



Maputo Development Corridor

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Trade and Transport Corridors in the African Context

- Sub-Saharan Africa has the largest concentration of **landlocked countries** in the world - 16
- High transport **costs** long been recognized as an impediment to growth and development (e.g. Hummels (1998), Venables (1999), Yeats (1996))
 - They are a burden on the low value, high volume commodities that are produced (long distances, border delays, etc.)
- Reducing costs is critical to **trade** expansion and growth
- The **corridor approach** is actively pursued to:
 - Help prioritise infrastructure investments and maximise returns to **scale**
 - stimulate **growth**, trade and investment along key international transport routes
 - Typically based on **agreements** between states that identify cross-sectoral cluster investment opportunities for PPPs.
 - Expected **Outcomes**: access to to seaports, virtuous cycle of expanding regional markets, increased regional integration, a regional approach to FDI, job creation, Small and Medium Size Enterprise (SMMEs) development, strengthened planning and managing capacity of local governments and rapid economic growth.



Outline



The Maputo Development Corridor – background



Corridor development and logistics nexus



Emerging Issues



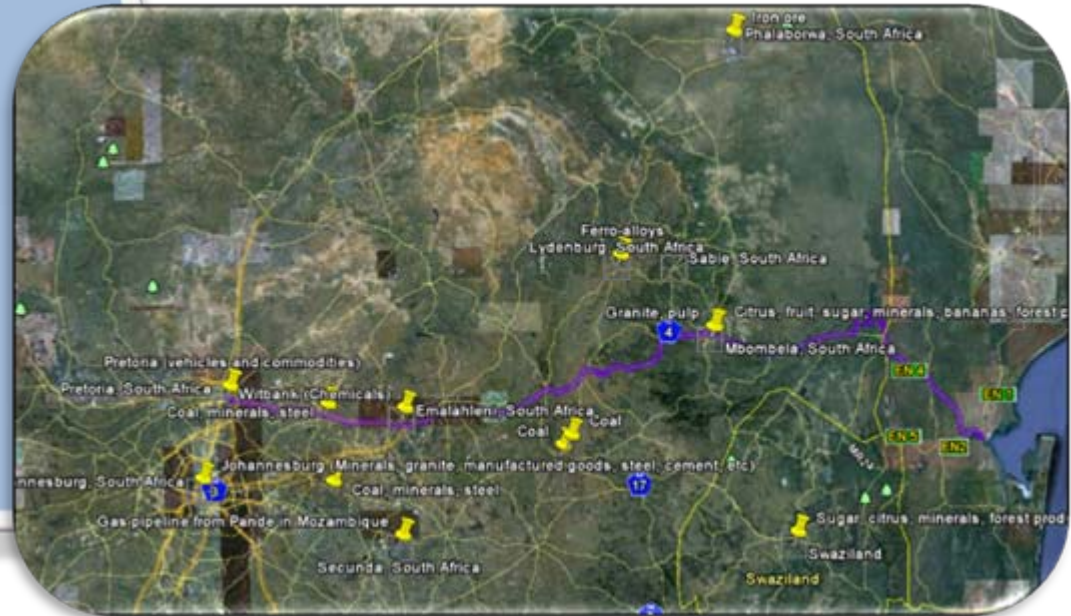
Lessons learned





The Maputo Development Corridor

- Corridor infrastructure
 - Road, railway, port, border post, pipeline





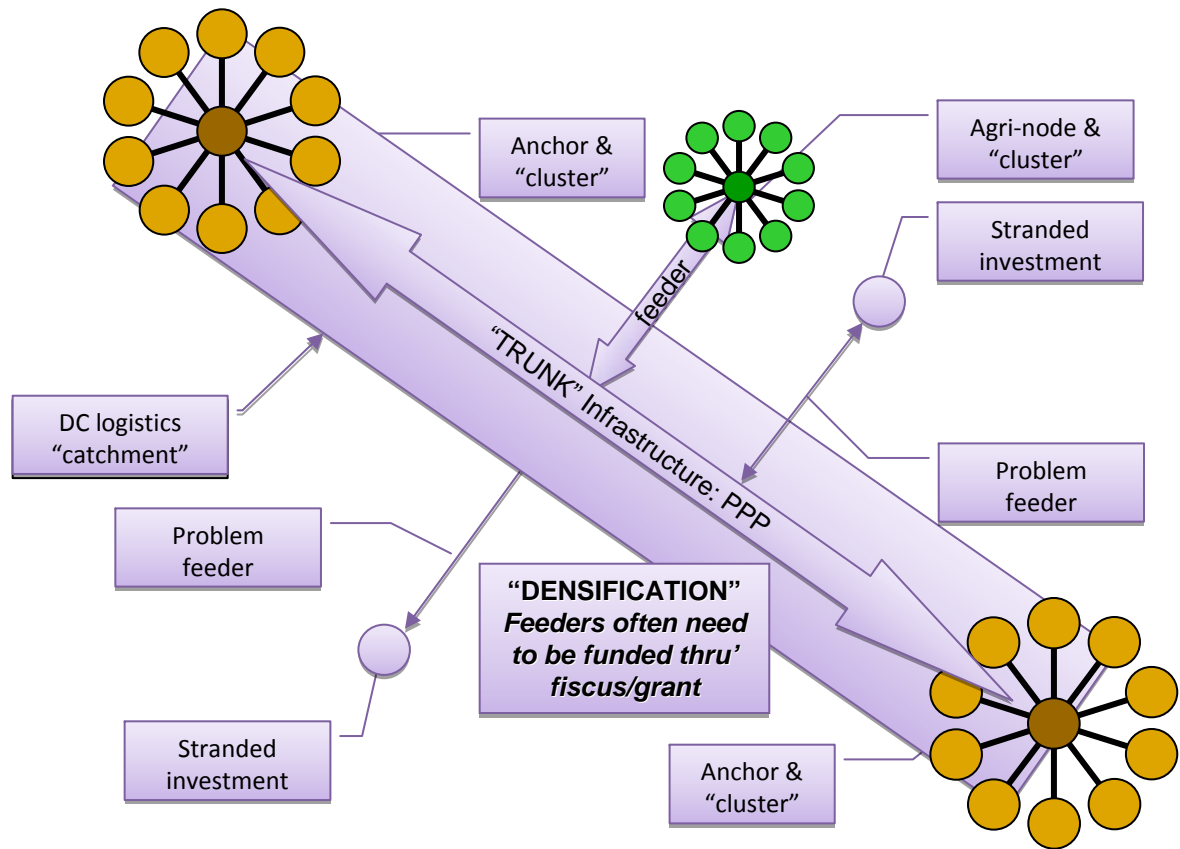
The Maputo Development Corridor

- Collaboration between Mozambique and South Africa has a long history, going back to the late 1800s
- By the early 1970s more than 40% of South Africa's trade traffic from the Gauteng region was going through Maputo
- Traffic volumes collapsed and infrastructure deteriorated between Mozambique's independence in 1975 and the end of apartheid in South Africa in 1994
- Maputo Corridor was revived to deal with several economic, regional development and cooperation as well as political objectives
- The Maputo Development Corridor was the first regional application of the concept. It had four main objectives:
 - To rehabilitate the primary infrastructure network along the corridor, notably road, rail, port and dredging, and border posts, through the private sector
 - To maximise investment in both the inherent potential of the corridor area and in the added opportunities which infrastructure rehabilitation will create, including the provision of access to global capital and facilitation of regional economic integration;
 - To maximise social development, employment opportunities and increase the participation of historically disadvantaged communities; and
 - To ensure sustainability by developing policy, strategies and frameworks that ensures a holistic, participatory and environmentally sustainable approach to development.





Idealised DC Configuration



- The spatial development initiative approach is an attempt initially by the Government of South Africa to "unlock the inherent capital potential" of specific spatial locations in Southern Africa. The approach has since been adopted regionally in Southern Africa and continental by the African Union.

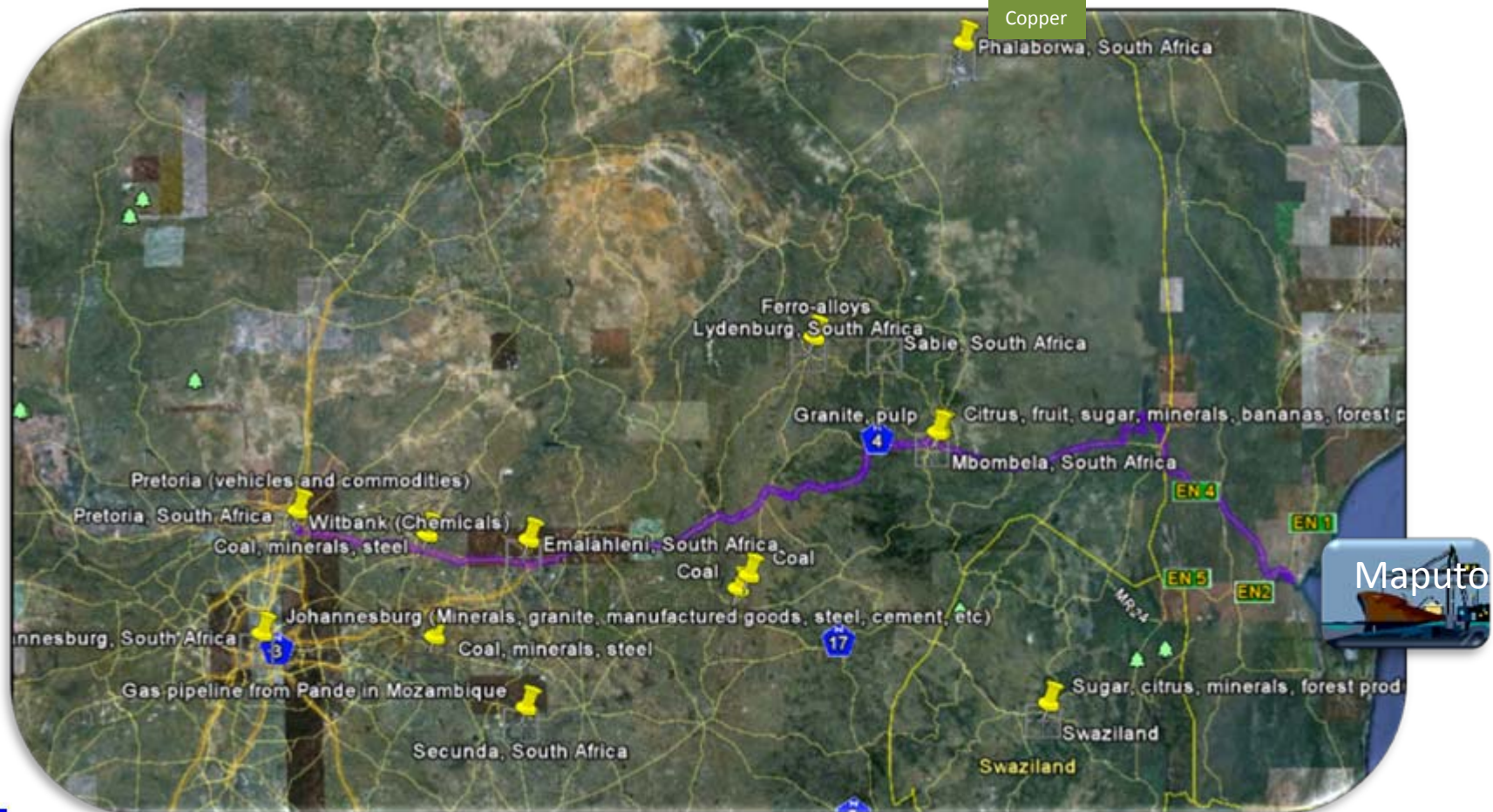
Source: Jourdan, 2008



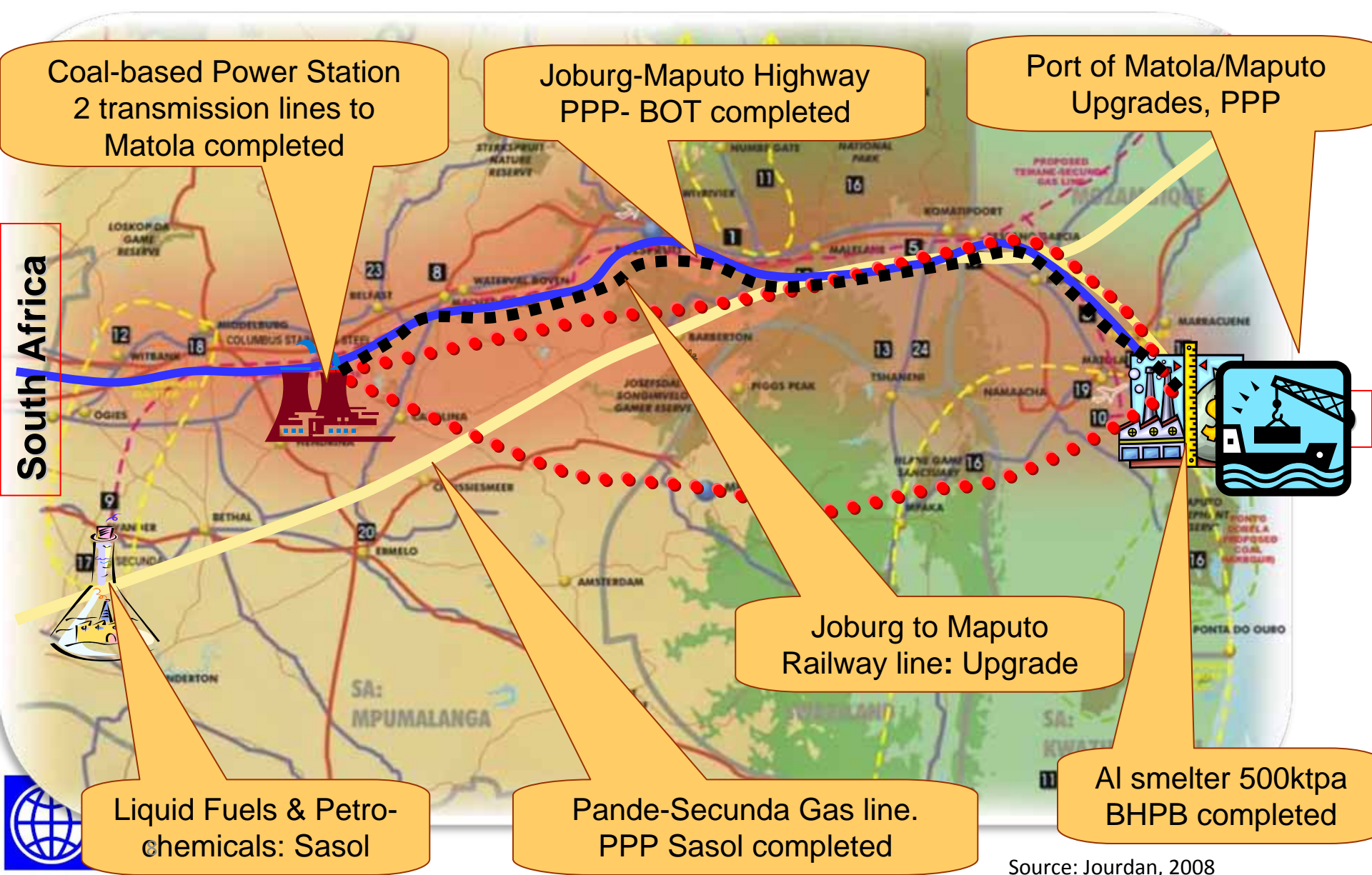


Scoping and mapping of development potential is a key first step

- Carried out early as part of the SDI development process



Infrastructure investments

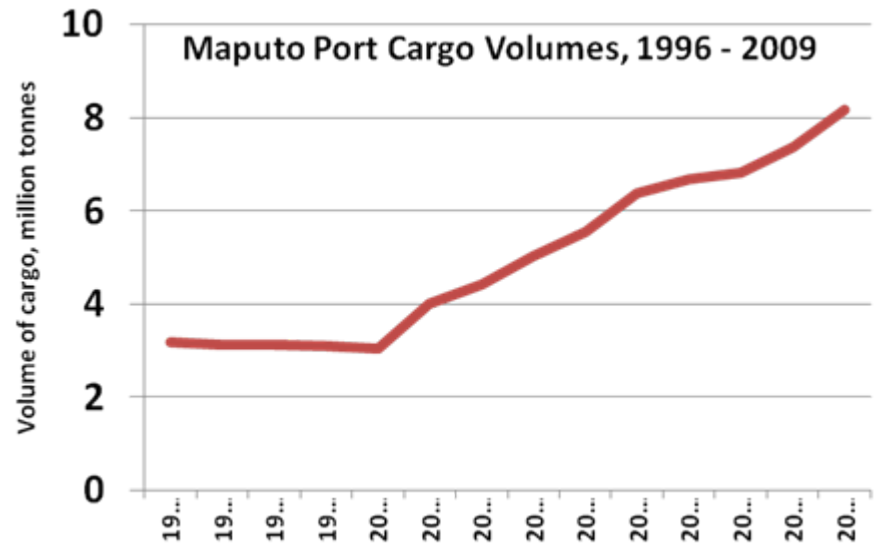




Transport Infrastructure and Capacity Improvements

Infrastructure	Amount (US\$m)	Contracts SMME	Jobs
Highway	500	702	6,220
Port of Maputo and Terminals	225 + 750		
Railway	20		
Energy	100		
Aluminium plant	2,000	200	9,000 1,000 perm
Gas pipeline	1,000		

Source: Fernandes, 2011



Source: Own presentation, data from various sources





Evolving institutional arrangements

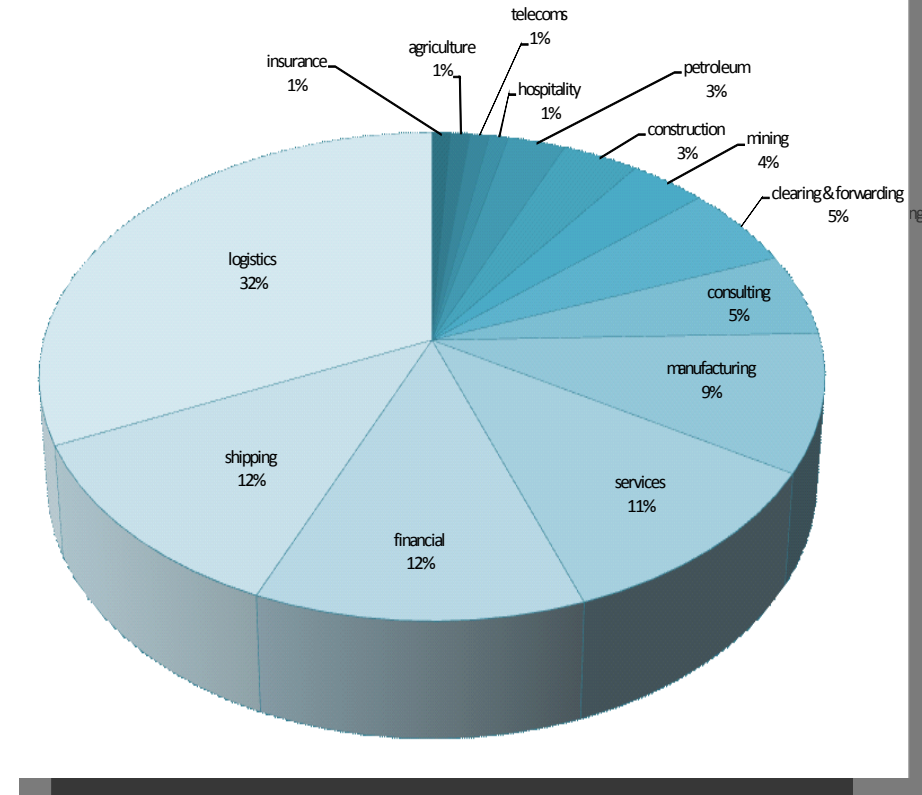
- Soon after 1995 agreement the governments formed the Maputo Corridor Company
 - As a public private body to facilitate investments on the corridor
- MCC had a broad mandate
 - Trade promotion, land reform, economic development, rural and urban housing, etc
- But ...
 - Dominated by RSA public sector agencies
 - Mozambique and private sector did not participate fully
 - Died in early 2000s





Maputo Corridor Logistics Initiative

- MCLI - Created 2004 to fill vacuum in platform for public private dialogue
- Established by eight major private sector players seeking to derive synergies from coordinated actions
- Public sector later joined for mutual benefit
- Numerous stakeholders have since joined (now more than 170)
- Mission: “To support the development of the Maputo Corridor into a sustainable, highly efficient transportation route, creating an increasingly favourable climate for investment and new opportunities for communities along the length and breadth of the Corridor”



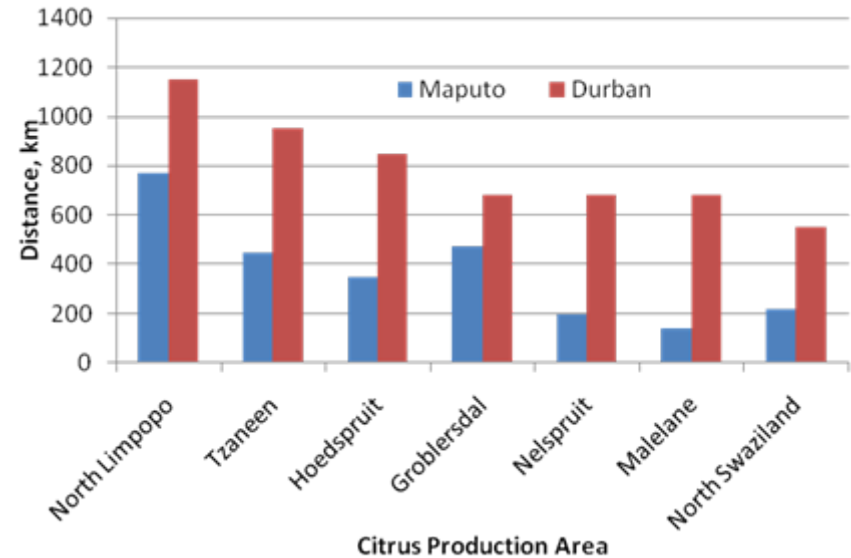
Source: Fernandes, 2011





Ultimately, corridor development is driven by economics

- Given the private sector emphasis of the SDI approach, growth and impact is influenced by competitiveness of corridor
- For South African traffic Maputo Corridor competes with domestic corridor to Port of Durban
- Example – citrus exports
 - Durban on average 480km further away for corridor citrus producers, yet it handles 92% of production
 - Function of political reasons and transit barriers – but these have fallen away
 - Citrus industry looking at channeling exports through Maputo
 - Industry calculations
 - Maputo would be US30 to US70cents per carton cheaper than Durban
 - Port costs are almost the same
 - If containers can be stuffed on farm then another US70cents/carton reduction in costs
 - Generally, Maputo more competitive for all producers within 200km of Maputo
 - Question: Why is this distance lower than the distance to port advantage?



Source: CGA, 2011





Early Criticisms

- As a spatially focussed framework, the SDI concept promotes uneven development and capital intensive projects are not suited to regions with surplus labour
- There is a strong message that is conveyed that the state is inefficient - yet the private sector cannot be left entirely to its devices
- Argument that the role of the state has largely been limited to creating an environment conducive for private sector investment
- Governance structure based on a PPP approach has not nurtured as much participation as originally intended
- The trickle down effects have not been significant





What has been the impact so far?

- Vastly improved corridor performance – Maputo is the best performing international corridor in Sub-Saharan Africa
- Increase in tourism (increased flow of passenger vehicles and vessels), and trade flows
- Continuing investment in infrastructure and services in Mozambique
- Expansion of cities and centers within the corridor - recent study found areas close to transport corridor grew at higher rate than areas further removed
- Strong multi-sector stakeholder participation in corridor activities (more than 170 members)
- Active platform to promote and resolve constraints on the Maputo Transport corridor –operational efficiencies





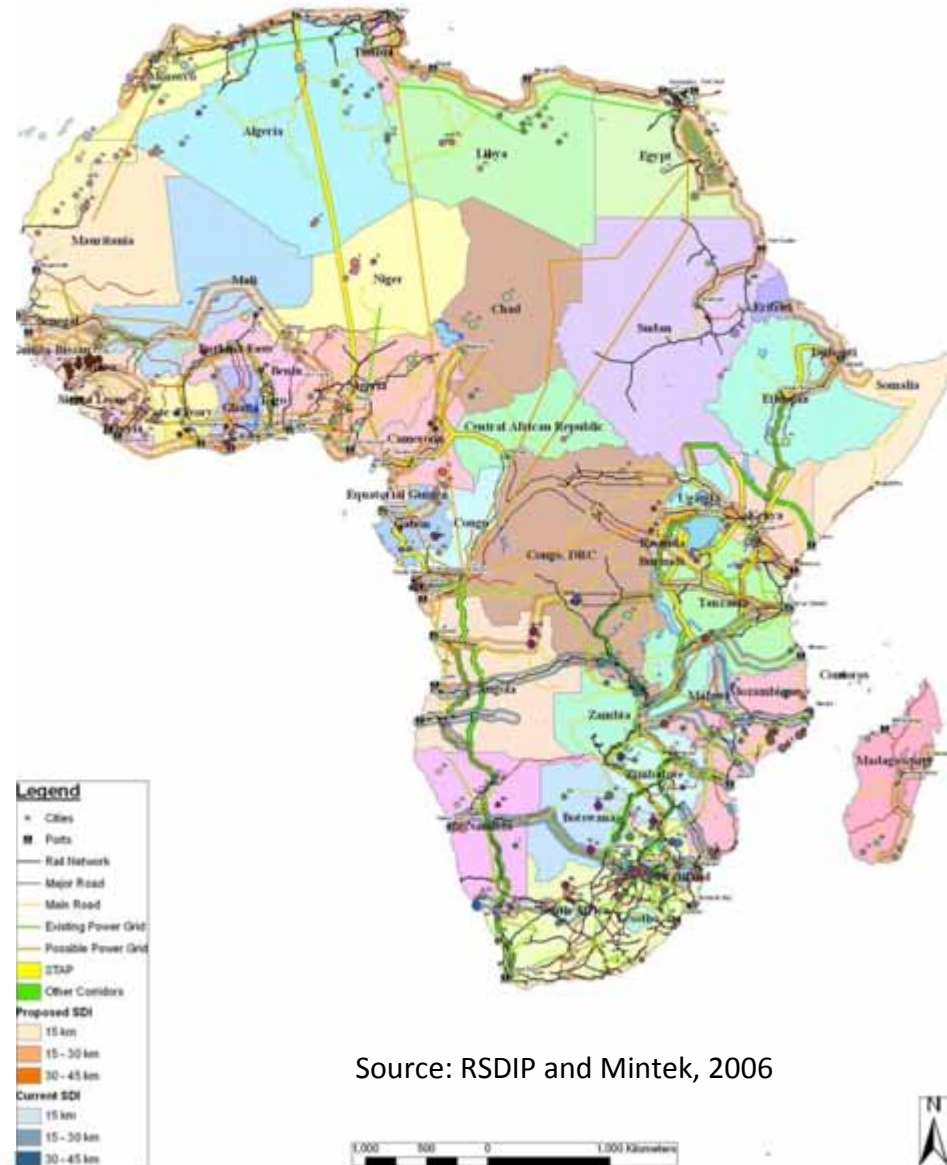
Has/Can the experience be replicated?

There has been an attempt across Africa. Factors considered

- **Geological Potential** - mineral endowment, esp. large long-life deposits of those solid minerals capable of supporting high-tonnage long-life mining/mineral-processing projects
- **Agricultural Potential** – agricultural potential including agro-climatic conditions and the potential for large-scale irrigated commercial agriculture
- **Energy** – current power supply and distribution networks, and potential and potential difficulty in upgrading the generation and transmission networks.
- **Clustering potential** – scope for industrial clustering based on minerals and the diversity of its industrial base
- **Regional Integration** - number of countries that the SDI passes through

But progress has been slow thus far

not easy to create the conditions for SDIs to take off





Main lessons from the Maputo Development Corridor experience

- **Inherent economic potential** – realizing economic potential through provision of infrastructure
- **Central buy-in and coordination** – need for a coordinated approach across various ministries
- **Appointment of a DC project manager** – with broad techno-economic knowledge of resource and resource based opportunities
- **Sectoral scans** – of economic and potential and identification of concrete potential projects for investment
- **Project preparation and development** – locating and developing anchor and other projects
- **Cross-border infrastructure** – dimensioning and concessioning any infrastructure across the border to link usage to financing and to reduce risk and transaction costs
- **Densification** – catalysing economic development particularly by SMMEs
- **Third party access** – make any resources-infrastructure concessions conditional on third party access
- **Ongoing capacity building** – private sector seems more interested in smooth running of the DC rather than investment promotion (role that MCLI plays)





Summary

Development corridors are a **holistic** regional planning tool that can unlock development potential in lagging regions

But ...

- Each corridor is **unique** and development prospects depend on the convergence in temporal and geographical space of several factors (political, economic, global trends, etc.)
- Evolution is not a linear process from transport to development corridor but **mutually reinforcing** processes are at play
- Development requires active **participation** of public and private sectors ... including all levels of government (local, provincial, national)
- Critical to assess upfront the economic **fundamentals** as there are usually competing routes and investments





The END

Thank You

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