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Blocking Human Potential : How Formal Policies Block the Informal Sector in the Maputo Corridor

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Introduction

This paper focuses on one of the most interesting cross-border regions in Africa, the so-called Maputo corridor. For more than a century the Maputo corridor has been an informal cross-border micro-region, constructed by millions of migrants, extensive informal trading as well as dense socio-ethnic interactions. Since the mid-1990s there is a formal project, officially known as the Maputo Development Corridor (MDC), which seeks to reconstruct and revitalize this rather informal cross-border relationship, which effectively has existed for more than a century.

The MDC is a comprehensive project set in motion in August 1995 by the Ministers of Transport of South Africa and Mozambique when they agreed to re-establish the axis between the economic heartland of South Africa in Gauteng, the Mpumalanga province (former Transvaal) with the city and port of Maputo. Ever since the MDC has been promoted by the political elite, including the Presidents, of the two countries. The MDC project is built around private investment projects in infrastructure and industry. The architects believe that the remaking of this territorial space offers opportunities for diminishing the importance of existing political demarcations and divisions in general, and the spatial and social distortion created during the apartheid era in particular, emphasizing instead the mutuality of benefits that can be realized, particularly for reaping the benefits of globalization.

The aim of this paper is to relate the formal policies of the MDC with the underlying informal social fabric of this cross-border corridor, and determine to what extent the formal policies block or unlock the human potential of the micro-region.

The analysis proceeds as follows. In the next section I outline and discuss the informal and historical corridor, which is mainly built around migration and informal trade. The third section discusses the main characteristics and policies of the formal MDC initiative, primarily its objectives, institutions and planning strategies. In the fourth part of the paper, I relate the formal with the informal. I concentrate first and foremost on two main aspects: the development strategy and the governance mechanisms. In the final section I discuss ways and policy options whereby the formal and informal can become mutually reinforcing instead of competitive.

The informal dynamics of the Maputo corridor

The Maputo corridor, which covers the eastern part of the Republic of South Africa, the northern part of Swaziland, and southern Mozambique, has constituted a natural and 'real' regional space for the last two centuries. Migrant labour and informal trade are the key components of this corridor.

Migration

Since far back in history there exist a migratory tradition in Africa, *inter alia* documented by the spread of people of Bantu origin to cover all of Southern Africa. In the first decades of the nineteenth century an important trend of migration started with the *M'fecane* — the black Diaspora — whereby Zulu-Nguni warriors left KwaZulu-Natal and steered north, towards what is present-day Mozambique, Zambia, Malawi, Zimbabwe and Swaziland. This migratory pattern created new ethnicities, social and cultural structures and spaces, as well as more bureaucratic and organized political entities than the smaller chiefdoms, which previously co-existed, for instance the Shangans and the Empire of Gaza in Mozambique. The Matabele people in Zimbabwe, the Ngori in Malawi as well as the Ma-Swazi people in the Kingdom of Swaziland are all products of the *M'fecane*. The migratory pattern extended all the way to the frontiers of current Malawi, but it has also particularly concentrated around the Maputo 'corridor' (in a broad sense). These migrations of indigenous people were followed by the *voortrekkers*, the Dutch speaking descendants of the European settlers in the Cape, which together marks the beginning of the creation of a Southern African region. The British imperialists, with Cecil Rhodes as the leader, subsequently followed the treks of the *M'fecane* and the *voortrekkers* in the construction of the infrastructural links, which are very important for 'holding' the region together in various ways (Niemann 1998: 8).

The migration towards the north was inverted in the late nineteenth century, and masses of people started to move down south from Malawi and Mozambique, mainly to work in the gold mines. There was also a pattern of migration from south of the Save River in Mozambique to work on the plantations in KwaZulu-Natal and the diamond mines in Kimberley. After the so-called pacification campaign carried out by Portugal in Mozambique in 1895, the colonial powers in Mozambique and Transvaal signed the first accord to regulate the afflux of labour to the mines in Transvaal in 1897. This was only two years after the destruction of the Nguni Empire of Gaza by the Portuguese (CEA-UEM 1979: 1-2). The Chamber of Mines in South Africa established the Witwatersrand Native Labour Association (WENELA) in order to recruit workers from southern Mozambique (as well as several other neighbouring countries); and accords were signed between Portugal and South Africa in 1897, 1909, 1914, 1928, 1964, 1965 and 1975. In return for the right to recruit Black labour in southern Mozambique, almost half of the export traffic from the Witwatersrand in South Africa was directed through the port of Lorenco Marques, present day Maputo (Taylor 1999: 4). The migrant and export linkage rested on the transport spine, which together consolidated the Maputo corridor. In addition to this, later in the century hundreds of thousands of White tourists annually went to visit Mozambique.

It should thus be clear that migration was a crucial component of this special and asymmetric cross-border relationship between South Africa and Mozambique. The formal mine workers agreement referred to above were, of course, in the interest of rulers and mining houses in Transvaal/South Africa, and *inter alia* implied that they did not have to compete for miners and salaries could be kept low. These contracts also benefited Portugal as it received deposits in gold for ‘native’ labour, which then could be sold at market price (since a portion of the miners’ wages could only be received back in Mozambique).

Throughout the century there was a steady flow of migrant labour along the corridor, from southern Mozambique to South Africa. The figure fluctuated from over 50 per cent of migrant labour in the mines originating from Mozambique, decreasing over time but never below 27 per cent during colonial times (CEA-UEM 1979: 4). In 1975, with the independence of Mozambique, the quotas of workers were further lowered and the deposit in gold, which had been profitable for Portugal, disappeared from the accords (*inter alia* due to the fact that the IMF slashed the two-pier pricing of gold in 1977).

The major supplier states for contract labour in South Africa are Lesotho, Mozambique, Swaziland and Botswana, and in the past significant numbers also from Malawi and Zimbabwe. As just noted, the number of miners from various countries has fluctuated substantially over time, for various reasons but especially due to the apartheid regime’s infamous ‘carrot and stick’ strategy. For instance, in January 1976 substantially more than hundred thousand miners came from Mozambique, but at the end of the year this number had decreased by more than half. The number remained about approximately 30-40 000 from the mid-1970s to the mid-1980s, and then increased again by about fifty per cent only a few years later (Davies, 1990; Sachikonye, 1998).[1] Regulated labour migration has decreased in the 1990s, for all involved countries, even after the official end of apartheid in 1994. In 1996 there was approximately a total of 340 000 formal labour migrants in South Africa (Niemann 1998). But this has not implied the end to migration, which has increased for other purposes than mining and formal contracts. There are now an estimated number of between one to three million so-called ‘illegal aliens’ in South Africa, many which come from Mozambique.

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[1] In 1985, at a time with a relatively large number of migrants, South Africa had about 371 000 labour migrants from the SADC (Southern Africa Development Community) countries, of which more than 80 per cent were employed in mining. Of this figure, Lesotho accounted for approximately 140 000, Botswana 28 000, Swaziland 22 000, and Mozambique 69 000 (Davies, 1990). The importance of the labour migrants, both for South Africa, but also for the supplier economies cannot be overestimated. Lesotho is the primary example, where the migrants constituted a stunning 86 per cent of the total wage labour force in 1986, and it reached between 15-23 per cent in the other three supplier countries mentioned above. By the same token, the wage remittances also constituted

For more than hundred years labour migration has constituted part of the ritual of passage to adulthood in southern Mozambique. In fact, in the countryside of the provinces of Inhambane, Gaza and Maputo, there exist a 'migrant culture', whereby young male are supposed to migrate to work in South Africa and stay away sufficiently long to accumulate enough money to be able to construct a house of durable material and get married. In general most migrants are not settling permanently in South Africa. Many generations have migrated to the mines, and the elders used to care for the continuation of the trend through contacts of relatives with local officials at the mines. A good worker paved the road for young relatives, starting a new cycle of contacts and contracts for the younger generation. The migratory patterns and other cultural and socio-economic linkages have gradually transformed models of social life, introducing money and a dramatic increase of imported goods instead of agricultural products, and perhaps most importantly to pay the brides wealth, i.e. the institution of the *lobolo* in Mozambique, which was the ultimate means by which the elders controlled the younger men in their kingroup. Migration has created certain needs in the countryside and brought about innovations to productive life like new ploughs, sowing machines, bicycles and more recently pick-ups. Goods are sent to the family in rural zones, where even at present the miner is recognized when back home to visit or returning to stay longer, for instance by the clothing and special manners acquired from compound-life.

The deep economic crisis in Mozambique — in spite of the claims by the International Financial Institutions (IFIs) of it as a 'success story' — is contrasted with the proximity of the Republic of South Africa, which is considered to be a regional paradise in terms of opportunities. Many Mozambicans are selling on the streets of Johannesburg, or small towns in Mpumalanga and Gauteng, often 'illegally' without proper documents (see below). Others are seeking agricultural work at plantations around KwaZulu-Natal, Mpumalanga and the Northern Province. One problem here relates to the exploitation of cheap labour in South Africa, using legal or illegal migrants from neighbouring countries, which for various reasons 'crowds out' South African workers, since the former are willing to work for lower wages and poor working conditions. Another problem is the destructive trend whereby many migrants are denounced by the patron to the closest police station as illegal migrant, what they may in fact be, when they are to receive their payment. Still worse is that the so-called 'migrant

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a substantial portion of GDP, again with Lesotho taking the lead, where labour wage remittances amounted to two thirds of GDP (Davies 1990).

problem' has contributed to increasing xenophobia both in rural and urban parts of South Africa, which is an historical irony considering the role of the Southern African people and countries in the anti-apartheid struggle. This is another face of regionalization, or rather de-regionalization, that has to be addressed both by people and decision-makers. The issue is complex, as is illustrated by the fact that every week a train loaded with about three hundred Mozambicans and other migrants captured on the streets of the big cities or picked up on the farms in South Africa is emptying its cargo at the borders. This same train is just to be back again the following week, many times with the same people who have managed to cross the border once again.

Informal trade

The second facet of the Maputo corridor is the extensive amount of informal trading. This has increased during the last few decades, above all when the socialist experience was abandoned in Mozambique and the old safety net provided by the state gradually disappeared. This implied that many men and women left the traditional occupation of agriculture and embraced the market sector for commerce and petty-trade in the cities. In 1990 commerce had already surpassed agriculture as the main occupation for women in Maputo (Little and Lundin 1992). The informal market was born in the city of Maputo, expanding throughout the country and to neighbouring countries. This marks the beginning of the institution of *mukhero*, a movement of people, mostly females, buying and transporting all types of goods, vegetables, fruits, clothes and small home appliances, between Mozambique and South Africa and Swaziland along the Maputo corridor, to buy products to sell on the informal market (Baptista-Lundin and Söderbaum, 2002). Initially it was mainly a question of acquiring agricultural products to supply a market in need, because the situation of war had cut the roads to Maputo from the countryside. Later on, other products have been incorporated into the *mukhero*. Although several of the, mainly female, traders are ending up building viable business enterprises, the *mukhero* constitute a very basic survival strategies. In the words of one *mukherist*:

> none of us hold a valid passport or visa, we cross the border under the fence. We have special arrangements with some officers, 'we pay and they don't see us'. However, the agreement is not always respected because many times we pay and they catch us anyway. When that is so we have no choice other than either to pay again, many

> times with sexual services to more than one of them, or to loose our goods risking also being arrested. *Mukhero* is not an easy business, but as far as I see it is at the moment the only alternative for us to survive (quoted in Baptista-Lundin and Taylor, 2003: 99).

The informal corridor is larger than just Maputo as an end-station. Agricultural products are brought in from other parts of Mozambique and sold in Maputo, and revenues are used to buy goods in South Africa and Swaziland and other neighbouring countries, to be sold back in Maputo. This movement and trading has created a never-ending circle of new types of business, hawking, trading and interaction, increasing the flux of people along the corridor. In this way Maputo attracts people from all over Mozambique and sometimes even from other neighbouring countries. Many people stay in Maputo and take part in the informal market. This requires being engaged in a regular or daily informal cross-border trade.

Various attempts have been made to regulate and control borders, smuggling, informal trading, hawking and migration, but people have often found other ways to get around these restrictions. The movement has decreased from time to time but has never died, and the city of Maputo is still being supplied with all types of goods from neighbouring countries and as far afield as Asia and the Middle East acquired via South Africa.

The formal MDC initiative

The MDC has become known as the ‘flagship’ of the Spatial Development Initiative (SDI) programme (Mitchell 1998). The SDI programme was launched by the central government in South Africa in 1995 as targeted and short-term interventions in order to unlock economic potential, facilitate global competitiveness, new investment, access to global capital, infrastructural development and job creation in areas which have unrealized economic potential due to a range of historical and political reasons, primarily apartheid (Jourdan 1998: 718).

A key component of the SDI paradigm is to move away from the protected and isolated import-substitution approach to economic development towards one which is guided by international competitiveness, regional cooperation and a more diversified ownership. In effect the SDIs are extremely comprehensive projects, which reconfigure whole areas of South Africa and Southern Africa. They are driven by private capital and designed to create globally competitive spatial entities.

There are eleven SDIs in South Africa, valued at a total of a massive 22 billion USD, with a (stated) capacity to generate more than 118 000 new jobs (DBSA 1999): the MDC; the Lubumbo SDI; the Coast to Coast SDI; the Platinum SDI; the Phalaborwa SDI; the West Coast Investment Initiative; the Fish River SDI; the Wild Coast SDI; the Richards Bay SDI; the KwaZulu-Natal SDI; and the Gauteng SDI (Gelb and Manning 1998).

A number of SDIs and development corridors have been identified or are being implemented in the Southern African Development Community (SADC) region: Walvis Bay (Namibia); 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 DBSA 1999).

The objectives of the MDC

The MDC is based on four key objectives:

1) 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.

2) 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.

3) To maximise social development, employment opportunities and increase the participation of historically disadvantaged communities; and

4) To ensure sustainability by developing policy, strategies and frameworks that ensures a holistic, participatory and environmentally sustainable approach to development.

The basic idea behind the MDC initiative is the implementation of a large number of investment projects, of which the most important are the “mega-projects”. The architects of the MDC identified, designed and packaged various investment projects, which were then presented at an investors' conference in May 1996. This conference marked the official launch of the MDC, at which no less than 180 project proposals were presented to investors, with a value of nearly US$7 billion and with the stated potential to generate up to 35,000 jobs. In other words, the MDC contained a very comprehensive investment portfolio.

A rough distinction can be made between *infrastructural projects and the major economic development projects*. With regard to the rehabilitation of primary infrastructure, the following projects, with a total estimated value of US$661.5 million, were of crucial importance. Firstly, the Witbank-Maputo N4 toll road. This was the first major Public-Private Partnership (PPP) in southern Africa and was concessioned for 30 years to a private sector consortium, TransAfrica Concessions (TRAC), on the basis of "build, operate and transfer" (BOT). Other projects included the rehabilitation of the port of Maputo; the establishment of a public/private company to manage, operate and maintain the southern Mozambique rail network; and a single facility/one-stop border post at Ressano Garcia/Komatipoort.

The most comprehensive economic development projects were the US$1.3 billion Mozambique Aluminium Smelter (Mozal), which in the second phase was supplemented, making it worth a total of more than US$2 billion in investment (see Hentz, chapter 7). The Maputo Iron and Steel Project (US$1.5 billion) and the Beluluane Industrial Park (BIP), which is an industrial free zone aiming to attract foreign, regional and local investment to heavy industry manufacturing and hi-tech industries, were also key projects, as was the Pande/Temane gas pipeline (US$250 million). In addition to these gigantic projects there were a significant number of other investment projects, in fields such as: mining (a magnetite, vanadium and heavy minerals project), energy, chemicals, manufacturing, agriculture, forestry, commerce and tourism (eco-tourism, lodge and game-park development and so on see De Beer and Arwkright, 2003).

Furthermore, subsequent policy-makers developed MDC technical support programmes in order to complement the projects mentioned above (first and foremost in order to achieve MDC objective 3 and 4). Some of the most important support programmes included the cluster and linkage processes; policy research and capacity building; strategic environmental management plan (SEMP); local economic development (LED); and institution building.

The Institutional Landscape

Although each SDI has to adjust to the different conditions under which it operates, there is a generalised "SDI methodology" (see Söderbaum and Taylor, 2003). According to this methodology, the institutional structure should be kept to a minimum, the main role of the institutions being to fast-track project implementation. This section seeks to map and identify the key institutions and agents in the institutional landscape surrounding the MDC.

The South African SDI programme is co-ordinated by the Co-ordination Committee of the so-called resource–based SDIs, and the Regional SDI Committee (RESDIC), to which the MDC belongs. These meetings are attended by all SDI project managers as well as a broad range of senior representatives of national government departments and parastatals involved in the SDI process. It includes representatives of most government departments, 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, especially DBSA and IDC, have been active participants from the start of the programme.

One important feature of the SDI methodology is that each SDI has (at least) two so called *political champions*—two high-ranking elected politicians at the national and provincial level—who can ensure political commitment and practical support for the process internationally. In the case of the MDC there has in effect been a large number of high-ranking political champions involved.

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. According to the 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. These should then 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 (see next section).

On the provincial level there is (was) 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 is to co-ordinate 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 scale enterprises (SMMEs).

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, focused 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.
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. Through the Bureau for the Co-ordination of Development Corridors, Mozambique has a somewhat similar structure as that in South Africa. This is an umbrella bureau with one technical unit for every development/transport corridor in Mozambique, i.e. Maputo, Limpopo, Lubombo, Beira, Nacala and Zambezi Valley. So after a slow start Mozambique has decided to pursue their corridor programme with substantial enthusiasm. The Investment Promotion Centre of Mozambique (CPI) has also been involved in the process and it performs similar duties as the MII in Mpumalanga and Investment South Africa.

Planning and implementation

The special planning and implementation procedures have been developed in order to reflect the transnational character, the (extremely) short time-frame and the project-driven approach of the initiatives. The initial phases should be driven by a loose and fluid network consisting of the political champions, central government institutions, the different line departments (mainly transport, and trade and industry), the project managers and the technical teams. Then, in the last stage of implementation, in the so-called “exit phase”, the administration should be decentralised to the provincial and local institutions, particularly their investment promotion agencies, whose main brief is to facilitate new investment in the region. 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 12-18 months. The exit strategy is given longer time, up to two years.

More specifically, the first thing performed 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. Yet 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 that can secure implementation upon the decentralisation of functions to provincial and local authorities (Jourdan, 1998; Hall, 1998).
After the set-up and pre-feasibility phase and the establishment of institutional structures, with political and technical teams etc., the process moves into the identification and "packaging" of investment opportunities. Ideas for investment projects are widely solicited, including from local and provincial stakeholders. The main criterion for projects is that they must be "bankable", that is, they must offer a commercially viable return on investment (Jourdan, 1998). 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, typically through an investors' conference. After the MDC investors' conference (held in May 1996), the technical team and project identification teams were dissolved, and the MDC was supposed to be "handed over" through the so-called "exit strategy" to the provincial and local institutional structure. The provincial and local institutional structure should then continue to identify investment projects and match them with potential investors.

Implementation Phases of the MDC.

PHASE	ACTIVITY
1. Set Up Phase	Appointment of project manager; gathering of socio-economic and institutional data on the loosely defined corridor area.
2. Pre-Feasibility	Pre-feasibility appraisal of data; organisation of conceptual workshop, development framework and spatial definition (led by project manager).
3. Institutional	Establishment of structures at the political, official and technical capacity levels, e.g. set-up of political team; interdepartmental team; technical team; working groups; identification of local champions.
4. Feasibility	Together with key stakeholders, further development of the conceptual framework into 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.

How the MDC counteracts the informal sector in the Maputo corridor

This section seeks to relate the formal and the informal region. It implies to determine for whom and for what purpose the MDC is constructed, and above all to what extent the formal project is able to reinforce and build on the human potential in the corridor. The analysis highlights two key elements: the development paradigm/strategy and governance mechanism.

Development from above and from outside[2]

A promising point of departure of the MDC initiative is its multisectoral and integrated approach to economic development, which goes beyond the conventional emphasis on transport corridors and instead establishes a concrete link between infrastructure, economic development, trade and investment. Unfortunately, this is not so well reflected in practice and has been negatively counteracted by several flaws in design, implementation and underlying development thinking.

In contrast to the stated objectives, the 'actually existing' MDC is based on a narrow and instrumental strategy how to promote economic development (or rather growth), whereby, rather naively, development is believed to arise more or less automatically as a result of the implementation of some major investment projects, mainly in infrastructure, 'aluminium smelters' and iron and steel projects and so on. There is hardly any emphasis on a people-centred development path, or how people in the corridor can contribute to development. Instead, development is assumed to be created through crowding in of global capital to mega-projects. According to this view, development is externally rather than internally and endogenously driven and mobilized, and it has no strategy to unlock human potential from within the corridor.

Needless to say, with a total investment portfolio valued to more than seven billion USD, all the mega-projects are bound to have some effects on 'development', or at least economic growth. For instance, the Mozal project is estimated to double the foreign exchange earnings of the Mozambiqan economy. However, the opportunity cost and relative efficiency of implementing these projects in one of the poorest countries in the world can certainly be discussed. The mega-projects can be questioned merely by their extreme size but also by the

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[2] This section draws upon research and other texts written with Ian Taylor (see Söderbaum and Taylor, 2003).

fact that they only have limited effect on permanent employment opportunities. That is, the relevance of a strategy, which on average involves a cost of 200 000 USD per job in a context of labour-surplus economies, can certainly be discussed. In late 1999, investments worth 4 billion USD had been secured, but these projects are only estimated to be able to create 12 000 jobs. And the spread effects to generate new employment opportunities in related sectors remain to be seen. The MDC strategy therefore conforms with neo-liberal trends towards 'jobless growth', which we can see in many other parts of the world. There seems to be a lot of wishful thinking regarding how this development paradigm can be positive for the disadvantaged communities along the corridor.

In this context it should be mentioned that the investment portfolio in many respects merely constitutes a wishing list. All the projects identified are not and will not be funded and implemented. But no attention has been given to how development is effected when certain projects of the broader package are not implemented — especially those projects which are stated to be particularly development-oriented, rather than growth oriented. It is quite possible that lack of implementation of key 'development' projects will decrease the perceived linkage and spillover effects (which are exaggerated anyway). It makes the top-down and formal project inconsistent in itself but is also likely to severely restrict any positive relationship between the formal and the informal corridor — and block human potential.

It is difficult to dispute that the MDC is designed first and foremost for 'big business', from South Africa and the North. Local participation occurs on a rather arbitrary basis or when favourable conditions meet rather than being an integral and systematic part of the strategy as such. That is, the SDI methodology and the MDC in particular is founded on an capital-intensive, 'big business' and top-down development strategy, with the real intention to increase export growth and foreign exchange rather than people-centred development. It is basically an 'investment initiative' of gigantic proportions, to some extent resembling the old 'capital-push', 'big-bang approaches' prevailing in the 1950s and 1960s (albeit seasoned with some incredients from the economic growth paradigm in East and Southeast Asia). The so-called holistic, environmentally sustainable and people-centred development aspects are difficult to discover in practical implementation. The underlying development strategy spells 'economic growth', 'foreign exchange', and little else. It has little to do with 'development' and a genuine concern with what type of growth and development, and for whom.

One crucial component of the MDC programme is to involve the private sector in the process. This has lead to the emergence of so-called public-private partnerships (PPPs), which are mechanisms for involving the private sector and broadening the ownership base, especially in order to enhance the delivery of infrastructure. The point of departure of this strategy is that when the public sector have difficulty raising funds for investment in infrastructure, with PPPs ‘the private sector can play an active role in financing, managing and maintaining large infrastructure projects that would traditionally have been seen as purely the public sector’s responsibility’ (Driver 1999: 18). The Witbank-Maputo N4 Toll Road is the most comprehensive PPP within the MDC project. It is certainly a risky strategy when conventional state functions and investment projects are being privatized and must be ‘commercially viable’ and profitable in order to stand the test of being implemented. This means a retreat of the traditional role of the state, and the consequences must be closely monitored.

As a consequence of high transport costs along the Toll Road, with no alternative route available, small-scale traders, informal businesses and hawkers risk loosing out in competition to more large-scale and organized traders and businesses, especially from Gauteng. Regardless of whether this is ‘desirable’ or not as a development strategy, it is difficult to dispute that these people will undoubtedly have difficulty finding alternative income generating opportunities. The MDC project pays very little attention to the human potential of the informal sector and of the people living in the area. In many ways the different types of local protests against the MDC can be considered a natural consequence of the way the project has been designed and implemented.

Summing up, this analysis in this section suggests that what is emerging in the Maputo corridor is a partnership between the political elite and global capital supported by the IFIs and the donor community. This ‘hegemonic bloc’ employs the rhetoric of people-centred development but in reality the main concern is economic growth, foreign exchange earnings and little else. According to this line of thinking good governance is defined as less government, and in accepting this neo-liberal ideology the state becomes the disciplining spokesman of global economic forces, a ‘transmission belt’ for economic globalization, rather than the protector and ‘buffer’ against these forces, which is the classical task of mercantilist nation-building (cf. Cox 1996). The historical retreat from the development building ambitions of the state also implies a dramatically changed relationship between the state and civil society, and in particular a tendency for it to become increasingly alienated from civil society. The neo-liberal ideology of globalism lacks ethical content, i.e. a concern for the victims of structural change, which gives a theoretical explanation to the depressing fact that the people living in the corridor has not been consulted about the MDC strategy, integrated into decision-making and lack sufficient information about what is actually taking place in their own neighbourhood. There is little genuine evidence of that the MDC strategy take seriously the effects for the people inhabiting the Maputo corridor.

Governing from above and for global capital

The MDC contains a rather innovative institutional structure. Each SDI has two so called 'political champions' — two high-ranked Ministers or Deputy Minister at the national and provincial level — who can ensure political commitment and practical support for the process within the government and raise the SDI's public profile (Jourdan 1998: 720). In the case of the MDC political support from the highest possible level, by (former) President Mandela 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 strategy with political champions are particularly interesting in view of the more or less chronic difficulties to ensure implementation of most types of regional intergovernmental cooperation projects in Africa in the past. The missing link is often explained as a general lack of political will and political commitment. In the MDC it is evident that the high level political support have been able to fill some of the 'gaps' between the visions and the implementation on the ground.

Another characteristic of the governance mechanisms in the MDC is the emphasis on quick implementation and the removal of the bottlenecks and constraints to investment, which are often infrastructural in nature (roads, ports, railways) or trade-related (border posts, trade procedures). The SDI management team is to identify obstacles and then speedily mobilize political support from the political champions in order to enforce implementation. Furthermore, while states-driven regional organizations have proved to be rather cumbersome and rigid, the MDC as a governance mechanism involve a much more limited number of partners and are more flexible, thus offering greater scope for experimentation and speed in changing operations. In essence, the SDI concept provides a strategy for implementation and seems to give concrete meaning to the process of regional cooperation and integration in a way, which many more comprehensive macro-regional projects, such as SADC, COMESA and OAU/AU, have failed to do.

These aforementioned elements of the MDC are positive from a normative point of view, and at least to some extent they help to facilitate a more fruitful encounter with the informal sector. However, there are a host of problems inherent in the governance mechanism in the MDC that counteract and block the human potential of the informal sector.

The first phase of the MDC process was driven by the central government, and the different line departments involved in the process (mainly transport, and trade and industry). At later stages of implementation the administration should be decentralized to the provincial and local institutions, particularly their investment promotion agencies. In spite of such good intentions and the fact that the decentralization process has been initiated, there exist a number of important problems. One is related to the ‘rolling back’ of the state, whereby it seems to want to do as little as possible and leave implementation to lower levels, but without a genuine concern that decentralization is actually functioning. This is the other side of the neo-liberal development ideology described above — the institutional aspect of the prescription that good governance leads to less government.

A host of other institutional problems arises as a consequence of the premature retreat of central government (premature in the sense that there is not much to replace it), such as that there are unclear responsibilities between central and provincial institutions; that national, provincial and local actors have different understandings of the content of the MDC strategy; the institutional constraints and low capacities at provincial and local levels, including non-state actors, which prevents implementation and institution-building.

There is a general lack of institutions on both sides of the border, although it is particularly deep on the Mozambican side. This is illustrated by the failure to establish the Maputo Corridor Company (MCC), which is supposed to be part of the decentralization strategy, bring together local and business actors, and bring people-centred development to the corridor. The establishment of the MCC has been delayed due to a lack of capacity and commitment at both local and provincial level, both amongst public and private actors, particularly in Mozambique but also in Mpumalanga.

This failure reflects that it is difficult for bottom-up forces to become organized and integrated into the formal project, in a context when the state is doing little. Having said that, however, one interesting feature is 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 to involve participants from other SDIs and neighbouring countries. This initiative — which has emerged without state involvement — exemplifies a situation where increased patterns of relationships creates both common interests and the need for more institutionalized cooperation in a bottom-up and spontaneous way. The Borderlands seems to be an example where the formal is able to unlock the human potential in the informal sector. The establishment of the South East African Tourism Committee (SEATOC), which is designed to market the region (Mpumalanga, Mozambique, Swaziland, KwaZulu-Natal and Northern Province) as a single tourism entity, constitutes another interesting example of emerging institutionalization. Eventually it facilitates a closer relationship between the formal and informal sector.

Conclusion: From Blocking to Unlocking Human Potential

Africa is characterized by myriads of informal and non-institutional cross-border interactions and activities amongst small and private business, traders and people, the mosaic of ethnic, religious and family trading and business networks, migrant labour, refugees and so forth. In large parts of Africa, large groups of the population owe their survival to the semi-official, illegal or informal cross-border flows of trade, capital and services.

There is a comprehensive pluralism and innovation in the informal sector. One needs only spend a day at a strategic border-crossing in order to get a first insight into some of its dynamics. In East Africa the traders involved in petty cross-border trade are known as 'wanachi' (Bøås, 2001). A similar phenomenon exists in the Maputo corridor and comes under the name of *mukhero*. One important facet of this is the strong involvement of women in the *mukhero*. In fact, it seems to be a general feature that women are more deeply involved than men in cross-border trading (Chirwa *et al*, 1995). The female traders in the *mukhero* have been able to construct a strategy for climbing out of poverty, or simply for survival. This strategy has been created in the context of (or more likely, as a consequence) of structural adjustment in Mozambique. The gender dimension is important since there seems to be a case whereby through cross-border trade they are able to overcome many of the disadvantages that deny women equal access to resources (cf. Mudzvidziwa, 1998: 33).

The informal sector is a crucial component of current realities in Africa. It contains a considerable degree of dynamism. The proposition raised in this paper is that it is necessary to recognize the fact that it constitutes an important part of African reality. But we also need to find ways to facilitate a more fruitful interaction between formal policies and informal activities. We should not continue to formulate formal policies as if informal sector is an obstacle (or as if it does not exist). An important part of the solution is to understand why informal sector exist and how the relationship between formal and informal currently stands.
Informal activities occur for a host of different (and complex) reasons. And they can be very flexible and dynamic. One observer has described the dynamics of the informal sector in the following way.

> The black market is thriving today as never before. It is a reborn, dynamic market force. The methods used and the commodities traded differ … but the aim is the same to capture some kind of profit however small in order to survive. … For many

African governments it is easier to let the parallel economy finance a substantial part of their population than to find the funds to do it themselves. This has led to a situation where a substantial (increasing) part of the African population have no other choice than to ignore their own governments an create their own economies (Bøås, 2001: 34-5).

This suggests that people have to engage in the informal sector when and because the formal sector is malfunctioning. It is clear that sometimes these activities are both legal, transparent and conducted in accordance with the law on either side of the border, although some laws that place high demands on traders are broken at times. Some of this informal trade arise for socio-cultural and historical reasons, but sometimes it is clearly based on tax and tariff evasion. It is obvious that informal activities can continue and also expand because they are more efficient than the more formal activities. The informal sector can expand through the exploitation of price and institutional differences between countries with common borders (Bach, 1997; Meagher, 1997).[3]

The Maputo corridor

In the mid-1990s the governments agreed to reconstruct the Maputo corridor through the implementation of the MDC. The MDC initiative is a gigantic portfolio of large-scale capital investment projects. There are several intriguing and fascinating features with the MDC. It is an interesting strategy given the shortage of funds for development in African context. However, this paper has drawn particular attention to the fact that the formal policies of the MDC ignore the informal sector. MDC policies have not been designed in order to utilize or facilitate the human potential and entrepreneurship of the informal sector. On the contrary, the MDC is designed as if there was no informal sector, or simply in order to counteract it.

This paper has particularly emphasized that (i) the development paradigm and development strategy ignores the informal sector, and (ii) that the institutional design and policy implementation is conducted in a top-down fashion which prevents rather than enables local participation and peoples-oriented development path.

[3] Since informal trade often depends on the presence of formal barriers to trade, it is not self-evident what happens when barriers disappear. One comprehensive empirical study of informal trade, undertaken at a large

More specifically, the MDC is designed for the purpose of crowding-in external capital in order to build industrial and infrastructural mega-projects. It is externally driven and the endogenous (and informal) capacities in the Maputo corridor are neglected. The list with unproblematized development aspects of the MDC initiative can be made long. Gender aspects and gender equality were not integrated into the design and rural local women, mainly traders, have been negatively affected in conjunction with that sex work has sprung up along the Toll Road route.

The future of the corridor seem to occur along one of the following two scenarios: One scenario is the strengthening of the neo-liberal project, which seems to result in the fragmentation of the informal region and a corridor designed for large-scale capital and exports. The informal region will continue to exist, even if the top-down policies of the two governments will seek to counteract and restrict informal activities. In this scenario, the informal activities will be the escape route and opting out from the negative impacts created by formal policies.

But there is a possibility for a better scenario. There exists a potential for the consolidation of the corridor in a more positive and developmental sense, whereby the formal and informal corridor become mutually reinforcing and build on the strengths of a combination of formal policies and informal potential. The development strategy as well as the governance mechanisms of the formal region *can* be redesigned to promote the welfare and needs of the people inhabiting the area and in the informal sector. On a general level this requires formal policies that also build on the endogenous capacities of people rather than restrict the creativity and entrepreneurship in the informal sector. Exactly how this relationship will be designed must be determined by the people in the corridor — and not imposed from above and outside.

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number of border crossings between Malawi, Tanzania, Zambia and Zimbabwe, predicts that formal trade would expand by more than 80 per cent if informal cross-border trade were eliminated (Chirwa *et al*, 1995).

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