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**ADOPTION OF RESOURCE DEVELOPMENT CORRIDORS IN SADC: LESSONS LEARNT FROM THE
MAPUTO DEVELOPMENT CORRIDOR**

By

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ABSTRACT

This research paper introduces the concept of resource development corridors in the Southern African Development Community (SADC) region as a vital alternative towards economic transformation and growth, transport growth and development deficit in the entire region. The research will further discuss the challenges and opportunities associated to the resource development corridors with reference to the Maputo Development Corridor (MDC) as well as the lessons to be learnt from the MDC for future development corridors initiatives. By making use of different sources on the subject matter, the research will highlight transport deficiencies, huddles impending and impacting on the failure by SADC to move towards greater regional resource corridors integration and prosperity. The recommendations regarding moving SADC's agenda on improving transport network and infrastructure will also be presented.

LIST OF ACRONYMS

ABSA	Amalgamated Banks of South Africa
AIDS	Acquired Immune Deficiency Syndrome
BOT	Build Operate Transfer
DBSA	Development Bank of Southern Africa
EAC	East African Community
ECOWAS	Economic Community of West Africa and Central Africa
EPs	Equator Principles
EPFIs	Equator Principles Financial Institutions
FDI	Foreign Direct Investment
FLLDTA	Federated Long and Local Distance Taxi Association.
FNB	First National Bank
GDP	Gross Domestic Product
HIV	Human Immune Virus
ICT	Information and Communications Technology
IDC	Industrial Development Corporation
IFC	International Finance Corporation
IFI	International Financial Institutions
MCC	Maputo Corridor Company
MCLI	Maputo Corridor Logistics Initiative
MDC	Maputo Development Corridor
NCTTCA	Northern Corridor Transit and Transport Coordination Authority
PIDA	Program for Infrastructure Development in Africa
PIPA	Provincial Investment Promotion Agencies
PPPs	Public Private Partnerships
RDC	Regional Development Corridors

RDC	Resource Development Corridor
RGR	Ressano Garcia Railway
SADC	South African Development Community
SANRAL	South African National Roads Agency Ltd
SDI	Spatial Development Initiatives
TRAC	Trans African Concession
USAID	United States Agency for International Development
WHO	World Trade Organisation

KEYWORDS

Southern African Development Community, resource development corridors, integration, economic growth, Transport, the Maputo development corridor, legal framework, challenges and opportunities.

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CHAPTER 1

INTRODUCTION

1.1. Background to the study

The resource development corridors have been the mainstay and one of the most debated subjects in the SADC¹ region to enhance economic growth and trade. This is further indicated by various protocols that have been adopted in an effort to develop and improve the resource development corridors, some of these protocols are mentioned below in the study in detail. This research seeks to explore a variety of issues around the development corridors ranging from the benefits, challenges, opportunities, legal frameworks, use of private investment for the development of the projects and possible strategic move towards improving development corridors within the SADC region.

The study will further assess how the establishment of the Maputo Development Corridor (MDC) was dealt with to make it a success through all the challenges that transpired on various stages of the construction and completion of the project. It will also examine the influence of the difference in the legal frameworks towards the resource corridors development.

Most industries like the mining sector, agri-business and tourism depend much on transport for the movement of goods and services and the access to the markets and the sea ports. A good example is Zambia, it is very rich in copper mining but because of its geographic positions there is limited access to the sea ports therefore they have to depend on the neighbouring countries like South Africa, Namibia and Tanzania which are bordered by the oceans to provide the right of way to the sea ports which involves international agreements amongst the involved countries. However the movement of commodities from the country to the neighbouring countries requires transport and a good road and rail network system hence the initiative by most SADC member state for the adoption of more corridors to enhance trade and easy access to the ports for the transportation of the good and services.

Still on the case of Zambia, to indicate how a single sector can make a big difference in the country. In Zambia alone, mining account for more than 80 percent of Zambia's foreign exchange earnings, over 50 percent of government revenue and at least 20 percent of total formal sector

¹ Southern-African Development Community.

employment in the country.²This is an indication that mining plays a pivotal role in developing the economies of most SADC region member states however in order to achieve the best and highest economic growth, more development corridors need to be adopted and proper planning must be in place for a successful implementation of corridors.

There is also a need to encourage and protect large-scale private sector investments in the resource corridors sector as most governments do not have adequate resources to implement the corridors programmes', the private sector can close the gap by taking over the establishment of corridors or work together with the public sector for the common goal.

1.2. Aims and objectives of the study

This research seeks to explore the benefits, challenges and possible strategic move towards improving development corridors within SADC and assess how the establishment of the Maputo Development Corridor (MDC) was dealt with to make it a success through all the challenges that transpired. It will also examine the influence of the difference in the legal frameworks towards the resource corridors development. In line with this overall objective the research pursues to accomplish the following specific aims and objectives:

1.2.1. Aim

- To examine factors associated with development corridors and determine the challenges faced by the SADC region towards its initiative to adopt more future resource corridors within the region. The aim will also be to inform and propose recommendations to the governments of the SADC on what to consider when pursuing the development corridors initiatives. To use the Maputo Development Corridor as an example of what the governments should consider when adopting resource corridors in terms of international agreements and the legal frameworks, for example the adoption of a single code for the entire region focusing on infrastructure and the development corridors.

1.2.2. Objectives

- To define and contextualise the meaning of a resource corridor.
- To determine how the Maputo Development Corridor came into existence its challenges and opportunities?

² M. Mukwasa 'When is the compensation payable for breach of a stabilisation clause? The case for the cancelled mining development agreements in Zambia' Faculty of Law University of Pretoria 2010 page 1.

- To apply the Maputo Development Corridor as a lesson to be learnt and used positively towards future resource corridors development in SADC.
- To determine the effects of regional legal frameworks towards future resource corridors in SADC in general?
- To provide the recommendations towards sustainable, progressive and successful adoption of the resource corridors in the SADC region?

1.3. Research questions

This study will argue that while resource development corridors could play a pivotal role in developing the economies of SADC no matter how good the strategies are on paper in developing infrastructure within the region, there are still obstacles that need to be considered and addressed for the success of resource corridors development for economic growth. These initiatives have the potential to change the economies of SADC in the world if well implemented. Accordingly, the Maputo Development Corridor (MDC) will be used to illustrate how the resource corridors could have an impact in the economic growth and the lessons to be learnt from it for future development corridors. It will also discuss the impact of legal frameworks towards the development corridors.

To construct a proper argument the following questions will be the epicentre of the research.

1.3.1. Primary research question

- What lessons can be learnt from the development of the Maputo Development Corridor in establishing future resource development corridors in SADC?

1.3.2. Secondary questions

- What is a resource corridor?
- How did the Maputo Development Corridor come to existence and what were the associated challenges and opportunities?
- Given that we now know what the challenges were, how can we use this positively towards future resource corridors development?
- How can regional legal frameworks hamper or enable future resource corridors in SADC in general?
- What are the recommendations towards sustainable, progressive and successful adoption of the resource corridors in the SADC region?

1.4. Proposed methodology to the study

1.4.1. Methodology

This qualitative research will be a desk and library literature based research. It will also be based on the review of literature on the various development corridors and infrastructure development commentaries and literature. This research will comprise of primary sources which will include case laws, treaties, protocols and conventions where necessary. It will also comprise of the secondary sources which would include among other things the journals published on resource development corridors and related fields, published reports, articles, and other data reports.

1.4.2. Research parameters

The research will not further try to attempt to address all the areas of resource development corridors and it will be limited to the current structure and major issues affecting the adoption of development corridors within SADC as well as recommendations on how to overcome them with reference to Maputo Development Corridor (MDC) as a learning experience on what and what not to do. Some on-going cases, policies and regulations which are not yet concluded and published will be considered with reference to the sources. In this report there will not be any interviews conducted. The information and data dating back from Pre-colonial, colonial and post-colonial era will be used up to the date this research is finalised and submitted. This will also be a policy based research which does not go into deep technical details on beneficiation, development corridors and the extractive industries.

1.5. Relevancy of the study

This study will not be relevant only to the governments and the policy makers of the SADC countries or any other jurisdiction whatsoever. It will also be relevant to the parties and the bodies who are striving to stir the African resource based economies towards a socio-economic transformation through mineral resources amongst other commodities.

Despite the various regional initiatives such as the SADC Protocol on Transport, Communications and Meteorology, SADC Protocol on Trade as well as Spatial Development Initiatives, Road Sector Development Programmes, the SADC Regional Infrastructure Development Plan, the Southern Africa Regional Action Agenda, The NEPAD transport Programme, and the SADC Corridor Strategy the problem of the lack of resource corridors still exist. Poor policing, legal framework and implementation strategies are the main cause amongst other things. This research will be important

in the sense that it will add information to the on-going academic debate that may also be useful to policy makers and legislators in their endeavour to facilitate resource corridors development.

Quite a number of studies have been done by inter-governmental and international trade scholars on infrastructure and resource corridors development in particular, challenges and measures to improve the smooth flow of goods and services. However, not all the solutions proffered are ideal for the SADC region given the historical and current global economic dynamics, different policy frameworks, state sovereignty and unique legal structures of different jurisdictions within the region. This study will be crucial in the sense that it will examine what constraints the concept of resource corridors development and proffer recommendations that can work for the region with reference to the Maputo Development Corridor as the case study to the research. SADC has the highest number of agreements towards infrastructural development. This research therefore seeks to establish whether it is a question of integration or implementation which impairs the success of these agreements and the initiatives?

The research will also be useful to broaden thinking horizons in the subject matter through research and consultation of different sources therefore, pooling together different scholarly views and analysis thereof to come up with a solid and well defined possible conclusion and understanding. To the economic strategists, investors and government officials they could also consult this research work to gain knowledge and get a proper insight on how development corridors could assist in developing economies and tackle different challenges that might arise. For the governments, this study will present a unique opportunity for them to examine the factors which must be considered and taken into account when adopting future resource corridors. Any other interested parties could also make use of this research with reference to it and learn more about the status of the extractive industry in terms of economic development through development corridors adoption in the SADC region specifically.

1.6. Chapter overview

The study is contextualised by a brief outline in Chapter 2 of what the term 'resource development corridor' entails as well as its importance towards the development of the economies, the challenges and opportunities associated with development corridors. The study continues in Chapter 3 to discuss the Maputo Development Corridor as a case study, how it came about, the associated challenges and solutions and its current position in enhancing economic growth in the SADC region. In Chapter 4 the study will further discuss lessons to be learnt from the Maputo Development Corridor for other future resource development corridors in the region as well as other aspects that need to be considered when adopting new corridors or revitalising old corridors e.g. the effects of

the legal frame works in the region in general towards the adoption and the maintenance of the resource development corridors. The chapter will also briefly discuss the inclusion of dispute resolution mechanisms that should be utilised to maintain international standards in terms of investment, bilateral and multilateral treaties.

Chapter 6 of the study will conclude the findings of the research and give alternative recommendations for review that the SADC countries could adopt to ensure a successful adoption of the future resource development corridors in SADC.

CHAPTER 2

CONTEXTUALISING RESOURCE CORRIDORS DEVELOPMENT IN AFRICA

2.1. Introduction

This chapter will provide a brief outline on what a resource development corridor is, in the general context and their role towards the development of the economies, the challenges and opportunities associated with development corridors. It will also discuss the purposes, objectives and the importance of resource corridors for economic growth.

2.2. Nature of resource development corridors

Resource Development Corridor (RDC) is a means to develop infrastructure and services around the area of a large mine or oilfield or any other big project in the area while using these for other economic activities that will promote growth,³ e.g. the agribusiness, tourism and for public usage and benefit. These are normally specific forms of infrastructure in the form of routes that is developed to enhance connection and trade which could be in the form of roads, railway lines, pipelines, sea ports and airports.

Improving and developing resource corridors could be an ingredient for growth and integration into the regional and international markets. In Africa, this is recognized at the continental level, where for instance, the Program for Infrastructure Development in Africa (PIDA), has identified 42 corridors that should form a core network for regional integration and global connectivity,⁴ however, it is also recognised regionally within the continent of Africa by the SADC (Southern African Development Community) EAC (East African Community) and the ECOWAS (Economic Community of West Africa and Central Africa). In the SADC region in particular, these development corridors are being established across the region as a tool to support and enhance economic integration, as they serve to open up markets and promote increased trade and investment within the member states and the entire world. This is especially true for SADC, where 12 development corridors exist out of the 42 in the entire continent.⁵

³ B.P.D Mokgware 'Southern African Development Community (SADC) Towards Economic Integration' US Army war College (2002) page 17.

⁴ S. Sequeira, O. Hartmann, C. Kunaka 'Reviving Trade Routes: Evidence from Maputo corridor' Discussion Paper No 14 SSATP (2014) page 2.

⁵ S. Sequeira (note 4) page 1.

2.3. Scope of the resource development corridors

The notion of corridors has evolved over the years to expand its scope and to include a wider economic and development perception across the entire continent of Africa and the SADC region in particular. For a long time, corridors were seen as mere transport routes for the public domain that had nothing to do with economic development of the country, which caused serious setbacks in most jurisdictions to implement and develop more corridors for economic growth through trade.⁶ That narrow notion evolved with the realization that logistics services, and the institutional and regulatory framework governing services were equally important not only for the narrow economic developments, but also for the shared use of the corridors with the general public.⁷

The scope of the Resource Development Corridors (RDCs) aims at nothing short of linking landlocked countries to their neighbours, and thus to the ocean; it is not only the land locked countries that benefit from the RDCs, the sea bordered countries also benefit from these corridors. The RDCs do not only improve the operational and economic efficiency of these states, it also creates economic growth opportunities for most or all the member states in the region.⁸ More specifically, it creates an integrated regional system of trade, with improved infrastructure, more efficient cross-border flow of goods; expanded business involvement; and more vibrant tourism within the region.⁹ Other sectors also benefit from the corridors. 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.¹⁰ These corridors are governed by different agreements amongst the SADC member states and the legal framework surrounding the proposal, development, usage, ownership and the maintenance of the RDCs plays a pivotal role to ensure the success of these regional initiatives.

2.4. The purpose and objectives of resource development corridors

The main objectives of the corridors was, and still is, to rehabilitate the existing core infrastructure in most cases where the infrastructure was ignored and left to deteriorate over the years; attract investment to the corridor for its adoption, development and maintenance; make it sustainable

⁶ *Ibid.*

⁷ S. Sequeira (note 4) page 2.

⁸ C. Bowland, I. Otto 'Implementing Development Corridors: Lessons from the Maputo Corridor' Policy Briefing (2012) page 2.

⁹ *Ibid.*

¹⁰ *Ibid.*

through relevant policies and strategies; and to maximise the impact of investing in and developing the corridor.¹¹

Most Foreign Direct Investments (FDIs) rely more on the infrastructure for the movement of goods and the raw materials, which becomes a disadvantage to establish big projects in a remote location where the infrastructure is poor or is very limited and inadequate.¹² For example, most mining projects are capital intensive and they are financed by International Financial Institutions (IFIs).

The adoption of the development corridors 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.¹³ Furthermore, the corridor is expected to support the vision of regional economic integration.¹⁴

The land locked countries like Zimbabwe, Malawi, Zambia, Lesotho and Swaziland in the SADC region have difficulties to access the markets and the sea ports, as most commodities are transported by sea to the world markets. The cost of transporting goods from these landlocked countries is too high and the distance to the sea ports is too long therefore they should rely on the SADC member countries that are bordered by the seas and oceans to have access to the ports. Assisting one another to finance the upgrading and building of resource corridors and sea ports will be beneficial economically for both the landlocked and the sea bordered countries in the region.

Moreover, the other main objective of adopting more development corridors in the SADC region is to rehabilitate the primary infrastructure network along the corridors, notably road, rail, port, dredging, and border posts.¹⁵ It is further meant to maximise investment in both the inherent potential economic growth in the surrounding area where the corridor is and the added opportunities, which the infrastructure rehabilitation will create, including the provision of access to

¹¹ *Ibid.*

¹² B.P.D Mokgware 'Southern African Development Community (SADC) Towards Economic Integration' US Army war College (2002) page 17.

¹³ C. Bowland (note 8) page 2.

¹⁴ *Ibid.*

¹⁵ F. Soderbaum 'Institutional Aspects of the Maputo Development Corridor' DPRU Working papers No 01/47 University of Cape Town (2001) page 4.

global capital and facilitation of regional markets and regional economic integration especially within the SADC region.¹⁶

The development of more corridors enhances social development, employment opportunities and increases the participation of historically disadvantaged communities and to ensure sustainability by developing policy, strategies and legal frameworks that ensure a holistic, participatory and environmentally sustainable approach to development.¹⁷ The use of the PPPs (Public Private Partnerships) for the development of corridors also assist in creating and increasing confidence and trust between the private investors and the government as the involvement of the government in such big projects provides stability and trust to the FDIs.

2.5. The global position of SADC in terms of infrastructure

In terms of the infrastructure, the African continent is one of the regions lagging behind in the infrastructural endowment except for Information and Communication Technology (ICT).¹⁸ However the SADC region on the continent, when compared to the other African regions, has the best infrastructure even when compared to the East Asian and Pacific regions, especially with paved roads even though there is still a lot to be done to improve the infrastructure in the region.¹⁹ The infrastructural constraints especially with the corridors that would assist in the transportation of the resources and connectivity with the world markets is one of the challenges that hinder economic growth in most of the African countries and the SADC region in particular as there is a number of delays and traffic congestion in the movement of goods and services.²⁰ Most of the SADC countries are currently performing poor in the economic growth, sustaining and expanding the infrastructure, service delivery and the recorded GDP per capita as most of them rely more on natural resources. Even if SADC has a better infrastructure as compared to other regions, the infrastructure is however still inadequate to support the whole region as most member states have minimal resources at their disposal to develop or revive infrastructure and establish more corridors.²¹

There is significantly slow and poor performance in the region on its move and vision towards developing and maintaining more corridors. These development corridors initiatives in SADC need to

¹⁶ *Ibid.*

¹⁷ *Ibid.*

¹⁸ V. Foster, C. Bricen-Garmendia 'Africa's Infrastructure; A Time for Transformation' World Bank (2010) page 9.

¹⁹ V. Foster (note 18) page 11.

²⁰ V. Foster (note 18) page 5.

²¹ *Ibid.*

be viewed against the backdrop of certain issues like the slow economic growth,²² political unrest, historical issues, social issues, population growth, migration, policy framework, legislative issues, lack of technology and lack of FDIs in the region.

2.6. Current existing and proposed corridors in SADC

There are at present at least 14 Regional Development Corridors and SDIs (Spatial Development Initiatives)²³ underway to be developed across the whole region and some of them are the old corridors that need to be revived. Some of the corridors were ignored in most African countries during the struggle for independence, and they were left to deteriorate to bad state. These corridors and SDIs include:

- Nacala Development Corridor (Malawi and Mozambique);
- The Maputo Development Corridor (South Africa and Mozambique);
- Beira Development Corridor (Zimbabwe and Mozambique);
- Zambezi Valley SDI (Mozambique, Zimbabwe and Malawi);
- Lobito Development Corridor (Angola, Zambia and Democratic Republic of Congo);
- Coast to Coast SDI (Namibia, Botswana, RSA, Swaziland and Mozambique) including the Walvis Bay Development Corridor (Namibia and Botswana) and the Trans Caprivi Corridor (Namibia and Zambia);
- Mtwara Development Corridor (Tanzania, Malawi and Zambia);
- Gariep SDI (South Africa and Namibia);
- Swaziland Tourism and Biodiversity Corridor (RSA, Swaziland & Mozambique);
- Lubumbo SDI (Mozambique, Swaziland and South Africa);
- Okavango Upper Zambezi SDI (Zimbabwe, Botswana, Angola, Namibia and Zambia);

²² G.R.M. de Beer 'Regional Development Corridors and Spatial Development Initiatives some current perspective on Potentials and Progress' South Africa (2001) page 1.

²³ The SDI is a short-term, focused programme of specific activities and interventions to facilitate investment-led growth. It is a methodology aimed at creating opportunities for new fixed investments in identified specific areas and mobilising the requisite investment. Its objectives are to; stimulate or increase levels of investment from foreign, regional and local sources, promote regional economic growth and development and create sustainable employment. H. Mteghah, P.Leeuw,S. Naicker, M. Molepo 'Resources Corridors: Experiences, Economics and Engagement; A typology of Sub-Saharan African Corridors' University of Witwatersrand (2012) page 2 and see also B.P.D. Mokgware (note 12) page on 17.

- Tazara Development Corridor (Zambia and Tanzania);
- Malange Development Corridor (Angola and Democratic Republic of Congo);, and
- The Namibia Development Corridor (Angola, Namibia and Zambia).

Nine of these initiatives are development corridor initiatives where the transportation development infrastructure plays a fundamental role in facilitating the broader socioeconomic activities only.²⁴

In the SADC region more corridors have been initiated and established in the past years, whilst some remain non-existent and poorly managed, including the Beira Corridor which connects the hinterland countries like Zimbabwe, Malawi and Mozambique's interior, to the port at Beira in Mozambique. The cause for the fall of this corridor from one of the best and influential corridors in the region to a bad state was due to the economic decline of Zimbabwean economy, Mozambique and Malawi's bad economies. The corridor was poorly maintained and the trade declined owing to sanctions imposed to the government of Zimbabwe in the late 90s and early 2000 owing to political unrest and poor governance. Mozambique was in a bad political state after a prolonged civil war which left most of the infrastructure destroyed.

There is the Maputo Development Corridor that connects the hinterlands of South Africa (Gauteng Province) to the Maputo Sea Port which has become one of the most successful and resourceful corridors in the entire region and it has also become a good example on how to develop, utilise and maintain a RDC for the good of the economy and trade as well as social needs. In Mozambique alone there are a number of existing and fully operational corridors including Beira (although it has recently gone to a bad state), Nacala and Mtwara; illustrating how a country's geostrategic location can be made beneficial to attract investment in the region.²⁵

2.6.1. SADC economic vision through corridors implementation

The economic vision of SADC is to transform the economies of the fifteen countries of Southern Africa from operating as individual markets into a single region in terms of trade and to enter the global competitive market as one since most member states do not currently have adequate capacity to compete in the global market space characterised by free movement of goods, services, capital, technology and labour.²⁶

In order for the SADC member state to bring the vision into reality, the SADC countries have negotiated, amongst other things, a series of protocols or legally binding regional agreements that

²⁴ G.R.M. de Beer (note 22) page 5.

²⁵ C. Bowland (note 8) page 7.

²⁶ G.R.M. de Beer (note 22) page 2.

define the framework and mechanisms for achieving such integration.²⁷The SADC member states support the principle and strategy of closer economic cooperation as a means of promoting economic development within the context of the global economy. In this regard there are a number of perceived socio-economic development opportunities and benefits.²⁸ However, one of the protocols and agreements concluded is to develop corridors that would link these countries and provide easy access to the ports in a convenient manner and at a less cost effective manner.

2.7. Considerations when developing more corridors in the SADC region

When developing corridors, certain considerations need to be noted. A good example of the existing corridor is the MDC. The strategy was not solely to promote the re-establishment of the historical transport corridor.²⁹ One of the key achievements of initiatives like the MDC was the impact it achieved in facilitating the development of new, or expansion of existing economic opportunities, and as such supporting the establishment of a development corridors.³⁰

Firstly there is a need to increase the economic growth in the region and to be internationally competitive in the world markets which constraints most SADC countries currently, as they do not have the capacity to handle large volumes of exports and move the goods from their countries to the markets.³¹

There is a need for SADC to speed up the rate of employment creation, both formal and informal as the unemployment rate in most of the SADC countries has gone up and the poverty levels have increased significantly over the years.³² The development of the new corridors will assist to create more jobs and opportunities for the public and also help to grow the economies.

The development corridors should also create business opportunities especially the use of PPPs and to support small growing businesses in and around the areas where the corridor will be developed. On the same note, they should also be policies, strategies and programs that should provide a sustainable basis to empower the communities especially the historically disadvantaged communities as mentioned above.³³ The development of these corridors should also facilitate the rehabilitation and expansion of the region's infrastructure networks and improve the quality and

²⁷ *Ibid.*

²⁸ *Ibid.*

²⁹ G.R.M. de Beer (note 22) page 4.

³⁰ *Ibid.*

³¹ *Ibid.*

³² G.R.M. de Beer (note 22) page 1.

³³ *Ibid.*

reliability of the regional logistical services. As mentioned above the use of private sector must be promoted rather than the public sector in isolation.³⁴

2.8. Current challenges and opportunities

In the quest of the SADC member states to implement corridors that will connect these countries and promote economic growth, as good as the resource corridors are for economic growth and industrial expansion and perspective; they do not come short of any challenges and opportunities. The adoption of the development corridors in the SADC must not be dealt with and viewed in isolation. Not having enough corridors has its own challenges, with the development of resource corridors bringing its own challenges and opportunities. These challenges and opportunities associated with development corridors will however be discussed in detail below.

2.8.1. High level of political instability.

The African continent and particularly the SADC member state have over the centuries been under colonization and Apartheid (South Africa) by the western countries like Britain and Germany. In the 21st century, colonization came to an end as most countries obtained their independence,³⁵ of which most of the countries had to go through political warfare. However, a number of wars that were fought in Africa though have declined as evidenced by the end of the nearly 30 year old civil war in Angola in 2002 with many countries abandoning communism economies and opening up for the development of markets.³⁶ Economic improvement in many Africa nations has encouraged foreign investment and this has prompted rapid economic growth in many countries. As of 2011, numerous African economies are among the world's fastest growing economies.³⁷ Africa currently consists of 54 sovereign countries, most of which still have the borders set up during the European colonialism era.³⁸ However, ever since colonialism, African states have been regularly troubled by violence, authoritarianism, instability and corruption. Most states are republics controlled by the presidential systems but only a minority has been able to sustain democratic governments on a permanent basis while the majority has been through a series of rebellions, leading to military

³⁴ *Ibid.*

³⁵ H. Mteghah, P.Leeuw,S. Naicker, M. Molepo 'Resources Corridors: Experiences, Economics and Engagement; A typology of Sub-Saharan African Corridors' University of Witwatersrand (2012) page 13.

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ *Ibid.*

dictatorships.³⁹ All these issues have led to the failure of the initiatives to develop more corridors in the region. The FDIs also avoid establishing big projects like the mining projects which are capital intensive because of the fear of the unknown as politics and armed struggles can have a huge impact on the operations of the businesses and the economy. Bad economies and legal systems have also contributed to the slow development of the RDCs in the region.

2.8.2. Political economy of policy reforms

When developing corridors in the SADC region according to the SDI methodology, once the development phase of the corridor has been reached driven by the investment projects, it is then transferred to the management of the local or provincial institutions.⁴⁰ This has an effect as the projects end up being politicised with a lot of restrictions and red tapes attached to them, the other problem is that most governments do not have enough finance and the capacity at their disposal to manage and maintain the corridors, a good example will be the Beira corridor that runs from Zimbabwe to the Mozambique Port Beira that has become almost non-existent as both governments have failed to maintain the corridor and keep it in a good state to serve both countries in terms of trade and the movement of goods and services.

2.8.3. Shared use of the corridors

Although corridors can be implemented to boost and increase the conditions of transporting goods and services, the corridors do not end up servicing the projects that they were intended for. There are several related operational constraints attached to the use of corridors, an example is the MDC where the corridor was not only used for logistical purposes but for private purposes as well and the traffic increased drastically after the completion of the corridor. This also creates the unfairness on the shared use of the corridor by the member states. The unequal flow of trade within the corridor is evident in the case of the MDC with South African exports being 120 times than that of Mozambican imports increasing operational difficulties and logistics costs, especially as these are significantly higher than transit times and costly in more developed countries.⁴¹

2.8.4. Poor and immature legal structures

The legal structures of most African countries are still immature and vague when it comes to mining and the implementation of big projects on how to administer them. Most African states, particularly

³⁹ *Ibid.*

⁴⁰ S. Sequeira (note 4) page 82.

⁴¹ C. Bowland (note 8) page 3.

the ones in the SADC region need to promote transparency, accessibility and investor friendly mining laws and other laws that might have a huge impact on FDIs.

The SADC member states also have different legal frame works. There is no unified legislation for the region that would govern the development resource corridors except protocols and other agreement which are signed by the member states. Some countries are on the civil law structure while some are on common law structure. Therefore, when a problem arises it becomes difficult to determine which law will govern the agreement on the shared use and development of the corridor. There is a need for the SADC member state to determine and decide which laws will govern the implementation of these resource corridors. However, these laws will be exclusively binding as far as RDCs are concerned.

2.9. Opportunities of development corridors

Having good infrastructure attracts investment in the country. The inter-country transport corridors are meant to enhance regional cooperation and integration and to stimulate economic development and promote tourism⁴² however this also increases and promotes good relations amongst the countries. As a result, a number of inter-country transport corridors are being transformed into regional development corridors and spatial development initiatives because SADC's focus is no longer solely on investment to develop its ports and connecting road and rail network systems as was before – this is now being done in conjunction with developing and promoting investment opportunities.⁴³

The implementation of the regional development corridors and spatial development initiatives serve a lot of purposes which among other things include but not limited to provide effective transport and communication networks that would facilitate intra-regional trade which in return enhances economic growth and also stimulate investment in sectors along the corridors and help develop the region as investment opportunities can be harnessed more easily due to easier transport and access to resources, markets and ports.⁴⁴ This is also a better way to attract FDIs in the region and not for an individual country. Most capital intensive projects like the mining companies prefer investing in jurisdictions where the infrastructure is good and available as this will help to

⁴² Tsitsi Mutambara 'Regional Transport Challenges within the Southern African Development Community and their Implications for Economic Integration and Development' Southern African Year Book (2008) Page 11-12.

⁴³ *Ibid.*

⁴⁴ *Ibid.*

reduce the costs of establishing the projects which already require huge capitals. This will also ensure quick financial returns and profit margins as less money will be spent to develop the project.

2.10. Conclusion

The development corridors are generally a means to develop and grow economy through adequate transport and infrastructure. The SADC's initiative is to rehabilitate, upgrade and maintain road networks have to a certain extent taken off as these countries have managed to implement a certain number of corridors and some of them have become a huge success ⁴⁵e.g. the Maputo Development Corridor which will be discussed in depth in the following chapter, has become one of the most successful development corridor initiatives in the SADC region to date, and a model for future initiatives despite all the challenges that were encountered to make it a success.⁴⁶

⁴⁵ SADC Protocol on Transport, Communications and Meteorology Chapter 4 Article 4.4 of the SADC.

⁴⁶ C.Bowland (note 8) page 4.

CHAPTER 3

THE MAPUTO DEVELOPMENT CORRIDOR

3.1. Introduction

This chapter discusses the Maputo Development Corridor as a case study, how it came about, the challenges, solutions, opportunities and its current position in enhancing economic growth in the SADC region in order to highlight the considerations to be taken when corridors are developed.

3.2. Overview of the MDC

The Maputo Development Corridor (MDC) is an economic corridor linking the Gauteng province in South Africa running from the capital city, Pretoria through the province of Mpumalanga to the city of Maputo in Mozambique.⁴⁷ Gauteng province is the economic hub of the South African economy and Maputo is the closest port city⁴⁸ in Mozambique however, there are other ports in South Africa that can also be utilised e.g. the Durban port. The N4 highway in South Africa runs through from Pretoria to the Mozambican border at the Lebombo–Ressano Garcia post⁴⁹ and then proceeds across Mozambique until it reaches the Maputo Sea port. There is also the Ressano Garcia Railway (RGR) which runs for 89 km between Maputo and the South African border, where it interconnects to the South African system linking to Gauteng and beyond.⁵⁰ The network is also interconnected with that of South Africa, Zimbabwe and Swaziland which represents a key component of the Maputo corridor transport system.⁵¹

⁴⁷ C. Bowland (note 8) page 2.

⁴⁸ M.J. Roodt 'The impact of regional integration initiatives and investment in a Southern African cross-boarder region: The Maputo Development Corridor' *African Sociological Review* 12 (2008) page 89. Also see MCLI, 'About the Maputo Development Corridor', see also C. Ntamutumba 'Study for the Establishment of a Permanent Regional Corridor Development Working Group in PMAESA' UN-ECA (2010) page 32 and B.P.D. Mokgware (note 12) page 17.

⁴⁹ C. Bowland (note 8) page 2.

⁵⁰ S. Sequeira (note 4) page 28.

⁵¹ *Ibid.*



Figure 1 Maputo Corridor Overview⁵²

The Governments of Mozambique and South Africa set out to create an environment that would attract private sector investment in both countries collectively.⁵³ The aim was to make both the political and the economic context favourable in the two countries through a conjoined initiative to promote the easy flow of goods and services through the establishment of a direct transport network between the two states and it further promoted tourism and agribusiness movement of the goods and services as well as mining activities which are more evident in the Limpopo and Mpumalanga provinces.⁵⁴ This initiative was to be controlled by both governments for economic growth, sustainability and easy access to the markets.

The Revival of the MDC was conducted through the SDI method with bilateral policies and treaties being utilised and the extensive private and public sector investments involvement to ensure sustainable development in both South Africa and Mozambique through infrastructural development and easy flow of goods and services.⁵⁵ Moreover the main goal of adopting this corridor went beyond just building an isolated infrastructure as the corridors and road network were previously regarded as ordinary routes for general use and no economic activity was associated to it, but also to cater for all transport and logistics needs of a vast cross-border region which included trade, agriculture, tourism and mining as mentioned above.⁵⁶ The MDC has over the years during the colonial era played a vital role in linking the Atlantic and Indian Oceans via the Trans-Kalahari and Capital Corridors as one of the most influential transport networks in the region.⁵⁷ Reviving the Maputo Corridor required a combination of reforms and investments in the transport system to

⁵² C. Ntamutumba 'Study for the Establishment of a Permanent Regional Corridor Development Working Group in PMAESA' UN-ECA (2010) page 32.

⁵³ C. Bowland (note 8) page 2.

⁵⁴ S. Sequeira (note 4) page 26.

⁵⁵ H. Mteghah (note 35) page 17.

⁵⁶ S. Sequeira (note 4) page 35.

⁵⁷ LM Harmon, B. Samataa, A. Van Der Merwe 'Implementing Facilitation on Trade and Transport' Southern African Transport Conference (SATC) (2009) page 613 -614.

restore it as a credible route for regional trade.⁵⁸ This was one of the successful initiatives of the SDI programs.

3.3. The historical background of the MDC

The MDC was at first one of the corridors that were a mere proposition and vision like any other planned corridors in the region. The MDC was set in motion in August 1995 by the Ministers of Transport of South Africa and Mozambique Minister of Transport, Mac Maharaj and Paulo Muxanga when they agreed to revitalise a corridor and cross-border relationship which effectively has existed for more than a century.⁵⁹ This initiative was further supported by the likes of President Mandela who was the President of the Republic of South Africa at the time after its independence from the apartheid government regime and President Chissano who was the President of Mozambique and importantly also the then first Premier of Mpumalanga, Matthews Phosa.⁶⁰ The main focus of these two countries when this corridor was proposed and implemented was to improve and increase Gross Domestic Product (GDP) and employment growth through its direct employment for its development and indirectly, increasing local and foreign direct investments 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.⁶¹

The MDC can further be characterised and categorised as a historical corridor that lost its traffic through the various factors like wars, political turmoil and economic problems faced by both member countries. The corridor was neglected and left to deteriorate for a long time during the Mozambique civil war and the apartheid in South Africa. Its revival was based on various economic anchor projects.⁶² The major sector that was focused on mainly by the time the MDC project was proposed was the Extractive Industries sector.⁶³ The MDC is therefore regarded as a mining corridor, its traffic base being dominated by export flows of minerals and ores as shown especially in the Mpumalanga province where most mines in South Africa are located. The Province is mostly dominated by the coal mining activities as the region carries large deposits of coal reserves.

⁵⁸ S. Sequeira (note 4) page 18.

⁵⁹ F. Soderbaum (note 15) page 6.

⁶⁰ *Ibid.*

⁶¹ F. Soderbaum (note 15) page 7.

⁶² *Ibid.*

⁶³ Extractive industries can be defined as a process that involves different activities that lead to the extraction of raw materials from the earth i.e. oil, metals, minerals and aggregates and their processing and utilisation by consumers see C.L. Sigam “Extractive Industries: Optimising Value Retention in Host Countries” UNICTAD Geneva (2012).

The MDC is also a transit corridor which connects landlocked countries such as Swaziland and Zimbabwe to the sea and South Africa has several major ports competing on the same regional hinterland.⁶⁴ Furthermore, beyond being a critical transport link between Gauteng and Maputo, it represents a potential catalyst for new economic development opportunities in North-eastern South Africa and Southern Mozambique, particularly in agri-business and tourism as well as with mining products being the key and major contributor to most countries' GDPs.⁶⁵

3.4. Objectives of the MDC

From the onset, the MDC was based on the notion of revitalising and reviving the axis between the Gauteng province of South Africa as mentioned above and the city and port of Maputo in Mozambique.⁶⁶ Furthermore, the adoption of this corridor was to further stimulate the flow of cross border trade in the form of the goods and services and to encourage use of the port of Maputo Port which would ease traffic at the Durban port,⁶⁷ as the Durban port does not only support the South African exports but rather, other countries like Swaziland and Lesotho which are land locked are also dependant on the port. The need to allow for smoother passage of goods at the border was recognised and suggested in a 2007 assessment conducted by the United States Agency for International Development (USAID).⁶⁸ Although this suggestion was only done long after the completion of the corridor it has however, assisted in tackling and solving some of the constraints and problems that were encountered by both countries to allow for faster and smoother floor of goods and services.

The main objective of the initiative for the revival of the MDC was not only seen as any other ordinary infrastructural project but rather as a catalyst that would allow the growth of the GDPs through trade and easy access to the markets. The MDC was considered to be important for Gross Domestic Product (GDP) for both countries and some other SADC member state that have transport route constraints to the port.⁶⁹ The project was also important for employment creation as indicate above and to provide community growth and the participation of the historically disadvantaged people, increasing local and Foreign Direct Investments (FDI) and export growth in both countries.⁷⁰

⁶⁴ S. Sequeira (note 4) page 32.

⁶⁵ S. Sequeira (note 4) page see also B.P.D. Mokgware (note 12) page 17.

⁶⁶ F.Soderbaum (note 15) page 4.

⁶⁷ C. Bowland (note 8) page 2.

⁶⁸ *Ibid.*

⁶⁹ F.Soderbaum (note15) page 4.

⁷⁰ *Ibid.*

This project was also seen as a means to contribute to other key policy areas such as international competitiveness, regional economic integration and a broadening of the ownership base.⁷¹

When the MDC was first proposed, the aim was not to establish an entirely new corridor that had never been utilised before but to rehabilitate the primary infrastructure network that had been operational before and was left to deteriorate gradually owing to various factors like civil war in Mozambique and its poor economic performance and the apartheid regime in South Africa that saw the rise of sanctions by the western countries in its effort to fight human rights violations with the participation of the private sector in order to have minimum impact on the fiscus.⁷²

It was further meant to maximise investment in both the areas around and along the corridor and in the added opportunities that could come along during the development and the completion of the corridor⁷³ e.g. small businesses and skills development. This was supposed to further provide access to global capital and facilitation of regional markets and regional economic integration and growth.⁷⁴

The MDC was meant to ensure sustainability by developing policy, strategies and legal frameworks that would ensure all the considerations are taken during the development of the corridor and the development of other future corridors e.g. an environmentally sustainable approach to development.⁷⁵

3.5. Development of the MDC

During the development of the MDC there were some areas that were identified and included for development which included the toll road from Witbank Mpumalanga South Africa to Maputo Mozambique, the upgrading of the Maputo Port, the upgrading and the revival of the Maputo railway network, the upgrading of the Maputo border post and the upgrading of the communication network.⁷⁶ These selected areas of development were selected as vital points that would add value to the main objectives of the projects that was to promote easy and quick movement of the goods and services without delays and easy access to the ports. The implementation of the MDC was a

⁷¹ *Ibid.*

⁷² *Ibid* See also C. Bowland (note 8) page 2 and B.P.D.Mokgwane (note 12) page 17 where it further states that (The plan is to create an integrated infrastructure by making improvements to existing infrastructure and building new infrastructure at strategic locations).

⁷³ F.Soderbaum (note 15) page 4.

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*

⁷⁶ M.J. Roodt (note 48 page 89.see also B.P.D. Mokgwane (note 12) page 17.

well-planned program though in the end some issues were identified as the corridor became fully operational. The below figure indicates the planning and implementation phases of the project up to the exit stage.

Fig 2. MDC Phase Activity⁷⁷

1.	Set Up: 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 terms of reference for more detailed appraisal. Identification and appraisal of lead projects and the developmental programme of action. DBSA and IDC play significant role in identifying and testing projects.
5.	Packaging: Finalisation 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.

In the year 1998 as from March, one toll was opened and later on after two years from the construction of the road a further two more tolls were opened by the completion of the road in 2004.⁷⁸

⁷⁷ F. Soderbaum (note 15) page 12.

⁷⁸ S. Sequeira (note 4) page 28.

When the N4/EN4 was finally completed there was an increase and a rise of traffic along the corridor since 2006 in both light and heavy vehicles at the Moamba and the Maputo toll gates.⁷⁹ The rise of traffic along this corridor did not come short of any advantages and disadvantages attached to it e.g. the high rate of road death accidents, overloading, infringement of traffic rules and regulations and the spread of diseases like HIV and AIDS. Some of the advantages were availability of transport, rise of employment and the growth of small businesses along and around the corridor.

3.6. The use of private sector on the MDC project

The MDC project was promoted as part of the SDI programme.⁸⁰ The funding of this project was provided by both the private and the public sector through the adoption of the PPPs mergers.⁸¹ One of the most important mechanisms through which the MDC became a success was the use of the Maputo Corridor Logistics Initiative (MCLI).⁸² The MCLI was a PPP which was a combination of both the public and the private sector working together as mentioned above that operated in both South Africa and Mozambique which was crucial in the co-ordination of activities and lobbying to address outstanding issues that acted as constraints and barriers towards the corridors development.⁸³

The initiative assisted to facilitate co-operation, allowed for networking, and enabled the resolution of logistical and operational issues by offering a platform through which all stakeholders could engage together towards the same goal and objective.⁸⁴ The private sector also became an essential part of the project because of the expertise, capital and the experience that they possessed to operate and maintain the corridor.⁸⁵ After the commencement of the project in the year 1997 the Build-Operate-Transfer (BOT) Concession Agreement was signed between the government of both countries through the SANRAL and the Trans-African Concession TRAC).⁸⁶

This formulation was a private sector consortium which was meant to amongst other things finance, design, construct, rehabilitate, maintain and secure the possible future expansions and extensions of the corridor for a thirty years period.⁸⁷ It was further agreed that the PPP concession for building the

⁷⁹ S. Sequeira (note 4) page 28-29.

⁸⁰ H, Mteghah (note 35) page 17.

⁸¹ M.J. Roodt (note 48) page 2.

⁸² *Ibid.*

⁸³ C. Bowland (note 8) page 2.

⁸⁴ *Ibid.*

⁸⁵ M.J. Roodt (note 48) page 2.

⁸⁶ S. Sequeira (note 4) page 27. See also C. Ntamutumba (note 52) page 33.

⁸⁷ S. Sequeira (note 4) page 27.

N4/EN4 high way was to be awarded under the South African PPP framework of which over R400 million was invested in 2002 for duration of 30 years.⁸⁸ For the success of the project, a lot of stakeholders were utilised and got involved as the project took off ground. The four major banks of South Africa funded the concession which included the First National Bank, ABSA, Ned Bank and Standard Bank together with the Development Bank of Southern Africa.⁸⁹ This was a clear indication of the fact that regardless of these funders (the banks) not having a direct link or business interest to the construction of the corridor they had other indirect benefits that would come out of the construction, development and the use of the corridor. Banks are easily affected by the economic situation, investment, trade and finance.

3.7. Associated challenges and opportunities

The MDC has become one of the largest and most successful development corridors initiatives thus far in the SADC region, if not within Africa as a whole.⁹⁰ It has overcome a range of challenges to make a significant contribution towards regional economic integration and sustainability. As such, it is an example from which lessons can be drawn for other corridor initiatives within the region that need to be implemented or developed.⁹¹

The MDC is arguably one of the biggest such initiatives.⁹² However, its success was not achieved easily, there were so many challenges that both the governments of South Africa and Mozambique came across. These ranged from the adoption of the corridor, financing and the use of private companies for the construction, development and maintenance public opinions, border post issues and some of the issues that came along with it.⁹³ The different legal frame works also played a part as two different jurisdictions were involved in the project. Moreover, even though there were a number of challenges encountered there was also a lot of opportunities that arose from the MDC

⁸⁸ *Ibid.*

⁸⁹ *Ibid.*

⁹⁰ C. Bowland (note 8) page 1.

⁹¹ *Ibid.*

⁹² *Ibid.*

⁹³ Public-Private Partnerships (PPPs). See also S. Sequeira (note 4) page 3. It should also be noted that although transport was a key enabler in restarting the Mozambican economy (on the Maputo Corridor but also on the other corridors), the Government of Mozambique had insufficient resources for the level of expenditure required given the condition of the corridor, and had to turn to the private sector for investing in and managing the transport network. However, the demand that would make private sector investments viable was uncertain.

and they are still visible today and good lessons can be learnt and utilised for the future development of the new corridors.

3.7.1. Challenges

Despite the MDC being regarded as a success development corridor so far in the SADC region, there have been some setbacks relating to the functioning and the operation of the corridor.⁹⁴ Some of the setbacks encountered by the corridor include, but not limited to the provisions of the rail services, lack of community engagement, environmental issues, legal matters, governance issues and investments.⁹⁵ When the corridor was fully operational after its completion, the notion of establishing an efficient, one-stop border post between South Africa and Mozambique did not materialise properly and smoothly as it was anticipated by both states.⁹⁶ However, regardless of the challenges encountered at the border post by both commercial and individual cross boarders, more efforts and changes were adopted to address the problems to fully meet the requirements of commerce and industry.⁹⁷ Nevertheless, both the Mozambican and South African governments further initiated certain programs and goals to ensure the increase and improvements to the border post.

Owing to the short working hours at the border, there was a lot of negative criticism from discouraged and desperate travellers to and from both countries and some of the allegations besides the few working and operating hours was the alleged corruption and delays.⁹⁸ Because of some of the bad experiences that the travellers had at the border from both the commercial and non-commercial travellers led to the slow development and utilization of the Maputo port especially by South African commercial sectors.⁹⁹ This led the exporters causing congestion on the other ports like the Durban's deep-water port regardless of it being further away from most of the exports site and depots.

During the liberation struggle and the civil war in Mozambique, a lot of infrastructure was affected and this caused serious deterioration of the railway lines especially in the Mozambique side. The bad infrastructure and lack thereof also had negative impacts on the economy of the country. The pre-existing rail network linking the South Africa-Mozambique border to the Maputo port

⁹⁴ H. Mteghah (note 35) page 21.

⁹⁵ *Ibid.*

⁹⁶ *Ibid.*

⁹⁷ *Ibid.*

⁹⁸ *Ibid.*

⁹⁹ H. Mteghah (note 35) page 22.

required severe rehabilitation and upgrading after a long time of neglect and non-maintenance. These poor conditions of rail facilities on the Mozambican side of the corridor resulted in a narrow growth in the movement of passengers as well as agricultural commodities (sugar), mining products (coal) and other commodities(which includes general tourism), therefore, this became a cost effective matter to revive the corridor to a good condition to enhance trade and reduce the traffic and congestion to the other ports especially on the South African side which is a major transporter of the mining goods and ores.¹⁰⁰ Also on the other side, there were problems with South Africa's state owned rail services company, Spoornet coming on board in 1996 and this resulted in the failure of provision of rail services to the Maputo Port which further created delays and more expenses.¹⁰¹

After a prolonged civil war, the Mozambican government did not have enough capital at their disposal to finance the construction of the corridor and the FDIs were still avoiding investing in the country because of the unstable political situation and the bad infrastructure and the economy. Although the MDC was established, it was not capable of generating densification activities on the Mozambican side; therefore it needed supplementary efforts from the International Finance Corporation (IFC) in order to stimulate and enhance growth.¹⁰² Getting such help especially from the international platform was also not easy as the country had recently come out of the civil war with a lot of human rights violations and other violations attached to war activities.

The legality was also an issue before, during and after the development of the MDC. Mozambique failed to institute a suitable legal and institutional framework prior to the commencement of the project therefore, law of South Africa became the law that was utilised for the development of the project.¹⁰³ The South African government then had an upper hand for the development of the project and they promptly initiated projects as compared to Mozambique as they also had more financial contribution to finance the project as compared to Mozambique

On the other hand the Mozambicans were incapable of catching up and assessing the implication of specific projects, they could not have enough information about the project and how it was going to benefit them.¹⁰⁴ The affected local communities were not adequately involved and this further delayed project initiation as they were strikes and boycotts, for example the residents in the Matola area lodged grievances regarding the lack of consultation by the government about the N4 toll as they claimed that they will be separated from their other relatives, schools and

¹⁰⁰ H. Mteghah (note 35) page 21-22.

¹⁰¹ *Ibid.*

¹⁰² H. Mteghah (note 35) page 22.

¹⁰³ H. Mteghah (note 35) page 21-22.

¹⁰⁴ *Ibid.*

hospitals.¹⁰⁵ The taxi association (Federated Long and Local Distance Taxi Association) also challenged the government for the fact that they were not consulted for the development of the N4 toll even though the toll gate fares were reduced for the locals.¹⁰⁶

Moreover, on the South African side unlike in Mozambique there was great enthusiasm and positive expectations around the corridor during its initiation and this created certain expectations for the concerned communities especially those who were to benefit directly and the ones along the corridors.¹⁰⁷ However, these expectations soon faded and turned to protests and strikes as mentioned about due to lack of anticipated investments in certain areas of the corridor and some promises were not met as potential investors anticipated and concluded that some projects were not bankable.¹⁰⁸ The other challenge was the high prices set by the Transnet Freight Rail for transporting the goods on the Port of Maputo line which had the potential of jeopardising the future expansion and extension of the corridor and the terminal of the port of Maputo.¹⁰⁹ There was also an unfair and unequal flow of goods within the corridor with South Africa exporting 120 times more than Mozambique which increased operational and logistic costs.¹¹⁰

Projects like the MDC are very capital intensive; therefore the most investors rely on International Financial Institutions (IFIs) to finance the projects. These IFIs have come up with what is called Equator Principles (EPs).¹¹¹ The projects as huge as the construction of the corridors normally have huge negative impacts towards the environment therefore for these institutions to finance them they require environmental assessment reports and they strictly apply and utilise the EPs.¹¹² This also became a challenge for the construction of the corridors and the financing of the project itself especially for Mozambique that would rely more on IFIs to finance the project.

When the corridor was completed especially the N4, they were a lot of accident owing to over speeding, traffic flow and overloading of the logistics which also had a huge impact on the maintenance of the road. In order to protect the infrastructure, TRAC entered into an agreement

¹⁰⁵ S. Sequeira (note 4) page 62-63.

¹⁰⁶ *Ibid.*

¹⁰⁷ H. Mteghah (note 35) page 22.

¹⁰⁸ *Ibid.*

¹⁰⁹ C. Bowland (note 8) page 3.

¹¹⁰ *Ibid.*

¹¹¹ The Equator Principles Financial Institutions (EPFIs) ensures that the projects they finance are developed in a manner that is socially responsible and reflect sound environmental management practices.

¹¹² The Equator Principles (June 2006) page 1.

with SANRAL in 2002 and equipped traffic control centres (seven in South Africa and two in Mozambique) to enable law enforcement officer to perform their role in ensuring that the road traffic rules are used and applied properly. In 2007, satellite tracking technology was added to the system and since the beginning of the axle load control, overloading has reduced to 9%.¹¹³

3.7.2. Opportunities

Despite all the challenges that the MDC encountered during its development and early operational days, there are so many opportunities and advantages that became evident. More than US\$5billion was invested in the Maputo Development Corridor.¹¹⁴ The notion of the 24 Hour Joint One Stop Border post reduced inconveniences on most commercial carriages as they were delays on clearing good and quick turn-around for truck drivers to load more goods for transportation.¹¹⁵

The use of private sector for the management and construction of the MDC ensured that the Harbour concessions was successfully managed which further developed and promoted investments on infrastructure.¹¹⁶ The corridor also saw an increase in tourism & trade between South Africa and Mozambique.

The corridor also created employment for the citizens of both countries pre and post development phase¹¹⁷ and this development did not only provide employment for the people, it was also the first SDI corridor developed in South Africa which formed the base of experience for the development of other corridors in the region meaning that there is potential growth and more future continuous job creations.¹¹⁸ However, the major weakness of not involving the communities need to be addressed and the lessons must be learnt for the development of other corridors and ensure the participation of all the parties affected by the developments of corridors either directly or indirectly.¹¹⁹

3.8. Conclusion

The MDC encountered so many huddles and challenges from the initial planning up to its completion, however, most of the issues were addressed and resolved for example, the extension of

¹¹³ S. Sequeira (note 4) page 29.

¹¹⁴ Prof D. Hauptfleisch Dr Marx 'A case study regarding the potential impact on socio-economic and property development resulting from road transport corridors in Africa' University of Free State (2010) page 11.

¹¹⁵ Prof D. Hauptfleisch (note 114) page 11. Also see H. Mteghah (note 35) page 22.

¹¹⁶ *Ibid.*

¹¹⁷ H. Mteghah (note 35) page 23.

¹¹⁸ *Ibid.*

¹¹⁹ *Ibid.*

the operating hours at the one stop border posts to reduce delays, the HIV/AIDS workshops and education to minimise the spread of the disease and basic community engagement. The use of the PPPs for infrastructure was a success and it showed that the public and the private companies could work together for a common project and make it a success. Given that we now know what the challenges were, how we can use this positively towards future resource corridors development and how can regional legal frameworks hamper or enable future resource corridors in SADC in general. The following chapter will examine all these aspects as well as the challenges and opportunities of the MDC corridor in order to determine what lessons can be learnt for the development of future resource development corridors.

CHAPTER 4

LESSONS TO BE LEARNT FROM THE MDC

4.1. Introduction

This chapter will discuss lessons to be learnt from the Maputo Development Corridor from its adoption and implementation for other future resource development corridors in the region. It will also discuss the importance of corridors in the growth of economies in the region as well as the effects of the legal frameworks towards the adoption and the maintenance of the resource development corridors. The chapter will also briefly discuss the inclusion of dispute resolution mechanisms that should be utilised to maintain international standard when it comes to investment, bilateral and multilateral treaties.

4.2. The importance of corridors on development, growth and income distribution; the case of the MDC.

Industrialisation has become the most debated topic in the SADC region for the past decade following the growth of China over the past decades since its industrialisation. As the region is focusing on development, economic growth and increase on the income distribution, infrastructure is particularly important to the facilitation of trade and investment and maintenance of public health and wealth and generally, the Southern Africa lags behind many other regions in electricity consumption, paved roads, telecommunications services, air transport, and access to clean water.¹²⁰ In a study conducted, it was indicated that 75% of delays on trade was basically caused by poor facilitation while the 25% was infrastructure.¹²¹

After the construction and completion of the MDC vast positive changes were experienced in both South Africa and Mozambique. Years ago before Mozambique encountered economic hardships and civil war, in the 1970s, 40% of exports from Gauteng went through Maputo using the same corridor before it got revamped and some more than 300,000 South African tourists visited Mozambique annually.¹²² After the reconstruction of the MDC similar rises of exports and imports have been experienced as the goods from various countries in the form of minerals and Agri-

¹²⁰ R.A Rogowsky, K.L Cummings 'Sub-Saharan Africa: Effects of Infrastructure conditions on Export Competitiveness' Third annual report United States International Trade Commission Investigation report No 332-447 (2009).

¹²¹ L.M Harmon (note 57) page 612.

¹²² M.J. Roodt (note 48) Page 89.

business commodities in the region are using the MDC to access the Maputo Port. Even though many of the positive aspect promised in the early days after construction of the MDC have not materialized, it is evident that over the years it has acted as an economic catalyst for the local economy in both countries and some other countries in the region.

The MDC has further become one of the corridors in the SADC that is facilitating Southern African routes to foster the international trade and optimise the benefits of the Free Trade Area within the region.¹²³ For example, in December 2006 there was a 44% increase in passenger flows through the Lebombo/Ressano Garcia border post and a 10% increase in traffic volume on the MDC toll road (N4) compared to December 2005.¹²⁴ The traffic flow did not only include the private transport but rather, the flow of goods and services as well from various destinations to the Maputo port. The construction of the MDC has become a significant achievement, as a one-day delay reduction in inland travel times has managed to raise exports by as much as 7% since the construction.¹²⁵

The MDC has further provided the citizens of Mozambique who over the years experienced hardships in obtaining some of the products and commodities that they did not have in their country.¹²⁶

It is further shown that one successful agreement between two countries that enhances economic growth and beneficial to the public could lead to more agreements that will contribute generously to the economic growth.

FIG 3. Economic anchor projects on the Maputo Corridor¹²⁷

Anchor projects have been critical in providing the economic rationale for the upgrade of the Maputo Corridor. Two of them have been particularly emblematic: the MOZAL Alumni smelter, and the Pande /Temane gas fields and South Africa pipeline. In addition to the linkages with transport,

¹²³ L.M Harmon (note 57) page 612.

¹²⁴ M. J. Roodt (note 48) page 88.

¹²⁵ C. Bowland (note 8) Page 3.

¹²⁶ S. Sequeira, O. Hartmann, C. Kunaka 'Reviving Trade Routes: Evidence from Maputo corridor' Discussion Paper No 14 -93764 (2014) page 22.

¹²⁷ S. Sequeira (note 126) Page 23.

there was a high degree of connection between the anchor projects. For instance, the MOZAL smelter inputs are alumina and coal, imported through the port, and electricity, imported from South Africa, the smelter being a major tenant of the Beluluane Park. The provision of electricity from South Africa is part of a larger agreement between the two countries on energy, where SASOL was granted the rights to exploit gas in Pande and Temane field (piped to South Africa where it was used for generating electricity) and high voltage lines were built between Duhva and Maputo.

The Pande / Temane gas fields

The starting point was the signature in May 2002 of an agreement between both Governments of Mozambique and South Africa and SASOL for the exploitation for a period of 30 years of gas fields around 600 km north of Maputo, and the construction of a 865 km long gas pipeline to South Africa to the installations of SASOL in Secunda. A joint venture was formed for the project, with 70% SASOL Petroleum Temane, 25% CHM (Companhia de Hidrocarbonetos de Moçambique) and 5% IFC. The commercial production started in February 2004 in Pande and in 2010 in Temane. The investment was around \$1 billion.

Mozal aluminium smelter

MOZAL is an aluminium smelter (with BHP Billiton 47%, Mitsubishi 25%, IDC 24% and the Government of Mozambique 4%) installed at the port of Maputo representing an investment of \$1.1 billion. Raw material (Alumina and coal, around 1.2 million tons) is imported through Matola terminal, electricity is coming from South Africa, and final aluminium ingots are exported (currently 500,000 tons). Phase 1 with a production capacity of 250,000 of aluminium was opened in September 2000, and phase 2 for equivalent capacity in May 2003, making MOZAL one of the largest smelting facilities in the world. A mega project like MOZAL sent a strong signal to potential FDI interests, as it demonstrated that large-scale investments could be successful in a country like Mozambique.

4.3. Proper planning for development corridors

For future development corridors initiatives in the region be it new corridors or revival of the old corridors, proper planning must be in place. The planning should involve but not limited to the planning phase, development phase, completion phase and maintenance phase of the corridor. The MDC encountered a lot of obstacles before and after the construction phase. Although proper

planning was put in place, however, the unforeseen events were encountered along the way.¹²⁸ During the planning phase the member states must also consider the various factors like economic polarisation within the region, negotiations with the external parties for example, the funders and private parties, they should also consider the fiscal challenges as this is where most countries are making most of their income for the growth of the economy. The institutional harmonisation is also a consideration as well as political will towards the project.¹²⁹

4.4. Revival of old corridors versus new corridors

The MDC has proved that reviving and expanding old corridors is less cost effective as compared to new corridors. For example the MDC was an old corridor that was long abandoned but its revival though cost effective; the impact of the cost was less than developing an entirely new corridor. The SADC region is currently emerging as the most attractive investment destination, not only locally but in the international domain as well.¹³⁰ The 15 member states have over US\$190 billion on their GDP.¹³¹ Its investment attraction comes mainly from its immense recourse endowment however when considering the financial stability and the resources at the disposal of the other member states, they do not have the capacity to develop their own infrastructure especial the most capital intensive projects. On an estimate conducted by the executives of the SADC on the cost of implementing new infrastructure was US\$12.1 billion.¹³² The main challenge is that most member states as indicated before do not pay their contribution because of financial constraints and some owe huge amounts to the International Financial Institutions.¹³³ The revival of the MDC the anchor project of which the toll road N4 costed about US\$400 million is a good example.¹³⁴

4.5. Community engagement

Whenever a huge and capital intensive project is being developed, the public plays a vital role especially those who will be affected by such project development. The public can hamper or make a

¹²⁸ C. Bowland (note 8) page 3.

¹²⁹ T. Disenyana 'Towards and EAC, COMESA and SADC free trade area; issues and challenges' SAIIA African Perspective Global insight (2009).

¹³⁰ B.P.D. Mokgware (note 12) page 11.

¹³¹ *Ibid.*

¹³² *Ibid.*

¹³³ *Ibid.*

¹³⁴ C.M. Rogerson 'Spatial Development Initiatives in Southern Africa; The Maputo Development Corridor' University of the Witwatersrand (2000).

huge project a success.¹³⁵ The MDC encountered some challenges because of its failure to engage with the relevant communities and stakeholders.¹³⁶ For the future development corridors engaging with stakeholders from the start would enable a proactive cultivation and maintenance of relationships that can serve as “capital or security” during challenging times which is referred to as social licence to operate in the extractive sector.¹³⁷ This was one of the mistakes committed by the developers of the MDC for their failure to conduct proper consultations and engagement from the start of which other corridors developers must learn from.¹³⁸

4.6. The role of PPPs for future development corridors

Most member states of the SADC region do not have the capacity and financial resources as well as proper skills to develop corridors; therefore the use of private parties is encouraged. Sub-Saharan African countries are devoting a substantial share of GDP to infrastructure development, but that does not amount to enough capital to carry out all the development costs and maintenance.¹³⁹ Countries typically devote 6-12% of their GDP to infrastructure, when all sources are taken into account.¹⁴⁰ While these shares look relatively large compared to middle- and high-income countries, due to very low levels of GDP, they amount to very little. On average, low-income countries are spending less than \$50 per capita per year, with public investment being only a fraction of this hence the encouragement of making use of the private companies and/or investors.¹⁴¹

The development of the MDC portrayed the possibility and the positive results of merging both the private and public entities for the common goal. Its efficient management and successes on the development of the MDC in terms of public–private partnerships (PPPs) have made it a model example within the SADC for the lessons to be learnt for other future development corridors.¹⁴² The transport corridor development in SADC region is coordinated by various SADC protocols that have been put in place over the years.¹⁴³ However, there is a big concern on the lack of implementation of

¹³⁵ S. Sequeira (note 126) page 62-63.

¹³⁶ *Ibid.*

¹³⁷ Stake holder engagement: ‘A good practice handbook for companies doing business in emerging markets’ International Finance Corporation World Bank Group page 6.

¹³⁸ S. Sequeira (note 126) page 62-63.

¹³⁹ C. Briceno, K. Smith, V. Foster ‘Financing Public Infrastructure in Sub-Saharan Africa: Patterns and emerging Issues’ AICD Background Paper 15 (Phase 1) (2008) page 52.

¹⁴⁰ *Ibid.*

¹⁴¹ *Ibid.*

¹⁴² C. Bowland (note 8) page 2.

¹⁴³ C. Ntamutumba (note 52) page 57.

protocols and other transport facilitation instruments within the region. A true PPP approach is yet to be effectively structured to ensure public-private interaction in corridor development within the region.¹⁴⁴

The sustainability of most corridor institutions is also another problem in the region in particular and in most developing economies in general. Funding arrangements include membership fees, contributions from Governments, donor support and traffic-based usage fees.¹⁴⁵ So far across Africa there is a number of corridors being developed which have considered or are considering the use of PPPs e.g. Djibouti – Ethiopia Corridor, The Central Corridor, Walvis Bay Corridors, The Dar Es Salaam Corridor, Beira Corridor and Nacala Corridor.¹⁴⁶ The involvement of private sector in corridor management institution on a PPP basis, assist the elimination of non-physical barriers along the transport corridor, transformation of transport corridor into economic corridor, sustainability in terms of funding and international benchmarking.¹⁴⁷

4.7. The ways of corridors co-ordination

In most cases the development corridors are not a jurisdictional project that runs within the boundaries of the state. The resource corridors stretch over vast areas of land across the borders, therefore certain, procedures and measures must be put in place for the coordination and maintenance of the corridor. A sustainable and effective management of transport corridors in the long-run requires adequate institutional framework which is a structure involving public and private entities committed to the efficiency of the corridor so as to maximize its role as asset for economic growth; a structure that will guarantee that the problem of its sustainability is solved, which will give in turn the resources required for the operation of the corridor.¹⁴⁸ Among all the corridor institutions in existence, the corridor agenda should be driven at the inception of the institution, in some cases by an appointed intergovernmental Corridor Management Authority. The good example is the case of the Mombasa and Dar es-Salaam corridors NCTCA¹⁴⁹ and in others by private associations supplemented with ad hoc interventions by regional and central governments for example, in the case for the Maputo and Walvis Bay corridors.¹⁵⁰

¹⁴⁴ *Ibid.*

¹⁴⁵ *Ibid.*

¹⁴⁶ C. Ntamutumba (note 52) page 58.

¹⁴⁷ C. Ntamutumba (note 52) page 59.

¹⁴⁸ S. Sequeira (note 4) page 58-59.

¹⁴⁹ S. Sequeira (note 4) page 59.

¹⁵⁰ *Ibid.*

The common obstacle that is normally encountered in managing the development of a corridor is to adopt an adaptable and flexible institutional framework that takes into account the life cycle of the corridor to ensure effective coordination of all relevant stakeholders who are involved in the day to day operations of the corridor.¹⁵¹ The MDC for example started with the development phase, and when most of the infrastructure restoration and modernization was completed, the focus shifted to operational phase of the project, before entering a new consolidation phase. The private sector took over the last phases of the project to maintain and look after the operations of the project.¹⁵²

4.8. The role of law in development corridors

The development corridors are certainly not immune to law. From their initial stage which is the feasibility study and planning phase up to completion and usage, different kinds of laws apply e.g. the domestic law of that specific jurisdiction, international law or the law in general. There are certain agreements and contracts that are signed by the relevant parties and the government officials based on the project, which are governed and fall under the scope of law therefore, law has a vital role towards development corridors. There are a number of participants and/or stakeholders in a national payment system, each fulfilling a specific function in the value chain,¹⁵³ therefore, their relationship with each other and the users of the infrastructure must be governed by the rule of law.

4.9. Sound regulatory and legal frameworks in SADC region

In general the major problems facing most of the African countries when it comes to making agreements and initiatives to develop corridors, is the fact that principles of sustainable development are neither explicitly nor directly stated in the legal systems concerned.¹⁵⁴ In most jurisdictions, the laws although stated down they are either vague, out dated or simple immature and they differ per country.

The problems start from the inadequate implementation of relevant international treaties. When SADC countries engage into agreements be it in trade or any other sector they do so in terms of compliance with the obligations they set and also with respect to the development opportunities

¹⁵¹ S. Sequeira (note 126) page 47.

¹⁵² *Ibid.*

¹⁵³ B. Gillis, R. Pillay 'A review of payments interoperability in the Southern African Development Community region' BankservAfrica (2012) page 146.

¹⁵⁴ G. Tamburelli, A. Guillet 'Legal and Institutional Implications of Systematic Planning and Management of Trans boundary Protected Areas- a comparative analysis of case studies from the Italian Development Cooperation' 5th World Parks Congress, Durban (2003) page 3.

they indicate.¹⁵⁵ When implementing the bilateral projects for any huge project, the development may have to face the legal institutional problems, of each national legal system involved.¹⁵⁶ However, the countries involved would both want to utilise the laws of their country to govern the project or at least get an upper hand in the project for example, the construction of the MDC South Africa made more financial contributions as compared to Mozambique therefore South Africa wanted to implement its legal structure to govern the project,¹⁵⁷ this normally creates disagreements amongst the involved countries in the project.

It is also likely that the legal structures in the region at both the local and national level are not adequate to deal with the issues relating to transnational project for example, corridors that run through various jurisdictions.¹⁵⁸ Considering the position of the SADC region and its slow movement on adopting more corridors which is normally caused by lack of finances, bad policies and legal framework, several of the existing legal regimes are inadequate, incomplete or ineffective to deal with most of the legalities facing the region.¹⁵⁹ Regardless of the SADC becoming one of the most attractive regions for investment, the region is highly infested with high levels of corruption and bad politics. The laws dealing with these issues although are in place, the levels of corruption remain high which is a sign of lack of enforceability of the laws.

4.9.1. Policies

Although they are not regarded as binding laws to other certain parties, policies are still influential and persuasive sources of legal structure in specific jurisdictions with potential of becoming enforceable and binding laws. They determine how certain areas of operations should be conducted. Most SADC member states have implemented certain policies that are not investor friendly and they clash with the objectives of development. A good example of the good policies that have been implemented to enhance growth and encourage the adoption of the development corridors has been shown by the use of private sector in the MDC. In the past, private sector was not allowed to develop and operate certain elements of public infrastructure such as regional roads, railways etc., where the private sector was crowded out by the public sector.¹⁶⁰ The governments in

¹⁵⁵ *Ibid.*

¹⁵⁶ *Ibid.*

¹⁵⁷ S. Sequeira (note 4) page 18.

¹⁵⁸ G. Tamburelli (note 154) page 3.

¹⁵⁹ G. Tamburelli (note 154) page 3.

¹⁶⁰ G.R.M. de Beer 'Regional Development Corridors and Spatial Development Initiatives- some current perspective on potentials and progress' 20th South African Transport Conference (2001) page 5.

the region have changed policy to actively encourage, support and facilitate the involvement of the private sector in such areas.¹⁶¹ The private sector is now contemplated by governments to offer wide alternatives and opportunities in terms of project appraisal and financing, from construction, operation and maintenance of RDCs.¹⁶² The governments should provide clear terms and conditions guiding private sector involvement in the provision of public works whilst at the same time ensuring the protection of the private investors from the unfair legal structures of the member states who will also benefit and be engaged in the project.

4.9.2. *Dispute resolution*

The international treaties and agreements normally contain another agreement or clause within, which determines the rules that would govern the main agreement for future arising issues from the contract/agreement. In the words of Mike Moore, who is the former Director General of the World Trade Organisation (WTO) he mentioned that, dispute settlement is the 'backbone of multilateral trading system', this also includes investments.¹⁶³ The private sector in the region is unlikely to make any adjustments to their long term strategic planning as a result of international trade agreements, unless such agreements are backed up by strong, rule based and objective third party adjudication system.¹⁶⁴ The development corridors are more capital intensive and the intervention of the private sector is of paramount importance in terms of finance and skills. For their own protection these private companies need some form of protection, immunity and stability for their investment hence the inclusion of stabilisation clauses in some of the international and investment agreements.¹⁶⁵

Developing countries have over the past decades increasingly embraced and appreciated the benefits of trade liberalisation and regional integration, and the adoption of a rules based dispute resolution system in a logical institutional extension of this tendency.¹⁶⁶ As a result SADC is situated within a broader global trend, also among developing countries, towards economic co-operation and the establishment of rule-based institutions to manage these systems. So far, however, the

¹⁶¹ *Ibid.*

¹⁶² *Ibid.*

¹⁶³ A. Sawrombe 'Regional Integration Agenda for SADC, Caught in the winds of Change: Problems and prospects' Northwest University, South Africa Volume 4 issue 2(2009) page 103.

¹⁶⁴ *Ibid.*

¹⁶⁵ A F M Maniruzzaman, 'Damages for breach of stabilisation clauses in international investment law: where do we stand today?' (2007) *International Energy Law & Taxation Review* 246 – 247.

¹⁶⁶ A. Sawrombe (note 163) page 103.

implementation of Annex VI by SADC member states has been slow to get off the ground.¹⁶⁷ No disputes have been filed yet in the region concerning bilateral and multilateral treaties signed by the member states.¹⁶⁸ This state of affairs is most likely a result of the limited internal resources and experience of member countries and also due to the still much politicised climate prevalent within the region. Most countries feel that a trade dispute is not simply a by-product of increased beneficial trading relations, but an unfriendly act between the two states.¹⁶⁹ The absence of disputes however does not point to a lack of interest of SADC member states in the Dispute Settlement Mechanism (DSM). In an example of a case between two SADC member states shows a grievance by Zambia against Zimbabwean imports as a mere tip of the iceberg.¹⁷⁰ There are issues in SADC when it comes to agreements but rather, their historical ties fighting for independence from the western countries has made it difficult for these countries to take on each other when it comes to certain issues that might affect their relationship.

4.10. Conclusion

The SADC member states have a viable regional economic trade agenda in place already which requires proper implementation of development corridors that would link the member states and provide easy access to the markets for further economic growth, as well as appropriate institutional mechanisms that would discourage lagging behind on economic growth. The regional infrastructure requires improvement and technical capacity needs to be enhanced of which the MDC has become one of the initiatives from which lessons must be learnt. The progress towards greater integration and sustainability requires stakeholder's participation and ownership at national level to gain the trust of the public and foster FDIs. The national and regional institutions require good governance to improved political commitment and effective leadership in the region as bad politics has become one of the major barriers for growth in the region.

The legal structures of most SADC member states are still very immature and they differ to a wider extent. For example countries like Mozambique and Angola are using the civil law and the countries like Zimbabwe, Zambia and South Africa are on common law. There is no uniform legal structure in place that would govern the implementation of the development corridors without utilising or compromising legal systems of other states. The following concluding chapter will also

¹⁶⁷ *Ibid.*

¹⁶⁸ *Ibid.*

¹⁶⁹ *Ibid.*

¹⁷⁰ *Ibid.*

provide the recommendations on what to focus on to ensure a successful adoption and implementation of the development corridors.

CHAPTER 5

CONCLUSION

This chapter will conclude the findings of the research and give alternative recommendations for review that the SADC countries could adopt to successfully initiate intra-regional resource development corridors in SADC.

5.1. Conclusion

This research has shown the role played by the resource development corridors for the growth of economies in the SADC region especially through the adoption of the MDC that has provided lessons to be learnt for the adoption of the future development corridors. During the initiation, development up to the use of the corridor, a lot of challenges mentioned above on the previous chapters were encountered and addressed accordingly which has proved the possibility of developing new strategies, regulations and laws that would address and promote regional RDCs integrations. As also indicated above in chapter 2 that the region is lagging behind in terms of infrastructure and the transport corridors in particular although it has got one of the best corridors in the continent, the region is faced with a huge challenge to adopt more corridors however there is a lot of changes that need to be done to ensure a flawless development corridors initiative. Some of the areas that the member states should focus on is their legal framework in relation to corridors, trade and investment, the adoption of policies that are much clear and investor friendly as they have a huge impact towards RDCs, the inclusion and the use of private sector for infrastructural development and other capital intensive projects and the revision of most political issues that are currently prevailing in the region and the inclusion of the public for any decisions that would affect them directly or indirectly.

As one of the most successful corridors so far in the region and probably in Africa in general that went through a lot challenges and to a certain extent overcome them, the MDC must be used as a learning curve for future development corridors. Now that the region has seen and experienced the advantages and disadvantages of corridors adoption through the MDC from its construction phase up to the completion phase, the member states could now redraft and revise their strategic planning towards adopting more corridors in the region.

5.2. Recommendations

From the current position of the SADC region in terms of the corridors it is obvious that an amicable solution is needed to address all the transport constraints affecting the flow of goods and services.

The major focus going forward to is to have a proper planning and make reference to the existing corridors that have already been a success like the MDC. The SADC governments, should also provide amicable solution to the challenges faced by the private investors and security reassuring them that their investment will be well protected and necessary damages and compensations will be payable where necessary should future disputes arise.

This kind of reassurance is necessary for government to rebuild investor confidence that SADC is still an attractive investment destination with adequate corridors for the movement of good and proper planning being in place for more future corridors. It is therefore recommended that the implementation of governments' decision to adopt more corridors be made based on the "checklist" of the MDC of which the MDC must be regarded as reference and case study for future corridors. The SADC member states must also draft strong and binding policies and legislation that will be uniform across the region dealing with the corridors and other vital infrastructural agendas across the region. Since the recent proposal of having a borderless trade within the region, it is also recommended that the region should have the same attitude towards the adoption of corridors intra-regionally.

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