Development Policy Research Unit
University of Cape Town

Institutional Aspects of the Maputo Development Corridor

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Foreword

The Development Policy Research Unit (DPRU), located within the University of Cape Town's School of Economics, was formed in 1990 to undertake economic policy-oriented research.

The aim of the unit's work is the achievement of more effective public policy for industrial development in South and Southern Africa.

The DPRU's mission is to undertake internationally recognised policy research that contributes to the quality and effectiveness of such policy.

The unit is involved in research activities in the following areas:

- labour markets and poverty
- regulatory reform
- regional integration

These policy briefs are intended to catalyse policy debate. They express the views of their respective authors and not necessarily those of the DPRU.

They present the major research findings of the (ISP). The aim of the ISP is to promote industrial development in the *Southern African Development Community* (SADC) through regional economic integration and cooperation. It is a three-year project that commenced in August 1998 and is funded by the *International Development Research Centre* (IDRC). Ultimately, this project will identify the policies and programmes that support regional interactions that contribute to the industrialisation of SADC national economies.

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'Institutional Aspects of the Maputo Development Corridor'
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Introduction

The Spatial Development Initiative (SDI) programme was initiated by the South African Government in 1995. The SDIs are targeted, short-term initiatives, driven by private capital, designed to facilitate global competitiveness, access to global capital and investment, infrastructural development and 'sustainable' job creation in specific spatial locations in South Africa, as well as in the broader Southern African Development Community (SADC) region, which have unrealised economic potential due to a range of historical and political reasons, primarily apartheid and the import substitution approach.

This policy brief assesses the institutional and organisational structure of the Maputo Development Corridor (MDC) and draws some lessons for future development corridors and spatial development initiatives (SDIs) in the Southern African region.

Objectives of the MDC

The MDC is based on the vision to revitalise the axis between the economic heartland of South Africa in Gauteng, the Mpumalanga province and the city and port of Maputo. The project is considered to be important for gross domestic product (GDP) and employment growth, increasing local and foreign investment and export growth in both countries, but also as a means to contribute to other key policy areas such as international competitiveness, regional economic integration and a broadening of the ownership base.

The MDC is based on four key objectives:

- To rehabilitate the primary infrastructure network along the corridor, notably road, rail, port and dredging, and border posts, with the participation of the private sector in order to have minimum impact on the fiscus.
- To maximise investment in both the inherent potential of the corridor area and in the added opportunities which the infrastructure rehabilitation will create.
- To maximise social development, employment opportunities and increase the participation of historically disadvantaged communities.
- To ensure sustainability by developing policy, strategies and frameworks that ensure a holistic, participatory and environmentally sustainable approach to development.

The main projects for the rehabilitation of primary infrastructure include the following:

- Witbank-Maputo N4 Toll Road.
- Rehabilitation of the port of Maputo.
- Establishment of a public/private company to manage, operate and maintain the southern Mozambique rail network.
- A single facility/one-stop Border Post at Ressano Garcia/Komatipoort.

Of the other investment projects the most comprehensive are:

- Mozambique Aluminium Smelter (Mozal).
- Maputo Iron and Steel Project.
- Pande/Temane Gas.

Planning and implementation phases of the MDC

Although each SDI has to adjust to the different conditions under which it operates, many policy-makers now speak of a generalised 'SDI methodology'. There are two main phases, which can be further divided into sub-phases. The *first* main phase is driven by central government institutions, which gradually leads into the *second* stage, the exit strategy, whereby the initiative is to be 'handed over' and then driven by provincial and local institutions, particularly the provincial investment promotion agencies. There is considerable emphasis on 'fast tracking' project implementation, and the set-up, appraisal, packaging and launch of a SDI at the investors conference is supposed to be completed within 12 to 18 months. The exit strategy is given a little longer time; up to two years.

The implementation and planning phases of the MDC are:

PHASE	ACTIVITY
1. Set Up Phase	Appointment of project manager; gathering of socio-economic and institutional data on the loosely defined corridor area.
2. Pre-Feasibility	Pre-feasibility appraisal of data; organisation of conceptual workshop, development framework and spatial definition (led by project manager).
3. Institutional	Establishment of structures at the political, official and technical capacity levels, e.g. set-up of political team; interdepartmental team; technical team; working groups; identification of local champions.
4. Feasibility	Together with key stakeholders, further development of the conceptual framework into a terms of reference for more detailed appraisal. Identification and appraisal of lead projects and the developmental programme of action. DBSA and IDC play a significant role in identifying and testing projects
5. Packaging	Finalization of a detailed development perspective document which indicates a list of viable projects and investment opportunities.
6. Launch	Launching of the MDC, at the investors conference, to present vision, objectives, perspective, anchor projects and investment opportunities; establishment of investment promotion mechanism and implementation capacity. Technical teams and project identification teams are dissolved.
7. Exit Strategy	Institutional arrangements to facilitate momentum and implementation of the initiative and the 'hand-over' to provincial structure, e.g. the establishment of the Maputo Corridor Company and the consolidation of Provincial Investment Promotion Agencies. Establishment of clusters for selected sectors in the MDC area, which bring firms across the supply chain together and enhance their collective efficiencies.

Institutional arrangements of the MDC: strengths and weaknesses

The main purpose of this section is to pinpoint some positive and negative aspects of the institutional arrangements of the MDC in order to contribute to further research, discussion and policy-making.

Political champions

Political champions are a novel feature of SDIs, and they play an important role. The MDC has received massive political support, and the political champions have intervened and speeded up decision-making and implementation when the process otherwise arguably would have stagnated. When champions are strong, this is of course a great asset, but weak champions may undermine the whole process, which happened with the new provincial premier in Mpumalanga. This makes the process heavily dependent on the commitment and competence of certain individuals.

Network structure

The *network structure* has several strengths. It is flexible, facilitates quick planning and decision-making processes and ensures interdepartmental coordination and cooperation. It is furthermore non-bureaucratic and probably relatively cheap in that it builds on existing institutional capacities and resources. On the other hand, the strategy is risky when there is a lack of skills, competence and institutional capacities. It furthermore creates a rather diffuse power and responsibility structure without a clear centre of decision-making, and it is not particularly suited to carry out conventional bureaucratic procedures.

Fast-tracking

The emphasis on *fast-tracking* is essential to the MDC approach and the SDI methodology more generally. To the extent that it is working there are some obvious advantages, for instance that it creates visible benefits and establishes a connection between input and output. It may also spur a certain 'multiplier effect' and a kick-start to the economy. On the other hand, there is some evidence that the fast-track approach may in fact be counter-productive, 'a slow-track', with negative influences on the management of the MDC as well as the quality of investment projects.

Contradictions in content

The MDC has a lot to offer to a host of stakeholders, especially insofar as it manages to bring together public, private and central and local actors. On paper, the aims and objectives of the MDC are impressive, but there is a wide rift between rhetoric and practical implementation; between the emphasis placed on bankable investment projects in contrast to social development, job creation and a participatory and holistic development strategy. The *contradiction in content* undermines the credibility and functioning of the MDC.

National and provincial relations

The *national-provincial relation* is a very problematic aspect of the MDC from an institutional perspective. Central government institutions have pushed the project and due to capacity constraints on the provincial and local level the assumed 'urgency' has left these actors outside of design and implementation. There is a poor (and sometimes even non-existing) relationship between central government/institutions and provincial institutions. The network structure is diffuse and has created exclusiveness when key role-players are by-passed when they do not conform with the SDI-strategy, i.e. cooperation and communication is facilitated within the network but not with outsiders and only in a top-down manner.

Local participation

The fact that the MDC is better known internationally and nationally than locally in combination with its design that does not involve bottom-up forces and facilitates *local participation* questions the ownership of the micro-region and gives it a 'democratic deficit'. These problems must not be ignored, but may actually undermine the role of the state. As a consequence the state may be looked upon as an 'external' agent, implementing top-down projects in alliance with international investors rather than its own citizenry.

Policy lessons for development corridors and SDIs in Southern Africa

In drawing policy lessons it is logical to roughly concentrate on the key aspects that were emphasised in the analysis of the MDC.

One main policy lesson of the MDC is that any SDI seems to require considerable political commitment and political will provided by the ***political champions***. Considering the centralised decision-making structure in most SADC countries, it appears that the political champions must be in the highest centres of decision-making, preferably a key minister or even the president.

A ***networked institutional structure*** can ensure a quick and flexible planning and decision-making process, and innovatively enhance interdepartmental coordination. However, the network structure requires that the institutions and capacities are strong, capable and competent. It is therefore most uncertain whether this structure is suitable for the existing bureaucratic and institutional realities in the neighbouring countries. In the process of building regional SDIs there must be a strong focus on both formal and informal institutional capacity building if they are to be functioning. It is also suggested that there is a more structured centre or 'organisation' that takes responsibility for the process, provides a legal and regulatory framework and becomes a recognised 'driver'.

In light of the above, there is a clear risk that many large-scale projects tend to stagnate. ***Fast-tracking*** is positive in the sense that it maintains momentum and provides stakeholders with a link between input and outcome. However, the institutional limitations and political realities in the SADC countries suggest that it might be very difficult to sustain the high speed emphasized in the SDI methodology. Instead of a multiplier effect and kick-start, a fast-tracked SDI faces the risk of being yet another major project with no or few local links and disentangled from the realities on the ground. As suggested by the MDC, the high speed may also have negative repercussions on the quality of investment.

Any ***contradiction in content*** is obviously a weakness and undermines the credibility of the SDI in question as well as the 'state' more generally. Management and institutional effectiveness are compromised when stakeholders and not even key policy-makers within the particular SDI manage to agree on the aims, methodologies and strategies. The lesson is to agree on the content and promote it in a more coherent manner. It is also needed to specify what type of SDI is being created.

The ***national-provincial relation*** constitutes a crucial link in any SDI. Since the provincial and local levels are much weaker in the SADC region than in South Africa, it is an even greater challenge to try to build local participation and give ownership at the provincial and local levels in the SADC region. In this regard there seems to be a need for rethinking the SDI methodology. The best solution is to find a sound balance between top-down and bottom-up strategies which allow a certain degree of ***provincial and local participation*** at earlier stages in the process. This would also imply making institution- and capacity-building an integral part of the SDI from the outset.

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