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Institutional Aspects of the Maputo Development Corridor

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Abstract

This working paper maps and assesses the institutional and organisational structure of the Maputo Development Corridor (MDC), what actors and stakeholders are involved in the policy- and decision-making processes, and draws some lessons for future development corridors and spatial development initiatives (SDIs) in the broader Southern African region.

The analysis reveals that the institutional structure of the MDC - which is based on such aspects as 'political champions', 'fast-tracking' of project design and implementation, the crowding-in of private investment and a minimalist approach to institutions - is designed for the facilitation of 'bankable' private investments projects and public-private partnerships (PPPs), but contains several institutional and organisational weaknesses which have negative consequences for broader 'development' goals, job creation and the integration of provincial and local governments and communities in the process. These drawbacks in combination with the radically different conditions prevailing in the neighbouring countries suggest that the MDC approach needs to be considerably revised if it is to be applied to regional SDIs, especially if these are aiming beyond transport routes and huge investment initiatives.

Abbreviations

BOT	build, operate and transfer
CIC	Cabinet Investment Cluster
CSIR	Council for Scientific and Industrial Research
DBSA	Development Bank of Southern Africa
DTI	Department of Transport and Industry (RSA)
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution policy
IDC	Industrial Development Corporation
IDZ	Industrial Development Zones
LED	local economic development
MCC	Maputo Corridor Company
MDC	Maputo Development Corridor
MII	Mpumalanga Investment Initiative
Mozal	Mozambique Aluminium Smelter
OSDICC	Overall SDI Coordinating Committee
PPP	public-private partnership
PTC	MDC Provincial Technical Committee
RESDIC	Regional SDI Committee
SADC	Southern African Development Community
SDI	spatial development initiative
SEMP	Strategic Environmental Management Plan
SMME	small, micro and medium enterprise
TRAC	TransAfrica Concessions

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1. Introduction

The Spatial Development Initiative (SDI) programme was initiated by the South African Government in 1995. It represents a new economic development paradigm, centred on a movement away from the protected and isolated approach of the apartheid era towards one which seeks to enhance global competitiveness, foreign investment, regional economic integration and a more diversified ownership base. The SDI programme is intended as the practical implementation, on a spatial ('micro-regional'/provincial) level in contrast with a sectoral level, of the South African government's macro-economic strategy as set out in its Growth, Employment and Redistribution (GEAR) policy.

The SDIs are targeted, short-term and often extremely comprehensive initiatives, driven by private capital, designed to facilitate global competitiveness, access to global capital and investment, infrastructural development and 'sustainable' job creation in certain specific spatial locations in South Africa, as well as in the broader Southern African Development Community (SADC) region, which have unrealised economic potential due primarily to apartheid and to a range of other historical and political reasons, (Jourdan 1998: 718). In effect the SDIs are extremely comprehensive investment projects, which reconfigure whole areas of South Africa and the neighbouring countries.

Up until late 2000, twelve SDIs have been identified or established in South Africa, of which some involve neighbouring countries: Maputo Development Corridor (MDC), Phalaborwa SDI; Lubombo Initiative; Platinum SDI; Coast-2-Coast SDI; Richards Bay-Empangeni SDI; Pietermaritzburg/Msunduzi SDI; Blyde River SDI; West Coast Investment Initiative; Fish River SDI; Wild Coast SDI; and Hiveld (Gauteng) SDI (SDI, 2000a).¹ There are also far-going plans on SDIs and development corridors in the broader Southern African region.

This study concentrates on what is marketed as the 'flagship' of the SDI programme, the MDC. Following the terms of references the objectives of the study are to:

- Map the institutional and organisational landscape that surrounds the MDC.
- Sketch the overall implementation and planning process of the MDC.
- Identify what actors and stakeholders are involved in the institutional arrangements and implementation processes.
- Track and analyse the strengths and weaknesses of the institutional and organisational structure of the MDC.
- Draw lessons for future development corridors and SDIs in the broader Southern African region.

With the addition of a Section on concepts and perspectives (Section 2) and one that briefly introduces the MDC (Section 3), the study is roughly structured according to this list of objectives.

The field of study is comprehensive, and in order to maintain a clear focus, some aspects will be given less consideration. Detailed research has been conducted on the public-private partnerships (PPPs) of the MDC, with emphasis on the Witbank-Maputo N4 toll road (Taylor 2000), so these arrangements will only be briefly touched upon here. For space limitations the processes surrounding the Mozambique Aluminium Smelter (Mozal) project and Industrial Development Zones (IDZs) will only be a secondary focus.

¹ In February 2000, the portfolio of projects of seven of South African SDIs had identified nearly 800 investment opportunities, valued at a total of more than 32 billion USD, with a (stated) capacity to generate more than 85 000 new jobs (SDI, 2000b). These mature SDIs are MDC, Lubombo, Fish River, Richards Bay-Empangeni, West Coast and Phalaborwa. Even if all these investment projects will not be implemented, many are already in the process of being implemented and taken together they will have a significant economic impact.

The research is based on primary data collected through interviews² with public and private stakeholders involved in the MDC process during a two-week field trip to Gauteng, Mpumalanga and Maputo in April 2000. Other sources include official documents and reports (many gathered from the SDI web site³) as well as research and media articles on the topic.

2. Concepts and perspectives⁴

The conceptual landscape in the field is ambiguous and needs to be elaborated upon. The key concept of *institution* is frequently used without precise specification, and sometimes it is confused with *organisation* which further blurs its meaning. The term institution contains several different meanings. In the most general sense, it refers to the guiding norms and frameworks - formal or informal - for human action that are the outcome of social practices and patterns of interaction that are regularly and continuously repeated and have a major significance on the social structure.⁵ This is the general definition guiding analysis in this study.

An *organisation* is conventionally defined as '*a formal, continuous structure established by agreement between members with the aim of pursuing the common interest of the membership*' (Archer 1992: 2). Building on this notion, an organisation involves:

- specified aims, functions and activities;
- membership (individual or collective); and
- its own formal, permanent structure (that is a constitution and administrative structure to order responsibilities and carry out its functions).

Although there is a close relationship between the two concepts, they must not be mixed, because then not only is the content of institutions reduced but also the concept of organisation is widened so that it loses some of its operational significance. Examples of the distinction between the two concepts are shown by the fact that marriage is an institution while the family is its organisational manifestation; the market is an institution while the firm is an organisation; sovereignty is an institution while the state, in this respect, is to be seen as an organisation (Jönsson, Tägil and Törnqvist 2000: 6). As Carlsson and Wohlgemuth (1996: 6) correctly point out:

'organisations are part of the fabric of institutions, but they are not institutions themselves ... institutional development means much more than just structural or functional changes of an organisation. It also involves social change. Institutional development is therefore a much more profound process than organisation development'.

Network is another fruitful concept. What all networks have in common is a set of objects, or 'nodes' (cities, organisations, individuals) tied together in a connective structure by 'links' (air routes, lines of decision-making, communication links). A network is often decentralised and horizontally rather than hierarchically organised. Often it lacks a formally coordinated 'centre' or mechanism, which distinguishes it from an organisation (bureaucracy and hierarchy) (Castells 1996). Similarly to organisations, networks are also part of the fabric of institutions, but they are

² See Appendix (list of interviewees).

³ The SDI web site refers both to www.sdi.org.za and www.dbsa.org/sdi, and all documents taken from this site are, for matters of convenience, referred to as SDI, with full titles provided in the list of references.

⁴ This section draws on Söderbaum (1999).

⁵ Archer (1992: 2) defines an institution as '*the collective forms or basic structures of social organization as established by law or human tradition.*' Gunnarsson (1993: 43) refers to the '*rules, norms and customs and their enforcement characteristics, which determine rights and obligations in the interaction between people.*'

often too flexible and functional to be considered institutions themselves. Nevertheless, there are some interesting similarities between networks and institutions, which should be highlighted. Both concepts draw attention to the patterns of interaction and social relationships among actors within a social structure, and how communication, voluntary cooperation and social trust are established and spread (Smith Ring 1996: 20). In so doing they transcend the tangible structures, 'organisation' and formally coordinated organisational mechanisms of and in society.

Although the concept of institution has always remained part of the social sciences, ever since the 1950s there has been an unfortunate and often misleading tendency to consider political, economic and social life as 'non-institutional'. Institutions have simply been portrayed as arenas or 'theatres' on which behaviour is driven by more fundamental factors. In neo-classical economics, for instance, it has led to institutions being taken as 'given', as constants rather than variables. Since the late 1980s and particularly in the 1990s, institutions have regained a prominent role in the social sciences, giving rise to a great variety of revitalised and new approaches to institutional analysis, such as new institutional economics, neo-institutionalism, new institutionalism, neo-liberal institutionalism, sociology's institutionalism and so on (cf. March *et al* 1989; North 1990; Bardhan 1989; Gunnarsson 1993; Finnamore 1996). The objective here is not to compare and test different institutional perspectives and theories. Considering the pressing lack of research on the MDC, especially its institutional and organisational aspects, the use of parsimonious causal theory is simply premature. At the present stage of research, the somewhat basic point of departure is that 'institutions matter'. The analysis is conducted through an 'institutional prism', which is based on the conceptualisations made previously and the assumption that institutions shape performance and outcome; that is institutions are endogenous rather than exogenous forces. To put it differently, the management of MDC and how various actors and policy-makers relate to one another in terms of institutions and organisation are important matters that need to be investigated.⁶

3. Objectives of the MDC

The MDC was set in motion in August 1995 by the Ministers of Transport of South Africa and Mozambique, 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.⁷ The MDC was initiated by these leading figures, with the active support from President Mandela and President Chissano and importantly also the first Premier of Mpumalanga, Matthews Phosa.⁸ The Department of Transport in the two countries continue to play important roles but the MDC has subsequently become the most high-profile project of the South African SDI programme, which is coordinated by the Department of Transport and Industry (DTI).

⁶ *In this context it is fruitful to make a distinction between two broad approaches to institutional analysis (which both endogenise institutions). On the one hand there is the historical and sociological approach in the tradition of Marx, Durkheim and Weber, which emphasises the durability of institutions and their role as regulators and transmitters of social relationships. The other approach, which is mainly associated with welfare/development economics and public policy, is based on the assumption that preferred outcomes and development can be achieved through manipulation of the social context and here institutions are seen as instruments of reform. There is no need to be dogmatic about which of the two approaches to prefer, although it should be noted that the historical-sociological view to institutional analysis transcends 'problem-solving theory' and also allows for an understanding of structural transformation (that is more holistic and 'critical theory'). There has furthermore proved to be a tendency of mixing the concept of institution with organization in the approach associated with welfare economics and public policy (Moore *et al*, 1995).*

⁷ See Lundin and Söderbaum (2001) for the historical construction of the Maputo corridor.

⁸ It should be noted that already in 1994 in his inaugural speech as Premier of Mpumalanga, Matthews Phosa, outlined the idea of a revived Maputo Corridor (South Africa Report No 2. 1998: 24).

The MDC is based on the vision to revitalise the axis between the economic heartland of South Africa in Gauteng, the Mpumalanga province (former Transvaal) and the city and port of Maputo. The project is considered to be important for Gross Domestic Product (GDP) and employment growth, increasing local and foreign 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. The MDC is based on four key objectives:

- To rehabilitate the primary infrastructure network along the corridor, notably road, rail, port and dredging, and border posts, with the participation of the private sector in order to have minimum impact on the fiscus.
- To maximise investment in both the inherent potential of the corridor area and in the added opportunities, which the infrastructure rehabilitation will create, including the provision of access to global capital and facilitation of regional markets and regional economic integration.
- To maximise social development, employment opportunities and increase the participation of historically disadvantaged communities.
- To ensure sustainability by developing policy, strategies and frameworks that ensure a holistic, participatory and environmentally sustainable approach to development (SDI 1999a).

At the MDC investors' conference held in May 1996, which marked the official launch of the MDC, 180 project proposals were presented to the investors, with a value of nearly 7 billion USD and with the stated potential to generate up to 35 000 jobs. The MDC thus contains a very comprehensive investment portfolio, and with regard to the rehabilitation of primary infrastructure, the following projects, with a total estimated value of 661.5 million USD, should be mentioned:

- Witbank-Maputo N4 Toll Road (the first major PPP, concessioned for 30 years to a private sector consortium, TransAfrica Concessions, TRAC, on the basis of build, operate and transfer, BOT).
- Rehabilitation of the port of Maputo.
- Establishment of a public/private company to manage, operate and maintain the southern Mozambique rail network.
- A single facility/one-stop Border Post at Ressano Garcia/Komatipoort.
- Of the other investment projects the most comprehensive are
- Mozambique Aluminium Smelter (Mozal) (with an estimated value of 1.3 billion USD).
- Maputo Iron and Steel project (1.5 billion USD).
- Pande/Temane Gas (250 million USD).

There are also a significant number of other investment projects, in fields such as mining (a magnetite, vanadium and heavy minerals project), energy, chemicals, manufacturing (agro-industry), agriculture (a fertiliser plant), forestry (a project by the conglomerate Sappi) and tourism (eco-tourism, lodge and game-park development) and so on (Maputo Development Corridor 1999).

4. The institutional landscape surrounding the MDC

This Section attempts to 'map' the institutional and organisational landscape of the MDC, and the main actors involved in driving the policy- and decision-making process. This Section and Section 5, which outlines the particular planning and implementation process of the MDC, are descriptive while a deeper assessment of the quality of the institutional set-up is provided in Section 6.

The SDI programme is coordinated by the intersectoral and broadly based *Overall SDI Coordinating Committee (OSDICC)*, which feeds into a new inter-ministerial *Cabinet Investment Cluster (CIC)*. The mandate of the CIC is to facilitate national and provincial coordination of investment promotion. It is to give content to the notion of *cooperative government* between the various spheres and levels of government; and promote coordinated national government initiatives relating to the provinces (that is bridge the gap between the national and provincial economic development programmes). The CIC draws together representatives from a wide range of central government departments, with an emphasis on those whose portfolios are related to infrastructure and economic development. It is a powerful forum, which reports directly to the Cabinet. The CIC has proved important when rapid decisions need to be made to facilitate large new investments. Through the OSDICC and CIC, the SDIs have been something of a test case for interdepartmental cooperation and coordination in South Africa.

OSDICC is chaired by the Deputy Director-General (currently Paul Jourdan) in charge of the *Special Projects Directorate of the DTI*, which is the lead agency of the SDI Programme. Meetings of the OSDICC are attended by all SDI project managers as well as a broad range of senior representatives from national government departments and parastatals involved in the SDI process. It includes representatives from most government departments, the parastatal finance and investment agencies (including the Development Bank of Southern Africa (DBSA), Investment South Africa and the Industrial Development Corporation (IDC)), Transnet, Portnet and Spoornet, the Council for Scientific and Industrial Research (CSIR) and the Agricultural Research Council. The parastatal development finance agencies have been active participants from the start of the programme. This is particularly the case of the DBSA which has seconded staff and offices to project managers, housing budgets and providing legal support in terms of contracting and auditing etc. The IDC has been engaged in identifying 'bankable' investment projects, while CSIR has re-oriented some of its activities to support the programme (cf. Hall 1998)

Initially OSDICC used to meet every three weeks, which however became difficult to maintain because of the logistics of all the participants getting to a single location so frequently. The number of participants increased hand in hand with new SDIs. For these and other reasons, the OSDICC was then split into two entities: firstly, the coordination committee of the so-called resource-based SDI's and secondly the Regional SDI Committee (RESDIC). These two committees meet much more infrequently and according to Dave Arkwright *'in retrospect most of us miss the regularity of the OSDICC process'* (personal communication, 27 November 2000).

Another change of the institutional landscape during 2000 is that the Special Projects Directorate of the DTI has been demobilised and the coordination of the SDI programme has instead become the responsibility of the DBSA. As mentioned previously, DBSA has always been directly involved in the SDI programme. This involvement has also served to remove the programme to a distance from direct control by DTI - something regarded as necessary to move away from bureaucracy and to enable the programme to have a measure of independence from direct public policy. This independence has thus been further strengthened through the increased responsibility of DBSA for the SDI programme.

One novel feature of the 'SDI methodology' is that each SDI has (at least) two so called *political champions*. Political champions are high-ranked elected politicians at the national and provincial level - who can ensure political commitment and practical support for the process internationally, within the government as well as to local and provincial stakeholders, thereby proactively taking on the attendant risks of the gigantic initiatives. In the case of the MDC, there has in effect been a large number of high-ranked political champions involved. The political support and commitment ensured from the highest possible level, by President Mandela, President Mbeki and President Chissano, has undoubtedly provided political impetus to the MDC, while at the provincial level the (former) Premier of Mpumalanga, Matthews Phosa, was a committed political champion from

its inception. The political commitment provided by the Ministers of Transport of South Africa and Mozambique, Mac Maharaj and Paulo Muxanga, have also been catalytic, as well as that by the Minister of Trade and Industry in South Africa, Alec Erwin.

The *project manager* is the person chiefly responsible for implementing the SDI. In international SDIs, such as the MDC, there should be a project manager in each participating country. The South African MDC project manager (Dave Arkwright) is employed by and accountable to the DTI, while in Mozambique, the project manager (Francisca Soares) is employed by and accountable to the Ministry of Transport and Communications. According to the South African SDI methodology, it is the task of the project manager to put together a *technical team*, made up of officials from government and parastatals as well as consultants and other relevant experts, who then should provide the expertise needed to 'drive' the MDC process during the initial stages. These project and task teams should be dissolved when their work has been completed.

The set up, project identification and launch of the MDC process is driven by a loose and fluid network, consisting of the political champions, the different line departments involved in the process (mainly transport, and trade and industry) the project managers and the technical teams, whereas at later stages the administration and project implementation is (supposed) to be decentralised and 'handed over' (during the 'exit' phase) to the provincial and local institutions, particularly their investment promotion agencies, which then become the key drivers in the project (see Section 5).

On the provincial level there is an intersectoral *Maputo Development Corridor Provincial Technical Committee (PTC)* (Mitchell 1998: 760). The PTC is chaired by the Chief Director of Economic Affairs in Mpumalanga, who is the officer responsible for the MDC provincial processes. The committee coordinates the activities of different parts of the provincial administration, and it looks at environmental/strategic issues, agriculture, roads and transport, local government, tourism and small, micro and medium enterprises (SMMEs). The PTC consists of representatives of most departments in provincial government but also several representatives of national government. It should be recognised that officials from the Northern Province also participate in the PTC. Due to capacity constraints in Mpumalanga, there has been various sources of financial and technical assistance, creating resources for a number of specialised committees and teams. For instance, the World Bank has been supportive of the Strategic Environmental Management Plan (SEMP) in Mpumalanga. A provincial support programme for the MDC has also emerged, which conducted a number of important studies on environment, SMMEs, sector planning studies in agriculture and tourism.

At later stages, the *Mpumalanga Investment Initiative (MII)* has become a key driver in contributing to investment implementation in the Mpumalanga province. The MII is a one-stop investment agency, focussing on investment promotion and assistance to potential investors. It offers services such as:

- market information;
- facilitation with feasibility studies;
- assistance with application of incentives;
- relocation assistance;
- facilitation of finance;
- assistance with work permits;
- assistance in obtaining factory space/land;
- joint venture facilitation; fast-tracking of applications; and
- assistance with exports from Mpumalanga.

Parallel institutional and organisational structures should be present in the other participating countries, at least in Mozambique. However, implementation and institutional development has been lagging behind in Mozambique, and decision-making has remained centralised to the

President and a few ministries/ministers, particularly the Ministry of Transport and Communications, the Department of Public Works and the Road Authority. The *Investment Promotion Centre of Mozambique* has also been involved in the process and it performs similar duties as the MII in Mpumalanga and Investment South Africa. One indicator of the delayed and weak institutional structure in Mozambique is that the project manager was not operational until March 1999 and faced large capacity and resource constraints. There are also very weak structures that can enable the integration of the provinces in decision-making. In essence, there is yet no structure in Mozambique comparable to the South African OSDICC, the CIC or the DTI Special Projects Directorate/DBSA SDI Unit. However, attempts are now being made at establishing a somewhat similar structure through the *Bureau for the Coordination of Development Corridors* within the Department of Transport and Communications, which should be an umbrella bureau with one *technical unit* for every development/transport corridor in Mozambique, that is Maputo, Lubombo, Beira, Nacala and Zambezi River (interview with Dr. Alfredo Namitete). It seems that after a slow start, Mozambique has decided to pursue their corridor programme with substantial enthusiasm.⁹

In the original plan, the *Maputo Corridor Company (MCC)* was supposed to manifest the institutionalisation of the MDC, be the legal entity at the local/provincial level and bring together local and business actors. It is considered important to have a formal institution that can handle the complex relationships in Southern Africa and that can provide technical assistance and programme and policy support for the corridor (SDI 1998a). The establishment of the MCC has been delayed owing to capacity constraints at local and provincial level, both amongst public and private actors, particularly in Mozambique but also in Mpumalanga. The envisaged activities of the MCC include:

- Supporting the implementation of key infrastructure projects (road, rail, port, dredging, water, energy, etc.).
- Supporting the implementation of key investment projects.
- Information gathering and dissemination on investment opportunities and the investment environment.
- The mobilisation of investment through project preparation and marketing.
- Instituting a capacity building and policy research programme, based on actual projects.
- Instituting a system to track progress in the MDC.

The MCC should have a small staff, an Executive Committee and a Board of Directors constituted by regional private sector interests and the governments of South Africa, Mozambique, Swaziland, and ultimately Zimbabwe and Botswana. The Head Office should be located in Maputo, with an office in Nelspruit. This structure is yet to be established and until then Dave Arkwright serves as an interim manager (*ibid*).

One interesting development in the MDC has been the emergence of *The Borderlands Initiative*, which is designed to stimulate increasing cooperation between towns and cities along the borders of South Africa, Swaziland and Mozambique, and in the long-run also between participants from other SDIs and neighbouring countries (SDI 1998b). For various reasons there has not been full participation in the formal MDC processes by Swaziland, but it is interesting to note that Swaziland is involved in the Borderlands Initiative. This initiative, which has emerged without state involvement, seems to be the result of an institutional gap in the SDI programme and/or representing a situation where increased patterns of relationships creates both common interests and the need for more institutionalised cooperation in a bottom-up and spontaneous way. The Mpumalanga and Maputo provinces have endorsed the Borderlands Initiative, which is driven by the cities of Ressano Garcia and Komatipoort with the active support of the MCC (see Arkwright *et al* 1998). A number of technical committees in a range of economic sectors have

⁹ In this context it is worth mentioning that Dave Arkwright is moving into Mozambique in order to work with the Maputo Corridor Technical Unit in the Ministry of Transport and Communications.

been established on different sides of the border to facilitate transborder planning and development, for example physical and social infrastructure, transborder environmental issues, procedures for the border post (visas, customs, immigration and security). Efforts are also made to develop a tourism and biodiversity corridor between Mozambique, South Africa and Swaziland (de Beer *et al* 1999: 13).

5. Planning and implementation phases of the MDC

Although each SDI has to adjust to the different conditions under which it operates, there are some basic similarities and at least the officials at the DTI now speak of a generalised 'SDI methodology'. The special planning and implementation procedures are essential components of the SDI methodology, which have been developed in order to reflect the transnational character, the (extremely) short time-frame and the project-driven approach of the initiatives.

There are two main phases, which can be further divided into sub-phases. The *first* main phase is driven by central government, OSDICC, CIC, the DTI Special Projects Directorate, the development finance institutions and the project managers, which gradually leads to the *second* stage, the exit strategy, whereby the initiative will be 'handed over' and then driven by provincial and local institutions, particularly the provincial investment promotion agencies (see SDI 1998c). There is considerable emphasis on 'fast tracking' project implementation, and the set-up, appraisal, packaging and launch of a SDI at the investors' conference is supposed to be completed within 12 to 18 months. The exit strategy is given a little longer time; up to two years.

The MDC involves various phases and sub-phases. The first thing to do in the setting up of a SDI is to appoint a project manager. The project manager organises an initial conceptual workshop and identifies promising sectors for investment, the main bottlenecks for development and the main investment opportunities in the area. The manager also sets up a technical team and a project identification team, made up of officials from government and parastatals as well as consultants and other relevant experts. Another main task of the project manager is to identify local 'champions' and stakeholders to provide the programme with legitimacy, and to ensure that there is an organisation, which can secure implementation upon the decentralisation of functions to provincial and local authorities (Jourdan 1998; cf. Hall 1998).

After the set-up and pre-feasibility phase and the establishment of institutional structure, with political and technical teams etc., the process moves into the identification and 'packaging' of investment opportunities. Ideas for investment projects are widely solicited from local and provincial stakeholders. The main criterion for projects is that they must be 'bankable', that is offer a commercial viable return on investment. The DBSA and the IDC play a significant role in identifying and testing the feasibility of projects. The next task is to match potential domestic and international investors with investment opportunities and to raise the profile of the area as an international investment destination. This is typically done through the investors' conference.

After the MDC investors' conference, which was held in May 1996, the technical team and project identification teams were dissolved. According to the stated SDI methodology, the MDC was supposed to be 'handed over' - through the so called 'exit strategy'- to the provincial and local institutional structure, which should then continue identifying investment projects and matching them with potential investors. The implementation and planning phases of the MDC are shown in the Table 1 (see SDI 1998c).¹⁰

¹⁰ The MDC was initially developed along different lines by the Department of Transport when this so called SDI-methodology was developed by the DTI, under the leadership of Paul Jourdan.

Table 1. Implementation phases of the MDC.

Phase	Activity
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 a 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.

6. Institutional arrangements of the MDC: Strengths and weaknesses

The aim of this Section is to make an inventory and assessment, from an institutional perspective, of the strength and weaknesses of the MDC. Due to the early stage of research and the dynamic nature of the MDC, the analysis will be somewhat preliminary and conducted in an overview manner. The main purpose is to pinpoint some key aspects, positive and negative, in order to contribute to further research, discussion and policy-making. Needless to say, although comprehensive, the inventory is by no means exhaustive. The following aspects are highlighted:

- Political champions.
- The non-bureaucratic and 'networked' institutional structure.
- The fast-tracking of design and implementation.
- The management and institutional consequences of the contradictions in content of the MDC paradigm and strategy.
- National and provincial relations.
- Local participation and to what extent social demands and initiatives are absorbed.

6.1 Political champions

The implementation of SDIs require considerable political commitment and political will by relevant levels of government. The political commitment provided by the political champions should increase coordination and integration between all involved government departments. It is probably impossible to mobilise a higher degree of political commitment to a development project than what has been ensured in the case of the MDC. The project has received political commitment not only from the very highest levels in the form of the two Presidents of the countries, but also from a number of highly-ranked politicians, such as President Mbeki, the Ministers of Transport in both countries, the Minister of Trade and Industry in South Africa, as well as the (former) Premier of Mpumalanga, Matthews Phosa. In addition, some influential ANC policy-makers such as Ketso Gordhan (Director General of the Department of Transport) and Paul Jourdan have 'pushed' the project. There is little doubt about the fact that this political commitment has contributed to effective decision-making and speedy implementation of the MDC.

The strategy with political champions is particularly interesting in view of the more or less chronic difficulties associated with the implementation of most types of regional intergovernmental cooperation projects in Africa in the past. It appears that the high level of political commitment should be seen in light of the fact that the MDC has been a 'test case' of the SDI programme. It is no exaggeration that a 'failure' would possibly have undermined the whole SDI programme in both countries. The MDC simply 'had to work', and it was imperative to mobilise whatever political support needed to overcome the hurdles along the way. In Mozambique, the MDC in general and the Mozal project in particular, served as show-cases for proving that industrial projects could be implemented and be on time. According to this view it was more important that the Mozal was completed in time rather than that it managed to involve Mozambican contractors and labour to the largest possible extent.

Exactly *how* important the high level of political commitment has been is difficult to estimate, but as one anonymous official stated:



'at one stage, the whole project was rapidly approaching crisis, which served as a major wake-up call for Mozambique, and a new more senior minister took over the Department of Transport ... which led to the MDC receiving a boom overnight and was then almost driven by Mozambique'.

In this context, it is important to take cognisance of the fact that South Africa's *'SDI programme no longer has the requisite political support to enable it to keep going as we know it'* (Arkwright, personal communication, 27 November 2000). In fact, Mozambique has wholeheartedly decided to pursue their corridor programme and the country may in fact become the driving force behind SDIs and regional development initiatives in SADC.

Another example of the importance of political will and political champions, with a more negative result, is the change of Premier in Mpumalanga, succeeding Matthews Phosa who was very committed to the MDC. The new Premier, Ndaweni Mahlangu, has clearly other priorities than the MDC and projects associated with the legacy of Phosa. According to Jonathan Mitchell, *'the Corridor has collapsed as a provincial thing ... the Committee [PTC] is officially restructured but basically the province has walked away from the process'* (Mitchell, interview). Another anonymous official confirms that *'everything has changed because it was all linked to Phosa'*. Now the MII is the only provincial institution involved in the MDC process. This shows that the institutional structure is weak as well as heavily dependent on what particular individual happens to be the political champion, thereby adding a striking amount of uncertainty to the process.

6.2 Network structure

The institutional structure of the MDC is non-bureaucratic, with a more or less minimalist approach to institutions, and designed to meet the challenge of interdepartmental coordination and maintain flexibility and speed in planning and implementation. Although this structure consists of numerous committees, sub-committees, project and technical teams it builds mainly on existing institutional capacities and draws together capacities and policy-makers in a loosely organised and flexible network structure.

One strength of this approach is that it has sustained interdepartmental cooperation, and *it is slowly teaching government departments to work together* (Ismail and Jourdan in DTI 1998). However, even if it mainly seeks to build on existing institutional resources, progress depends on the quality and strength of these capacities. Such strategy is risky when skills and capacities do not exist or are weak, which is the reality not only in the provinces and Maputo but in fact also in several quarters in Gauteng. To a limited extent, this has been catered for and where there has been a lack of institutional capacities, the DTI has pushed to create them, for instance, a new PPP-unit in the Department of Finance and a new unit in the DBSA was created. But this has mainly been done at the central government level. And as Ismail and Jourdan point out: *This ad hoc institution building has happened as we've gone along, on a crisis management basis so far. This has to be more packaged than before* (quoted in DTI 1998). This problem must not be taken lightly: it is perhaps the core institutional problem with the MDC.

The current SDI/MDC methodology contains a minimalist or even 'non-institutional' perspective - to a large extent in line with the non-institutional understanding of society whereby institutions are seen as given, exogenous variables or at best instruments of reform. It deserves to be mentioned that MCC/Dave Arkwright have resisted this perspective and have relentlessly tried to build a more dense institutional landscape. Another problem with the network structure and the belief that policy-planning and policy-making can be done through existing resources is that the MDC 'crowds-out' time and resources, and are tying ministers as well as central government personnel down, which can damage other functions.

Although there are a number of different committees and actors involved in the MDC process, there is a general lack of formal institutions and bureaucratic frameworks on both sides of the border (although this is/was particularly deep on the Mozambican side). Many committees and task teams are *temporary* in nature. The result is that there is no organisational and legal structure/entity that represents and takes responsibility for the MDC, perhaps apart from the project manager. The network structure lacks a clear 'organisational' centre and it is actually ambiguous as to who the 'driver' of the MDC process is. It is difficult to track the centre of decision-making and power as well as to understand where responsibility and accountability are. The DTI is obviously a main player but it does not seek responsibility since it wants to 'hand over' the initiative to the province, whereas the province on its side has not been part of the design and build up of the MDC and feels it does not 'own' the initiative. It is worth noticing that according to the South African project manager, Dave Arkwright, one lesson for the future is that *'it needs to be established who is carrying the Corridor'*.

Another problem is that the MDC/SDI strategy depends heavily upon the use of informal power and 'political capital' in order to ensure progress. *The bureaucratic dangers inherent in this approach are obvious; a guiding SDI policy statement notes "that there is always a risk of allowing certain key role players, including government departments, to get left behind in the process, thereby creating the impression of exclusivity"...* (footnote 12 in Hall 1998). In other words, the informal network structure is mainly 'designed' and effective for those inside rather than those outside the network. As discussed in Section 6.5, the provinces have not been included in the network. According to one interviewee:



'initially the Department of Transport took an enlightened stance and understood that the Province needed support ... while the DTI works under the assumption that the Province cannot do anything' (Mitchell interview).

6.3 Fast-tracking ... or slow-tracking?

A quick planning and implementation process is essential to the development of the MDC. The MDC management team identifies obstacles and then speedily mobilises political support from the political champions in order to generate momentum and facilitate 'delivery'. Fast-tracking is *'like rowing a canoe with holes - if you stop you sink'* (Ismail and Jourdan in DTI 1998).

The strength of this strategy, when - and if - it works, is obviously that it quickly delivers the goods. Through its speed and ability to establish a link between input/effort and output/delivery, it provides a strategy for implementation and gives concrete meaning to the process of regional cooperation and integration in a way that many other comprehensive projects have failed to do in the past.



'The main strength of the SDI methodology is that it has brought a new approach, through a precise set of steps, which could get things moving' (Arkwright, interview).

According to the project manager in Mozambique, one strength of the strategy is that



'it started to challenge things ... and brought new things to Mozambique ... back in 1995 it seems that such push-approach was actually needed' (Soares, interview).

Nevertheless, Franscisca Soares also argues that in certain respects the speed has been *too fast* for Mozambique, especially with regard to the inclusion in the process of the non-governmental actors (Soares, interview). Jonathan Mitchell claims that the extreme emphasis on speed has been counter-productive, and, according to him, *'the fast-track approach is slower than a slow-track approach'* (Mitchell, interview). This is so because the design and implementation must be so quick that there exists no time for rational and bureaucratic decision-making which is adjusted to local conditions and the interests of concerned actors and institutions. The extremely rapid design and decision-making process is particularly problematic in a context with low institutional capacities (such as those in Mpumalanga and Mozambique). Officials involved in the MDC project such as Jon Mitchell and Dave Arkwright both emphasise the need for the development of institutions and management systems which can ensure a more coherent and well-thought out policy- and decision-making process.

The fast-tracking approach is risky also for the quality of performance of capital investments by the private and public sectors. To offset these risks, the government has mobilised considerable technical expertise from both the public and private sectors to back-up the process, mainly in the form of consultancy and expert teams. Although such expert teams are important, the proclaimed 'urgency' has not allowed any time for discussing the *content* of the MDC project and letting all parties understand what the MDC actually is about and what it is not. The MDC has essentially been designed at the drawing tables in Gauteng and quickly enforced in a top-down manner, without ensuring that provincial and local actors are integrated and consulted.

6.4 Contradictions in content

There has circulated a number of different understandings regarding the aims, strategies and methodologies of the MDC. There is a confusion about whether the MDC should be portrayed as an 'investment initiative' or a 'development corridor'. These contradictions cause uncertainties and ineffectiveness in the management of the MDC.

In spite of its label as a *development* corridor, the MDC approach is built around the key goal to 'crowd-in' private *investments*. It is only to a minor extent a planning exercise (that is allocation of public resources). Basically it is about 'investment attraction' and 'market guidance', whereby the state *suggests* opportunities to the private sector, with the *hope* that it will create jobs. As stated in the proceedings of a workshop on SDIs in South Africa and Southern Africa: '*The nearest paradigm to this is what was in last year's World Development Report on market guidance. SDIs are textbook World Bank stuff*' (DTI 1998). The former regional SDI coordinator, Margarida Martins, confirmed that a lot of confusion on the content of the MDC is a consequence of that it (according to her) should be understood as an investment initiative rather than a development corridor (Martins, interview, 16 March 1999).

One main problem is that the MDC has been marketed and 'sold' to the public as a mechanism to bring 'development'; a transport corridor in which 'social development', jobs within a holistic, participatory and environmentally framework are supposed to blossom. This contradiction (and premature creation of huge expectations) is the result of a deep rift between rhetoric and practical implementation. More specifically, there is a gap between the attention and resources devoted to the achievement of key objectives 1 and 2 (to rehabilitate the primary *infrastructure* and to maximise *investment*), compared to key objectives 3 and 4 (to maximise *social development* and *job creation*, and ensure a holistic, participatory and environmentally sustainable approach to *development*). It should be acknowledged that the MDC has been successful in the rehabilitation of primary infrastructure and crowding-in of some 'bankable' investments in the corridor, but it is clear that key objectives 3 and 4 are more or less squeezed into the MDC framework only insofar as they are compatible with the other two objectives.

Needless to say, some mechanisms and resources are in place to support key objectives 3 and 4. Regarding the former there is an emphasis on:

- Minimum proportion (value) of contract to emerging business.
- Cluster processes.
- Targeted interventions to support SMMEs, including a corridor equity fund.

With regard to the latter it is claimed that this should be sustained by:

- The establishment of the MCC.
- A support programme, which includes a Strategic Environmental Management Plan (SEMP), a Local Economic Development (LED) programme aimed at supporting local government in maximizing corridor opportunities, a SMMEs study to develop strategic direction and identify projects, and an agricultural study to develop strategic direction and identify projects.
- A training programme (mainly) for public sector managers in project and programme management (SDI 1998a).

The problem is that these processes are underdeveloped and their impact on social development, job creation and a holistic and participatory framework are by no means in proportion to the attention devoted to key objective 1 and 2. Professor Henry Bernstein

emphasises that the SDIs are large investment initiatives and 'employment generation per se is NOT an objective nor is local development more generally' (Bernstein 1999: 10).¹¹

It is important to recognise that there is a debate over the content of aims, objectives and methodologies of the MDC even at the highest level of policy-making. It is well-known amongst those following the MDC processes that Dave Arkwright has relentlessly tried to emphasise the development-oriented dimensions of the MDC. Arkwright points out that he has always been



'under pressure to conform to the focused SDI approach, to concentrate only on investment projects and to leave other development issues to others. I resisted this because I considered it important to create a proper base for the big investments. Hence the reason why we created a support programme (including SEMP, SMME, LED, etc), why we established a training programme etc ...' (personal communication, 27 November 2000).

In defence of the official MDC strategy, it should be pointed out that the extremely high expectations placed on the MDC have made it difficult to inform stakeholders and the public about its actual content (regardless of how it should be defined). This confusion has then been further escalated by the fact that some politicians and policy-makers, especially in Mpumalanga province, have a poor understanding of the content and strategy of the MDC. According to Jonathan Mitchell, *neither politicians nor the citizenry understand PPPs or the Corridor* and *'in Nelspruit there is no understanding or conception what the Corridor is about'* (Mitchell, interview). In Mozambique, there has been a discussion on whether a different strategy and methodology is more appropriate for the Mozambican conditions and preferences. The MDC has also been undermined by the fact that some provincial politicians have criticised certain aspects of the MDC, such as the toll fees, and then proclaimed that they are going to change them (Mitchell, interview). This might perhaps be blamed on political populism (or incompetence) but it might also be explained by the fact that architects of the MDC have not made enough effort to 'inform' (or 'educate') the provinces or citizenry on the content of MDC, thus illustrating a poor relationship between national government and the province/citizenry; issues which are now attended to.

6.5 National and provincial relations

As mentioned previously, a network of national institutions was the driving force of the first main phase of the MDC, whereas, through the 'exit strategy', the MDC is to be 'handed over' and provincial and local institutions were to become the driving forces of the second main phase of administration and implementation. There are a number of important problems related to this proposed handing over and decentralisation strategy.

The MDC strategy is centralistic and top-down in nature and does not seek to substantially integrate the provinces until the exit strategy. As discussed previously, central government and to a large extent the development finance institutions such as DBSA and IDC have neither been enthusiastic nor successful in integrating and involving provincial and local governments and institutions in policy- and decision-making. It should be noted that there is/was a fundamental difference between the way the Department of Transport and the DTI handle(d) relationships with the provinces. According to Jonathan Mitchell, the former



'actively sought to provide impetus to the province, but when the SDI Unit at the DTI took over the process was centralised' (Mitchell, interview).

¹¹ See Lundin and Söderbaum (2001), Söderbaum and Taylor (2000) and Taylor (1999) for studies on the on 'development' impact of the MDC initiative.

In a study of Richards Bay, which is highly relevant also for the case of MDC, Peter Hall (1998) shows that the existing regional context and institutional structure is both the cause and the means to a solution of the development dilemma. Hall criticises the extreme emphasis in the SDI methodology on the preparation and crowding-in of *external* investment projects, which enhances a dangerous national-provincial relation and also give rise to the misconception that there is no *endogenous* growth dynamic in the SDI area. Hall suggests a more appropriate role for national policy in regional/provincial development, with a new relationship between the national and the regional/provincial, whereby agencies such as the national departments, the national conglomerates, Portnet and the IDC operate better at the regional/provincial level.

 *'The challenge for the SDI Office in the DTI is to convince these agencies to provide the correct incentives for changes in the relationships of key local organisations and actors' (Hall 1998: 14).*

This argument is similar to the one put forward by Amin (1998) as well as Lewis and Bloch's suggestion that

 *'cluster initiatives and other industrial support programmes to enhance competitiveness need to develop a clearer regional focus, and that the SDIs need to design their mechanisms with a greater emphasis on strengthening regional agglomerations and clusters' (Lewis and Bloch 1997: 753).¹²*

One set of problems with the centralised design and decision-making are related to the investors' conference. In the SDI approach a lot of effort was put into the design and packaging of investment projects, which were then presented at the investors' conference. However, provincial and local actors have not been integrated into identification and design of these projects, which seems to have created a lot of inefficiencies. Gordon Griffiths, the CEO of the MII, claims that

 *'it is embarrassing to market and present the projects inherited from the investors' conference. The investors' conference was more like a wishing list ... the MII does not know the details of these projects ... and the projects were not adjusted to local conditions' (Griffiths, interview).*

Instead of presenting the projects from the investors' conference, the MII concentrates on the cluster processes and downstream production. Gordon Griffiths argue that there was

 *'bad sequencing of the MDC approach ... and even if the MII was not created at such early stage ... the MII ought to have been involved much earlier in the process' (Griffiths, interview).¹³*

¹² There are six clusters in Mpumalanga, namely stainless steel; chemical and chemical products; agro-food processing; agro-products; wood products and furniture; and tourism.

¹³ The SDI methodology has changed over time to place more attention to the cluster processes. However it is worth noticing that Gordon Griffiths argues for a decentralised approach while the DTI seems to argue for a more centralised approach, as seen in the following comment by Ismail and Jourdan (DTI 1998: 5): 'The biggest change in the SDI process has been increased emphasis on cluster initiatives. Setting up industrial cluster organisations is part of the exit strategy. It is the main way of making permanent local linkages in SDIs. Clusters work best at local level (rather than national level). This is where you deal best with the "soft issues". Although cluster initiatives are seen as part of the exit strategy, they merge with other parts of the SDI. Functioning cluster organisations will be transferred to the sectoral directorates in the DTI, and will become their responsibility. Cluster organisations are where we're putting in the institutional memory and the long-term institution building attached to the SDI program. The key actors in the cluster process are government, capital and labour, but you do bring in others, e.g. universities. DTI kick-starts the process, and then the others take it over gradually.' The argument raised in this paper is that it is doubtful whether the 'new' approach proclaimed by Ismail and Jourdan changes any of the fundamentals of the MDC methodology. The problematic relationship between national versus provincial/local actors and institutions remains basically the same.

Furthermore, the strategy is centred around the notion that in order to maintain fast-track delivery, the province or locally constituted public 'partners' can be 'by-passed' or side-stepped if they are deemed 'unfit' for one reason or another, such as being 'too political', lacking capacity, competence, vision and commitment etc. According to Bernstein (1998),



'this marks one clear limitation of SDIs, namely that they can contribute to institutional capacity (for example inter-Departmental liaison and co-ordination, local planning and management capacity, human resource development) when initial conditions are relatively favourable, but not when local development requires more gradual/evolutionary and more "political" (participatory) processes of institution building'.

In effect such 'by-pass' means that the proposed decentralisation strategy is reversed. According to Jonathan Mitchell,



'the MDC is actually centralised rather than decentralised' (Mitchell, interview).

6.6 Local participation

There has been very limited communication between central government actors on the one hand and local governments, communities, the private sector, various interest groups, organised labour and the citizenry on the other hand. *It is a paradox that, although the Corridor is well-known nationally and internationally, many local communities which will be directly affected by the development have very little information about the project' (Mitchell 1998: 760).* The official view from the SDI Unit within DTI is that there is some degree of 'participation' and that the SDIs are supposed to deal with locals to some extent, but that *'it is not a deep-rooted participatory process' (Ismail and Jourdan in DTI 1998).* Local participation is supposed to come in only through the 'exit strategy', but then the problem is that this eliminates the stakeholders from the basic design and prioritisation of projects. This conflicts with key objective 4, namely that the MDC is supposed to be a participatory process.

The analysis in this paper suggests that the institutional network structure is reasonably 'inclusive' and open for central government institutions and (capable and resource-rich) actors (in the national departments, DBSA, IDC, Investment South Africa, CSIR and so forth) but that it is rather 'closed' and exclusive with regard to (weaker) actors and people outside the network. In essence, the network structure is designed for 'insiders' and does not work very well for 'outsiders'. Its purpose is to implement gigantic investment projects and to deal with a few dozen 'big' investors rather than large groups of dispossessed people at the local level. Local participation is equally badly served by the provincial government:



'Mpumalanga's economic affairs department agrees that the small man [sic] has not always featured significantly in the Maputo Corridor planning' (Mail and Guardian, 15 June 1998).

In this context it should also be mentioned that the investors' conference is intended to create opportunities for small- and medium-size businesses, in the way that local businesses are encouraged to network and form joint ventures with foreign and non-local investors. This has not worked satisfactorily and it appears that in the current design, the MDC is not well suited for the inclusion of the local market demands and the social forces.

Some policy-makers recognise that the lack of local participation constitutes a serious deficiency of the MDC. In order to meet this challenge, the Mpumalanga provincial government was trying to develop a comprehensive communication strategy, together with an innovative community tracking system, but this was suddenly ended with the changes in the provincial

leadership. The question of local participation is not just about a democratic instinct. It also means that problems are created which sooner or later have to be dealt with (which is once again illustrating a situation where the fast-track in effect becomes a slow-track).

Before concluding, it should be recognised that there have been many types of local protests against the MDC. The protests are the result of the way the MDC project has been designed and implemented from the very beginning. Perhaps the most contentious issue of local participation is the N4 toll road. Many local residents are outraged that placing tolls on the N4 will separate them from their schools, jobs and the main shopping centres, for instance in Nelspruit. According to the local Federated Long and Local Distance Taxi Association, the *'organisation [was] not invited to any decision-making meetings about the toll gates'* (Mail and Guardian, 15 June 1998). After a protracted dispute with the operators of the toll route, concessions were granted to local residents, who now pay reduced (though the prices remain disputed) rates for using the N4. This transforms the N4 from a genuine public good, to a private or at least quasi-public road (good). It is also remarkable that the prices seem to have been imposed upon locals (arbitrarily) by private concerns, with little regard for the social (and collective) implications of such financial impositions. An argument confirmed by Gordon Griffiths, who argues for deeper societal cost/benefit-analysis of the toll roads, because excessive tolls seem to create social dilemmas as they do not deliver the public good and/or may ruin the secondary roads instead (Griffiths, interview). Another example is that the rural local women were chased off the N4 for trying to sell fruit (something they have done for decades).¹⁴ There has been minimal consultation with local communities over such issues and only really enacted when effected local inhabitants complain, leading to what Tim Shaw (1999) refers to as the MDCs *'democratic deficit'*. As Mozal's chairman, Rob Barbour, correctly points out, fundamental questions need to be asked *vis-à-vis* the ownership of the micro-region (Business Day, 4 October 1999).

6.7 Summary

The interesting role played by the *political champions* was the first key aspect to be analysed in this Section. The MDC has received extensive political support, and the political champions have intervened and speeded up decision-making and implementation when the process otherwise arguably would have stagnated. When champions are strong, this is of course a great asset, but as illustrated by the case of the new Premier in Mpumalanga, Mahlangu, weak champions may undermine the whole process. This is risky in that it makes the process heavily dependent on the commitment and competence of certain individuals.

The *network structure* has several strengths. It is flexible, facilitates a quick planning and decision-making process and ensures interdepartmental coordination and cooperation. It is furthermore non-bureaucratic and probably relatively cheap in that it builds on existing institutional capacities and resources. On the other hand, the strategy is risky when there is a lack of skills, competence and institutional capacities, that is the normal realities of countries and provinces grouped in the corridor. It may also crowd-out time and resources from other functions. More serious drawbacks are that the network structure creates a rather diffuse power and responsibility structure without a clear centre of decision-making, and it is not particularly suited to carry out conventional bureaucratic procedures. In essence, the network structure does not seek to develop a more long-lasting institutional landscape or organisational centre.

The emphasis on *fast-tracking* is essential to the MDC approach and the SDI methodology more generally. To the extent that it is working there are some obvious advantages, for instance that it creates visible benefits and establishes a connection between input and output. It may also spur a certain 'multiplier effect' and a kick-start to the economy. On the other hand, there is some

¹⁴ See Taylor (2000) for a more detailed analysis of local participation in the establishment and decision-making of PPPs and the N4 toll road.

evidence in this study that the fast-track approach may in fact be counter-productive, 'a slow-track', with negative influences on the management of the MDC as well as the quality of investment projects, implying that institutional components and policies may have to be redesigned in order to match local conditions and the realities on the ground.

The MDC has a lot to offer to a host of stakeholders, especially insofar as it manages to bring together public, private and central and local actors. On paper, the aims and objectives of the MDC are impressive, but there is a wide rift between rhetoric and practical implementation; between the emphasis placed on bankable investment projects in contrast to social development, job creation and a participatory and holistic development strategy. The *contradiction in content* is obviously a weakness and undermines the credibility and functioning of the MDC. The MDC is officially held to be a development corridor but in practice, it is an investment and market guidance initiative with the *hope* that it will create jobs and lead to 'development'. The theoretical and empirical evidence backing up such *automatic* spread effects is weak, particularly under conditions such as those prevailing in Mpumalanga and Mozambique.

The *national-provincial relation* is yet another institutional flaw of the MDC. Central government institutions have pushed the project and due to capacity constraints on the provincial and local level the assumed 'urgency' has left these actors outside of design and implementation. There is a poor (and sometimes even non-existing) relationship between central government/institutions and provincial institutions. The network structure is diffuse and has created exclusiveness when key role-players are by-passed when they do not conform with the SDI-strategy, that is cooperation and communication is facilitated within the network but not with outsiders and only in a top-down manner. In spite of attempts made at decentralisation during the early stages when the Department of Transport coordinated the MDC project, there was a re-centralisation of decision-making and implementation when the DTI took over as main sponsor of the process. Due to the fact that the Mpumalanga government deliberately has withdrawn and 'killed' the MDC at the provincial level, this is not necessarily a weakness from an administrative point of view. However, it sustains the view the MDC is perceived as something 'external' and imposed from above, which may prevent the MDC from moving beyond anything else but a gigantic investment project.

The fact that the MDC is better known internationally and nationally than locally combined with the fact that it is not designed to involve bottom-up forces and facilitate *local participation* questions the ownership of the micro-region and gives it a 'democratic deficit'. These problems must not be ignored, but may actually undermine the role of the state. Similarly to several other African countries and somewhat ironically resembling the apartheid state, which was an instrument in the hands of the Whites, the new 'neo-liberal' state may be looked upon as an 'external' agent, implementing top-down projects in alliance with international investors rather than its own citizenry (cf. Söderbaum and Taylor 2000).

7. Lessons for development corridors and SDIs in Southern Africa

In spite of its short history there is now a discussion on whether the South African SDI methodology can be applied to the broader Southern African Development Community (SADC) region. The South African government is enthusiastic about the potential of SDIs and has offered to aid regional SDIs throughout the SADC region by transferring the lessons learned and the skills gained during the execution of the SDIs in South Africa. Although also for other reasons, the mandate of the DBSA, as well as the IDC have now been extended to cover the whole SADC region, and these institutions are likely to be involved in one way or the other in the implementation of regional SDIs. However, South Africa's engagement in the region and in

promoting such SDIs is very contentious and sensitive. The Mbeki government does not seem to be willing to pursue the regional issues as much as the earlier players did. As a consequence, instead of the hub-and-spoke approach to regional SDIs originally advocated by South Africa, we are in fact witnessing a backing off by South Africa, seemingly in favour of a more multilateral/regional approach to SDIs, probably within the framework of SADC. Time will tell whether such approach actually will take off.

To draw the lessons for future development corridors and SDIs in Southern Africa is not an easy task. It is also somewhat speculative, since it depends not only on the interpretation of the MDC as such, but of course also on the qualities and objectives of the particular regional SDI which is talked about.¹⁵ In drawing such lessons it is logical to roughly concentrate on the key aspects that were emphasised in the analysis of the MDC.

One main lesson of the MDC is that any SDI seems to require considerable political commitment and political will provided by the *political champions*. Considering the centralised decision-making structure in most SADC countries, it appears that the political champions must be in the highest centres of decision-making, preferably a key minister or even the president. A weak champion may in fact ruin the whole process, since otherwise decisions and policies might not be taken or implemented. It is thus likely that serious problems will arise if the political champion is not in charge of one of the main line departments driving the process.

Furthermore, in the past many large-scale economic projects in Africa have been heavily politicised, which has prevented efficient decision-making and implementation. Needless to say, *'the political game must be played'* but it is important that the process does not get tied up into never-ending political 'struggles'. According to a SDI Position Paper:



'There is constant pressure for the selection of SDI's to be politicised in the interests of provincial equity or other local constituencies. This poses the greatest threat to the future of the SDI's because, if investors suspect that the process is moving away from sound economic principles, the key aspect of investment "crowding-in" will rapidly be lost and the whole strategy will be seriously compromised. Thus the politicisation of the selection of SDI's needs to be vigorously opposed' (Jourdan et al, quoted in DTI, 1997: 7).

This proposition is relevant in that it pinpoints the problems inherent in excessive politicisation. However, it is equally important to avoid the pitfall of reducing everything to economics, especially the trend in the MDC whereby 'development' and 'sound economic principles' are reduced to 'bankable investment projects'.

As explained previously, there are certain strengths with the *network structure*, such as that it ensures a quick and flexible planning and decision-making process. The structure draws together capacities and policy-makers in a loosely organised and flexible network, which innovatively enhances interdepartmental coordination. The network structure is particularly interesting in light of the fact that while conventional states-driven regional ventures have proved to be rather cumbersome and rigid, the MDC as a governance mechanism involves a more limited number of partners and is more flexible, thus offering greater scope for experimentation and speed in changing operations. Having stated this, it must be more deeply assessed whether the fluid, loosely structured and informal network structure is suitable for the existing bureaucratic and institutional realities in the neighbouring countries. As suggested by the experience of

¹⁵ A number of potential and possible SDIs and development corridors have been identified (by South Africa) in the SADC region: Walvis Bay (Namibia, which is already completed); Malange (Angola); Lobito (Angola and the Democratic Republic of Congo, ultimately Zambia); Namibe (Angola and Namibia); Okavango-Upper Zambezi (Angola, Botswana, Namibia, Zambia and Zimbabwe); Tazara (Zambia and Tanzania); Nacala (Mozambique and Malawi, ultimately Zambia); Beira (Mozambique and Zimbabwe); and the Mozambique-Zambezi River (see SDI 2000a).

Mozambique in the case of the MDC, patterns of decision-making about major resources are often centralised which may lead to problems with practical implementation within a network structure. By the same token, the interdepartmental coordination and cooperation in the South African SDI programme may not be working in some of the other SADC countries, where often the presidents need to get things going (DTI 1998). The network structure requires that the institutions and capacities are strong, capable and competent, which was not the case in Mpumalanga and Mozambique (and to some extent not on the central national level in South Africa either), and therefore the actors in these locations experienced problems. Due to the fact that the institutional capacities in many neighbouring countries are weaker than in South Africa (including Mpumalanga), the viability of the network structure has to be more deeply assessed. In the process of building regional SDIs, it seems that there must be a stronger focus on both formal and informal institutional capacity building than what has been the case in the MDC. A closely related proposition is to create a more structured 'organisation' that takes responsibility for the process, provides a legal and regulatory framework and becomes a recognised 'driver'.

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

Any *contradiction in content* is obviously a weakness and undermines the credibility of the SDI in question as well as the 'state' more generally. Management and institutional effectiveness are obviously compromised when stakeholders and not even key policy-makers within the particular project manage to agree on the aims, methodologies and strategies. In this regard, the MDC provides a negative example for other SDIs in Southern Africa. The MDC is officially held to be a development corridor, but in practice it is a huge investment and market guidance initiative. The theoretical and empirical evidence backing up such automatic and Big-Bang spread effects under conditions such as those in Mpumalanga, Mozambique and other SADC countries are not persuasive. More research and discussion is needed regarding whether investment initiatives and market guidance is the way forward for the SADC countries. It is possible that 'development' should be a more guiding principle of the initiatives in SADC, and if this is the case the whole SDI methodology is challenged (because it is designed for investment initiatives and not for job creation and participatory development).

There is also a need to diversify the picture of what type of SDI one is trying to create. There are in fact a number of different types of SDIs, each with very different characteristics and each situated in dramatically different contexts. Some may have a very high potential, while others have a lower potential. Some are simply transport routes, while others are similar to the MDC, (although none seem to have as good potential as the MDC). The argument raised here is that there is a need to specify the differences and similarities between the regional SDIs in order to not create an illusion that they all have the same potential or will be able to generate large-scale 'development'.

The *national-provincial relation* constituted a weak link in the MDC. In the case of the MDC, this lack of *provincial* and *local participation* leads to a lack of ownership as well as a 'democratic deficit'. As suggested by the case of the MDC a top-down and centralised strategy is both ineffective and meets resistance. The handing over and exit strategy did not work satisfactorily in the case of the MDC and in other regional SDIs these aspects need to be rethought. It is a fact that the provincial and local levels are much weaker in the SADC region than in South Africa,

which makes it an even greater challenge to try to build local participation and give ownership at the provincial and local levels. It is clear that there is a need for a *new* regional SDI methodology. The best solution is to find a sound balance between top-down and bottom-up strategies which allow a certain degree of provincial and local participation at earlier stages in the process. This would also imply making institution- and capacity-building an integral part of the SDI from the outset. However, unless there is commitment and resources for empowering the provincial and local levels and people living in the particular SDI area one radical alternative might be to 'keep' the SDI as a top-down and centralistic programme but no false illusions should be made that the provincial and local actors suddenly will have the capacity and commitment to carry out a programme they only have been involved in at the very latest stages and in the exit strategy.

Appendix: List of interviewees

David Arkwright, MDC Project Manager, Nelspruit, April 12, 2000.

Gordon Griffiths, Chief Executive Officer, Mpumalanga Investment Initiative, Nelspruit, April 4, 2000.

Domenico Liuzzi, Coordinator of KULIMA non-governmental organisation, Maputo, April 6, 2000.

Iraê Baptista Lundin, researcher at the *Instituto Superior de Relações Internacionais*, Maputo, April 7, 2000.

Margarida Martins, regional SDI coordinator, DTI Special Projects Unit, Pretoria, 16 March 1999.

Jonathan Mitchell, Economist, Special Projects and Policy Unit, Mpumalanga Province, Nelspruit April 5, 2000.

Alfredo Namitete (Dr.), Chairman, Committee of Senior Officials, Southern African Transport and Communications Commission, Maputo, April 6, 2000.

Milissão Nvunga, lecturer at the *Instituto Superior de Relações Internacionais*, Maputo, April 7, 2000.

Francisca Henriqueta Soares, MDC Project Manager, Mozambican Ministry of Transport and Communications, Maputo, April 10, 2000.

Greg White, Development Bank of Southern Africa, Halfway House, Gauteng, April 14, 2000.

Bodil Wikman, Coordinator of Link NGO Forum, non-governmental umbrella organisation, Maputo, April 6, 2000.

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