



### RECOMMENDATIONS

- Initiatives like the MCLI should be encouraged; they provide a platform for different actors and users (public and private) to co-ordinate their activities and to voice and address operational concerns. Such initiatives can help to increase the efficacy of operationalising other corridors.
- The involvement of PPPs should be promoted, as they can be of crucial importance for the success of other corridors. PPPs can provide financing for fiscally constrained countries, and can play a strategic role in garnering the support and increased involvement of the private sector.
- A long-term regional strategy for economic development and integration which addresses the envisioned role of development corridors, and how this will be realised, should be established. Streamlining strategy at a regional level will encourage better co-ordination of activities in establishing fully operational corridors.
- Both public and private sector stakeholders should be well versed in the reasons for a corridor being pursued, to generate the required will and expeditiousness at various levels.

# Implementing Development Corridors: Lessons from the Maputo Corridor

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### EXECUTIVE SUMMARY

The Maputo Development Corridor is the largest and most successful development corridor initiative thus far in the Southern African Development Community (SADC) region, if not within Africa as a whole. It has overcome a range of challenges to make a significant contribution towards regional economic integration. As such, it is an example from which lessons can be drawn for other corridor initiatives within the region. This policy briefing examines the establishment of the Maputo Development Corridor; the role played by public-private partnerships in this regard; the achievements of the initiative; the remaining challenges and constraints; and the lessons that can be learnt for future development corridor initiatives.

### DEVELOPMENT CORRIDORS AS A TOOL FOR ECONOMIC INTEGRATION

Development corridors are being established across the Southern African region as a tool to support economic integration, as they serve to open up markets and promote increased trade and investment. This is especially true for SADC, where 12 development corridors exist, including the Beira Corridor which connects hinterland countries like Zimbabwe and Malawi, and Mozambique's interior, to the port at Beira in Mozambique. In Mozambique alone there are a number of existing and prospective corridors including Beira, Nacala and Mtwara; illustrating how a country's geostrategic location can be made beneficial to the region. These corridors have strengthened partnerships and increased the attractiveness of the region to the business sector resulting in a growth in international competitiveness. Linking landlocked countries to their neighbours, and thus to the ocean, not only improves the operational

and economic efficiency of these states, it also creates a myriad of new economic opportunities. More specifically, it creates an integrated regional system of trade, with improved infrastructure; increased and more efficient cross-border flow of goods; expanded business involvement; and more vibrant tourism within the region. Furthermore, the improved infrastructure, which in turn allows for increased cargo volumes and other improved transportation efficacy, pushes forward the economic and regional integration agenda.

The Maputo Corridor is arguably one of the biggest such initiatives. Its efficient management and successes in terms of public–private partnerships (PPPs) have made it a model example within the SADC. However, the Maputo Corridor’s crowning success lies in the crucial role it has played in the broader, regional initiative of linking the Atlantic and Indian Oceans via the Trans-Kalahari and Capital Corridors. It is for these reasons that the corridor can be used as a case study from which to draw lessons for implementing other development corridor projects.

## THE MAPUTO CORRIDOR

The Maputo Corridor is a transport corridor that connects South Africa’s Gauteng Province to Mozambique’s Maputo port, while also ‘unlocking the landlocked regions of Mpumalanga ... and Limpopo provinces’.<sup>2</sup> It is one of the most important examples of contemporary bilateral co-operation between Mozambique and South Africa. Promoted as a Spatial Development Initiative, the corridor became a reality as a result of coinciding developments of infrastructure, including the upgrade of the Maputo port through a multimillion dollar concession, and the development of the N4 highway in South Africa, which runs from Pretoria to the Mozambican border at the Lebombo–Ressano Garcia post.<sup>3</sup> This, along with the existence of established subsidiary corridors to bordering South African provinces, and indeed also to neighbouring countries, makes the Maputo Corridor ‘one of the most ambitious initiatives undertaken within the Southern African region’.<sup>4</sup>

The main objectives of the corridor have been to rehabilitate the existing core infrastructure; attract investment to the corridor and the region; make it sustainable through relevant policies and strategies; and to maximise the impact of investing in and developing the corridor. This is envisioned to produce benefits that include enhancing trade; opening up neighbouring markets to one another, and granting access to global markets; increasing cross-border tourism; encouraging private investment; and using private-sector investment to displace the use of public sector resources.<sup>5</sup> Furthermore, the corridor is expected to support the vision of regional economic integration.

One of the most important mechanisms through which these objectives have been achieved is the Maputo Corridor Logistics Initiative (MCLI). The MCLI is a PPP that operates in both South Africa and Mozambique, and has been crucial in the co-ordination of activities and lobbying to address outstanding issues that act as constraints. The initiative has assisted in facilitating co-operation, allowed for networking, and enabled the resolution of logistical and operational issues by offering a platform through which all stakeholders can engage.

In order to further stimulate the flow of cross-border trade and to encourage use of the port of Maputo – which would ease traffic at the Durban port – the need to allow for smoother passage of goods at the border was recognised, as suggested in a 2007 assessment conducted by the United States Agency for International Development.<sup>6</sup> To minimise delays at the border and to reduce red tape, it was agreed bilaterally that a one-stop border post should be established. The initial plan for a ZAR 1.9 billion upgrade has been shelved, owing to financial constraints to disbursing the entire amount. Instead, improvements to the border post are being implemented in phases. Given the resultant increase in traffic the border post extended its daily operating hours to 18, although it remains on the agenda to increase operations to a 24-hour daily basis due to continued backlogs and pressure from stakeholders. A significant achievement has been the implementation of a freight bypass road, allowing for freight to be cleared in a one-stop

operation at KM7<sup>7</sup> on the South African side, before the border post. Thus only the handover of documents is necessary at the border, with the process replicated at KM4<sup>8</sup> on the Mozambican side for cargo moving into South Africa. This has effectively cut transit times from the border to the port and back to five and a half hours for certain users, from periods that used to run to anything from three days to three weeks.<sup>9</sup> It is a significant achievement, as a one-day reduction in inland travel times can raise exports by as much as 7%.<sup>10</sup>

Overall, the Maputo Corridor has had a number of positive impacts. These include improved efficiency in reaching the border from inland provinces; safer and more reliable passage from the border to Maputo; and reduced operational inefficiencies. The extension of the Maputo port concession, which began in 2003 and has now been extended to 2033; the dredging of the port to allow the entry of larger vessels; continued investment in the port; and increased capacity of the port will contribute to optimising the corridor.<sup>11</sup> Nonetheless, there are still a number of constraints and challenges that have prevented the corridor from achieving its potential.

## CONSTRAINTS AND CHALLENGES

Mathews Phosa, South African Chairman of the MCLI, has noted that progress has been hampered by the limited operating hours of the border post.<sup>12</sup> Although improvements have been made, the border post needs to extend its operating hours to bring it in line with the Maputo port in order to minimise backlogs. The current six-hour closure is creating traffic at the border and increasing transit times. According to the Chief Executive Officer of the MCLI, Barbara Mommen,<sup>13</sup> the port needs sustained freight volumes to make it viable and users need a one-day turnaround time to make it worth their while, especially considering that many users incur a double cost with their vehicles returning empty. Addressing this challenge would make the corridor more viable as a whole by increasing trade volumes and incentivising the use of the Maputo port.

Related to this are several operational constraints: although the one-stop border post

has been implemented to a certain degree, constraints remain largely centred on each government's particular approach to the process of trade facilitation,<sup>14</sup> and on security concerns. The unequal flow of trade within the corridor, with South African exports being 120 times that of Mozambican imports increases operational difficulties and logistics costs, especially as these are significantly higher than transit times and costs in more developed countries<sup>15</sup>.

The ongoing rail crisis in South Africa, with its unreliable and irregular service,<sup>16</sup> further exacerbates the problem. Consequently, the MCLI has suggested that the 'scope and competitiveness of transport services must be increased' by way of improved capacity, greater service levels, and more competitive rates.<sup>17</sup> This has been echoed by USAID, which has highlighted the need for more locomotives and enhanced railway infrastructure.<sup>18</sup> Another constraint is the high prices set by Transnet Freight Rail for transporting goods on the Maputo line. Not only is this a barrier to easing the flow of goods in the Maputo Corridor, but it could also jeopardise the continued extension of the export terminal port in Maputo.<sup>19</sup>

Finally, some stakeholders have suggested that an apparent lack of political will at the administration and implementation levels poses a major challenge to furthering the Maputo Corridor initiative, despite the fact that political will exists at the executive level. This has been compounded by bureaucratic hold-ups in the South African Parliament, particularly with reference to increasing daily operating hours of the border post from 18 to 24. A legal and logistical framework to support increased operating hours is being dealt with by The Standing Committee on Finance and requires signature and ratification by parliament. However, a presentation to the committee by the Border Control Operational Coordinating Committee – on 13 June 2012 – makes no mention of the hours of operation, and does not specify when increases therein can be expected. Since the presentation, however, government officials have noted that there is now an attempt to separate the 24-hour operations issue from the 1-stop border post

as the latter is considered the 'bigger' project. This may serve to scupper hopes of the 24-hour operation becoming a reality in the near future.

## CONCLUSION

The Maputo Development Corridor has been one of the most successful development corridor initiatives in the SADC region to date, and has become a model for future initiatives. Several lessons can be drawn, from both its achievements and the challenges it has encountered. Crucially, the involvement of the MCLI, as well as the PPPs that financed the corridor infrastructure, has ensured that its efficacy continues to increase through effective management and by lobbying against outstanding issues. The successful use of PPPs to finance the Maputo Corridor has proved that this mechanism is effective for financing the transport infrastructure sector. This is a positive development, as it demonstrates that fiscally constrained countries can successfully harness PPPs in this way to achieve similar initiatives in the future. The Maputo Corridor can be seen as part of the wider vision of regional integration within the SADC. For this vision to be fully realised, a long-term strategy is thus essential for SADC in implementing other corridors in the region.

## ENDNOTES

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- 2 MCLI, 'About the Maputo Development Corridor', <http://www.mcli.co.za/mcli-web/mdc/mdc.html>, accessed 3 July 2012.
- 3 Personal interview, MCLI, Johannesburg, 21 May 2012.
- 4 TRAC (Trans African Concessions), 'Maputo Corridor Development Initiative', [http://www.tracn4.co.za/index.php?option=com\\_content&view=article&id=52&Itemid=57](http://www.tracn4.co.za/index.php?option=com_content&view=article&id=52&Itemid=57), accessed 12 June 2012.
- 5 TRAC, 'Maputo Corridor (objectives and benefits)', [http://www.tracn4.co.za/index.php?option=com\\_content&view=article&id=53&Itemid=91](http://www.tracn4.co.za/index.php?option=com_content&view=article&id=53&Itemid=91), accessed 12 June 2012.
- 6 USAID, *Maputo Corridor Performance Assessment: A Transport Logistics Diagnostic Tool Study*. Arlington: Nathan Associates Inc, 2007, pp. 11–13.
- 7 KM7 refers to the freight clearance centre within South Africa on the freight bypass road, situated seven kilometres from the border. This serves freight entering Mozambique from South Africa.
- 8 KM4 refers to the freight clearance centre within Mozambique on the freight bypass road, situated four kilometres from the border. This serves freight entering South Africa from Mozambique.
- 9 Personal interview, *op. cit.*
- 10 BCOCC, 'Briefing by commissioner of the South African Revenue Service Oupa Magashula on behalf of the BCOCC to the Standing Committee on Finance on the bilateral legal framework in support of a one stop border post between South Africa and Mozambique', South African Parliament, 13 June 2012.
- 11 TradeInvest South Africa, 'Maputo Corridor going from strength to strength', 20 April 2011, [http://www.tradeinvestsa.co.za/feature\\_articles/449325.htm](http://www.tradeinvestsa.co.za/feature_articles/449325.htm).
- 12 De Bruyn C, 'Limited border post operating hours hamper Maputo Corridor progress', *Engineering News Online*, 30 September 2010, <http://www.engineeringnews.co.za/article/limited-border-post-operating-hours-hamper-maputo-corridor-progress-2010-09-30>.
- 13 Personal interview, *op. cit.*
- 14 Mozambique has more to gain by way of increasing trade through the corridor, and have therefore been more expeditious, while for South Africa the gains are not as substantial. Therefore, while trade facilitation is important in principle, there is less urgency on their part.
- 15 For example, transit times at the Durban port are much faster, thereby reducing costs. As such, some users prefer to contend with the traffic there than to use Maputo port as it currently operates.
- 16 Personal interview, *op. cit.*
- 17 MCLI, *op. cit.*

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