Political Economy of Regional Integration in Southern Africa (PERISA)

Development Corridors in Southern Africa: A dialogue on economic and political drivers and constraints of regional integration

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Based on a deeper understanding of the interaction of economic and political processes, how can policy makers maximize the development benefits of corridors linking South Africa and the neighbouring region, particularly in the case of agriculture?

Dialogue Meeting, 2-3 July 2013, Pretoria

This workshop is made possible thanks to the support from the Dialogue Facility, an EU-Funded programme implemented in cooperation with the government of South Africa.
1. Introduction, rationale

Purpose of this paper and the study

The purpose of this paper is to introduce the first findings of a study on the political and economic drivers and constraints of development corridors in Southern Africa. In so doing, it seeks to raise a number of issues and questions for further dialogue during a dedicated session of the workshop on regional integration. This dialogue is expected to provide further inputs and insights that will be integrated in the study on the political economy of development corridors in Southern Africa.

The purpose of the study is to provide new inputs from a different angle into on-going discussions on how to promote effective regional integration in Southern Africa and how South Africa and the EU can play a constructive role.

Rationale and approach

So rather than target and debate ideal types of regional integration, or “best practice” institutional and policy constructs the rationale and focus for this work is to target concrete cases of regional integration, and prioritise real life actors and factors that have driven – or obstructed – integration outcomes.

We found good examples of such integration processes in the so-called Spatial Development Initiatives¹. Immediately after the first democratic elections in South Africa, this regional development concept was put into practice through the Maputo Development Corridor (MDC). The study sets the MDC against a second, more complex undertaking of the North South Corridor (NSC).

The work for the study is based on desk-research and interviews in the region. While corridor initiatives can extend to roads, rail, ports, borders, energy, pipelines and other aspects, the focus in this paper will principally be on roads, rail and borders. The study does not set out to analyse the pros and cons of regional integration for different countries in the region, but to analyse the drivers and constraints to effectively implementing declared policies. The study will pay particular attention to corridor development and the potential for promoting greater agricultural trade and development in particular regions given the importance of the agricultural sector for rural development.

2. Key findings

The research examines experiences of effective corridor development and identifies the political and economic actors and factors that are at play and that affect the outcomes of concrete integration process on the ground. Both corridors differ in many ways. These differences also highlight some pertinent features about who and what drives such regional or cross-boundary initiatives, the role of economic and political interests, and the degree to which regional aspirations often remain rhetorical in the shadow of domestic politics and incentive structures. Despite the strong rhetorical convergence at Pan African, regional and national levels in support of high-end policy objectives on regional integration, in actual practice the general experience is one in which – as South Africa’s National Planning Commission admits that non-tariff barriers, poor infrastructure and inefficient border crossings continue “to raise costs and limit the scope for more trade” (National Development Plan 2030)².

- So in practice, there is a lot of policy “signalling” or “symbolic regionalism” as regional strategies and concerns remain secondary to domestic politics and policies

¹ http://www.mcli.co.za/mcli-web/mdc/sdi.htm
² National Planning Commission (2012), South Africa Development Plan 2030
Development corridors are increasingly seen as a key conduit for cross-border and multi-stakeholder cooperation and public-private partnerships.

Comparing the two concrete cases of development corridors points to the differences in number of actors and stakeholders; the nature of their interests; the type of actors that tend to lead, follow or obstruct; tangible and less tangible variables, etc.

The role and imprint of a few key private sector investors seems crucial.

There are clear divergences in the “sense of urgency” among different stakeholders with certain private sector actors, intermediary organisations and State Owned Enterprises developing pro-active approaches.

Early process facilitation among key stakeholders is key, and upfront resourcing is a challenge.

In such multi-stakeholder processes, donors develop different responses ranging from opportunity driven and adaptive approaches, to approaches that prioritise traditional channels of the existing regional institutions.

In order to develop adaptive support that responds to the need for good fit rather then best practice, technical knowledge needs to be complemented by a stronger sense of the political and institutional incentives that influence positions and preferences of key actors.

There seem to have been no or few deliberate attempts at integrating rural communities or smallholders as beneficiaries of development corridors.

3. Policy context for regional integration and Spatial Development Initiatives (SDIs)

South Africa plays a pivotal economic and political role in the region and across the continent. Regional integration is a key policy agenda item across the continent, at the national, regional and continental levels. For the European Union (EU), support to regional integration is one of the key trade and development policies. At the same time, implementation of ambitious regional integration efforts must take into account regional asymmetries and inequalities in Southern Africa and other barriers to implementation of existing commitments, raising the need to bring the political economy of regional integration to the fore, including the role of external support provided by the EU.

Many of the key issues and economic interests relating to regional integration in Southern Africa coalesce around corridor initiatives that link neighbouring countries and ports along major transport routes. While often based on historical transport and labour migration routes, some of these have been revitalised in the post-apartheid era as cross-border Spatial Development Initiatives (SDI) and “development corridors”, while new corridor schemes continue to be developed in the region, serving both national and regional objectives. With corridors cited as a key development tool at the NEPAD, SADC and COMESA level as well as in several SADC member states, it is important to examine the interests behind such initiatives, their role as geo-political tools as well as tools for promoting economic transformation, regional integration and socio-economic development.

Corridors are increasingly seen as potential tools for promoting agricultural investment, production and trade. This is reflected in the SADC Regional Agricultural Policy (RAP), for example, as well as in national agricultural development plans in the region. To effectively draw up and implement such strategies...
it is important to start with an understanding of the political economy of the corridors approach, particularly given the predominance of agriculture in the Southern African economy in terms of employment and therefore its potentially transformational role. This also goes for regional strategies and policies in other areas.

4. Actors and Factors influencing SDI outcomes

This study takes the North-South Corridor and the Maputo Development Corridor as case studies to examine the complex reality underlying regional integration ambitions. The Maputo Corridor represents the first public-private partnership in Africa linking Pretoria and Gauteng province in South Africa with Maputo harbour along 500km of road and rail. MDC was officially launched in 1996, with large road investments, toll-booth construction and Maputo-port development, and with efforts also to improve border-crossings and latterly to improve the rail link. The North-South Corridor is a more recent initiative of the Tripartite of SADC-COMESA-EAC, linking Durban to Dar-es-Salaam along 8600km of road but also including rail, energy infrastructures and borders. Although discussed for many years, the NSC gained increased momentum with the Aid for Trade initiative launched in 2005 at the WTO Ministerial meeting in Hong Kong, and launched at a 2009 donor conference.

4.1 SOUTH AFRICA – Maputo Development Corridor and North South Corridor

Looking at the MDC and NSC from a South African perspective, their differing progress and degree of prioritization emerge from an array of political and economic factors. MDC is often cited as the first effective cross-border Spatial Development Initiative in terms of effective mobilization of financial resources for infrastructure investments. It also created the first Public Private Partnership in Africa. There was alignment between a number of political and economic key actors: two Presidents were keen to make a clear break with the apartheid past, which had dramatic consequences for Mozambique, senior government actors from both sides spoke the same language (also literally), and South Africa’s mining industry had put its infrastructural imprint on the landscape. It had established foundational transport linkages between the industrial heartland in Gauteng and the port of Maputo well before the apartheid regime in Pretoria started its economic boycott of its southeastern neighbor in the eighties. After the democratic elections several core South African departments, such as Trade and Industry energetically facilitated private sector and State Owned Enterprise involvement in cross-border cooperation.

Some key South African public sector actors were keen to emphasize the “developmental” component in MDC beyond the established private sector partners. Investments were undertaken for linking the trunk road of the MDC with feeder roads of largely commercial (citrus) farmers. But the downstream investments to ensure linkages with smallholders in rural areas did not materialize.

Other public and private players include the Provincial Government of Mpumalanga (certainly under its former Premier, who had lived in exile in Maputo) and the Maputo Corridor Logistics Initiative, a PPP that works with different public and provide stakeholders on the border to promote the efficiency and the use of MDC as a transport corridor.

South African exports represent three to four times the value of goods that it imports from neighbouring SADC countries, and its outward-bound flows through Maputo are more concentrated than the inwards flows. Critics, therefore, suggest that the MDC serves South Africa’s economy more than the Mozambican economy, with little economic development beyond mega-projects and some tourism. The economic interests for Mozambique were primarily related to the port of Maputo and to Africa’s second largest aluminum melting factory of Mozal, which was under construction at the time MDC needed to attract anchor investments.
In contrast with the MDC, while the North South Corridor ostensibly offers South African producers access to much of the sub-continent, the externalities are potentially also greater and harder for South Africa to capture. While a functioning NSC can open up Angola and the DRC as more accessible markets for South African producers (not to mention Botswana, Zambia and Zimbabwe) anecdotal evidence suggests that producers increasingly target non-African markets, including Eastern Europe and Asia for agricultural goods, for example. As producers can increasingly meet international standards, this is a higher value market than the immediate region. In political economy parlance, the “cost of no agreement” around the NSC and the Tripartite Free Trade Agreement is significantly lower for South Africa as a whole, than for its neighbors.

South Africa’s seminal National Development Plan 2030 has a strong chapter on regional integration. This chapter is (self-) critical, forward-looking and realistic. It admits that “capacity constraints and national interest have hampered progress”, and is sensitive to views that South Africa is seen as a “regional bully” by many. Furthermore, it recognizes that “South African policy makers tend to have a weak grasp of African geopolitics”. The chapter openly talks about down-to-earth hurdles to regional integration, such as the xenophobic responses to immigration from the region. The National Planning Commission is now actively exploring improved cooperation with National Planning Entities in other countries in the region as one contribution to enrich the institutional environment for improved regional cooperation.

A clear indication of the here and now politics on regional integration was delivered by the Minister of Trade and Industry, Rob Davies: “We have to address real factors and real constraints, not set in place ideal-type regional trade arrangements”. And these real issues are, amongst others, related to inadequate infrastructure. The South African Government has streamlined different policy frameworks and departmental cooperation to ensure implementation of an ambitious infrastructure development plan and of its “commitment to massively scale up its own and regional infrastructure investment programmes under the Presidential Investment Coordination Committee” (Industrial Policy Action Plan 2013-14, the dti)3.

4.2 Mozambique – Maputo Development Corridor and agriculture

The MDC has received something of a re-injection of political interest on the Mozambican side in the form of ProSul, an agricultural regeneration programme. Local economic development along the corridor may therefore begin to receive greater attention. Although it remains a major question how Mozambicans living along the corridor can benefit more from investment, given the need for producers and traders to achieve higher standards to access the South African market, whether in the form of transport regulations and requirements or Sanitary and Phytosanitary (SPS) regulations on agricultural produce.

4.3 ZAMBIA – North South Corridor

Zambia is a landlocked country. So it might be expected that Zambia would be at the forefront of ensuring greater and cheaper access to markets and ports through the North South Corridor and/or other corridors. But interviews and discussions held for this study suggest that while the regional market is very much present in political statements, regional integration is not at the top of the political agenda. There may even be some complacency that with bumper harvests in recent years the region serves as a market for Zambian crops, with or without major cross-border improvements. As such, the political focus is on integrating the domestic market in what is a large country and ensuring greater access to roads and electricity for rural populations. Despite its size and importance for the economy, the copper industry does not seem to assert itself on infrastructural corridor development or trade facilitation.

The One-Stop-Border Post (OSBP) at Chirundu serves as a good illustration. While a major hallmark of the NSC project, linking Zambia with Zimbabwe, this OSBP “success story” still faces major challenges

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3 “This work is now the subject of greatly stepped-up research, stakeholder engagement and detailed planning, in the context of complex institutional and governance considerations”. IPAP: 21
in practice. On a recent visit to the post, truck drivers were experiencing delays of between two and five days. While considerably less than the delays faced prior to the OSBP initiative, the accumulation of waiting at Beitbridge and Chirundu borders as well as numerous queues at weighbridges turns the 2,000km journey from Durban to Lusaka into a three week odyssey or more. This may be a consequence of its own success, passive resistance to further streamlining to a single-window approach from agencies operating at the border, and an underlying protectionist sentiment among certain actors in the production sector and political class.

Nonetheless, sitting at the centre of Southern Africa, Zambia is a member of both SADC and COMESA regional groupings, and is at the hub of corridor initiatives beyond the NSC that link the country to at least six different ports. Zambia therefore has preferential access to two the major trading blocs in the region while corridor connections are growing. In addition to the NSC linking Zambia to the ports of Dar-es-Salaam and Durban, these include the Beira Corridor initiative through Zimbabwe to Mozambique, the Nacala Corridor through Malawi to Mozambique, the Lobito Corridor through DRC to Angola, and the Walvis Bay Corridor through Botswana to Zambia. While offering the potential for facilitating imports and exports, these in-roads to Zambia also raise the prospect of competition for Zambia's existing manufacturing base, partly explaining why the NSC may be less apparent as a priority than might be expected.

Contrary to expectations, even in landlocked countries like Zambia, there is at present no coherent voice mobilising to promote greater trade facilitation. Despite continuing major constraints and costs relating to cross-border trade, and despite Zambia’s positioning as “land-linked” in official policy documents, there is no political coalition pushing the “regional agenda” at the national level. The driving force behind official high-level pronouncement on regional integration appear to have more to do with “symbolic regionalism” (Soderbaum) than with domestic pressure group pushing for states to come up with regional plans providing public goods and solving collective action problems. While this is not necessarily bad, it does pose challenges in terms of follow through on regional commitments and pronouncements.

Regional mechanisms for infrastructure financing and planning, which might help to overcome national political-economy bottlenecks are also underdeveloped, and have hit political bottlenecks (TMSA). These would include, for example, common tendering procedures, common monitoring frameworks and regional funding and resource mobilization instruments. These would provide a “lock-in” mechanism for regional cooperation, and leave regional master plans less vulnerable to changing national political priorities.

The relative success of the Maputo Development Corridor appears to relate to its relatively narrow scope compared with the North-South Corridor. While the Maputo Development Corridor managed to align a number of important factors such as high-level presidential buy-in, accompanying private sector investments, and a political desire for closer links between South Africa and Mozambique following decades of animosity, the North-South Corridor faces far more dispersed political and economic interests, and greater institutional challenges given the broader array of actors. This is not to say that the North-South Corridor has not had some successes or that it will not. But unless political pressure is brought to bear on public administrations, the technocratic and administrative reforms and efforts required to improve regional networks are unlikely to advance.

Despite the costs that poor regional linkages impose, there are parties who benefit from the status quo. Trade liberalisation, whether through reductions in tariffs or non-tariff barriers necessarily creates winners and losers. Certain interest groups in Zambia who have been serving the region in recent seasons (despite the transport and cross-border challenges) hope to serve Eastern Angola and the Democratic Republic of Congo. They may have to compete with South African producers and traders when such non-tariff barriers are removed. South Africa also has strong defensive interests regarding negotiations with its neighboring countries, interests that sometimes clash with its high-level policy pronouncements.
5. Taking this study and the agenda forward: refining the answers – adapting the approaches

Four sets of questions about actors and factors that influence outcomes of development corridor processes will help structure the dialogue in the first session of the workshop. The answers will feed the study on political economy of development corridors:

- **Who are and what drives the key public/state actors?** What are the interests of national and sub-national public decision makers to engage in corridor development? How and why do they relate to other state actors such as senior bureaucrats, but also to non-state actors such as firms and farms? What drives the positioning of State Owned Enterprises?

- **Who are the key private sector stakeholders and what drives them? Are there civil society actors that need to be involved in corridor development, consulted?** There are a number of private sector and civil society actors that have taken a keen interest in SDIs: multinationals, mining companies, commercial farmers, input suppliers, freight forwarders and transporters, infrastructure providers, etc. This diversity of stakeholders has different stakes in the process, and different entry-points or capabilities to engage. Have there been useful experiences for effective dialogue and cooperation? How can smallholders be integrated? Have there been examples of effective outreach and cooperation?

- **When do public and private stakeholders/actors become partners?** How and why do effective Public Private Partnerships come about, and what different forms may such partnerships take? Finance is crucial for the infrastructure components of development corridors, but there are numerous software investments that precede or accompany project preparation – process facilitation, trust building, preparatory studies such as surveys or stakeholder analyses – but for which it is often harder to find champions or funders. What have been useful experiences?

- **What are the roles of statutory regional bodies such as RECs, or NEPAD, AfDB, etc.? And how are their mandates and roles affected by political and institutional incentives?** RECs have taken a keen interest in promoting SDIs as it is their mandate to promote regional integration and development. What have been defining features of effective cooperation? Are RECs not always well equipped to deliver and deal with the institutional, political and technical complexities of regional multi-stakeholder SDIs?

- **Which critical questions have been forgotten – what are other actors and factors influencing corridor development and outcomes that ought to be considered more carefully?**

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4 Example: As well as political concerns, practical constraints are also important. A brief journey on the short section of the North-South Corridor from Lusaka to Chirundu, or from Maputo to Ressano Garcia serves to underline the practical constraint to improving transit along these corridors. Corridors can be a victim of their own success, with improvements in infrastructures and borders leading to more traffic, leading to greater queues and road damage, requiring greater upkeep and further investment in improving border services. In many ways these challenges are simply those of economic under-development, relating to institutional strength, availability of finance, and even physical and human geography - accidents are frequent on the steep stretches of road reaching Chirundu, while the road from Maputo has attracted ever-increasing constructions of houses, markets, and the accompanying movement of people on a major traffic artery.
The PERISA Project

This study is part of the project entitled Political Economy of Regional Integration in Southern Africa (PERISA). This aims to conduct political economic analysis and facilitate informal dialogues on the role of South Africa as a catalyst for regional integration in Southern Africa. By doing so, the project also aims to offer insights on how the EU might best provide support. Building on in-depth policy research and involving critical stakeholders in government, business, the research community, and civil society from selected states in Southern Africa and the EU, the aim is to promote EU-South African cooperation and understanding to achieve this goal.

The project proposed here will complement other work under this project, namely a repository of case studies under three themes:

i) Public Private Cooperation in Regional Integration:
ii) Governance of regional public goods
iii) Understanding infrastructure planning

By providing a more in-depth study of a broader theme, the proposed study will provide further insights and contextual understanding to complement these case studies.

- project context – EU-SA Dialogue
- within the three levels of multi-stakeholder partnerships there are some serious movements and shifts within a general context of financial and economic crises
  - EU-SA relations – with shifts in emphasis (reduction of ODA, emphasis on role of SA in the region and as a MIC player, etc.)
  - SA-BRICs relations
  - SA-Regional relations: tensions and functional cooperation