; nor any official from other countries seems to have participated in the SAGCOT process in Tanzania.

[114] A key aim of the Compact is to support the development of value chains for basic agriculture products along six corridors and their related products, with the Maputo Corridor to focus on rice, horticultures, chicken and cattle.

Better integration of regional CAADP policies and corridors development is likely to be a 'differentiated-gear' or 'variable geometry' approach. Roads, rail and ports are typical examples of interests and potential investment where only a group of two or more SADC member states, not all, can be involved simultaneously, depending on where the corridor goes through and which areas it connects. The added value of a 'differentiated-gear' approach would be to look at existing progress and find a niche for CAADP as a synergy-creator, helping to bring together policy-makers from different countries in the region - groups of two first and then the broader SADC region, up to the whole Tripartite - to move quickly on binding constraints being faced together (but gradually, without forcing all countries to move at once).[115]

Fundamentally, a regional CAADP approach would need to look at existing incentive structures and power relations between key actors and consider if it is possible to change incentive structures to widen the benefits. Based on this greater understanding, CAADP could include measures to promote synergies between policies and investments for agriculture growth and corridors development.

This type of political economy analysis should help specifying what each relevant actor could realistically do for the successful integration of corridors approaches and CAADP-related investment. This approach goes beyond technical solutions that often are already available, to explore proposals for incremental change around bottlenecks that are more political than technical, therefore requiring drivers of change, frank policy dialogue and coalition building. The draft RAP calls for urgent assessments that should inform the infrastructure-related investments in the regional CAADP, and such analysis should be based on political economy, to clarify the drivers, obstacles and opportunities for change.

While this study serves to bring together a range of information from different actors across two important corridors, there is clearly a need for deeper understanding and for more dialogue, to build trust between different parts of the private sector, policy makers and other key stakeholders. More importantly, there is a need to understand when, where and how broad policy reforms can further ensure smallholders can benefit from increasing attention to promoting investment and trade in agriculture, with a view to finally raising productivity and incomes for the vast populations relying on agriculture in Africa.

[115] More details about a 'differentiated-gear' approach to regional CAADP can be found in Rampa, van Seters and Afun-Ogidan (2012): www.ecdpm.org/dp128b

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