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Public-Private Partnerships: Lessons from the MDC Toll Road

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1. Introduction

The Maputo Development Corridor (MDC) is an example - indeed the flagship - of one of the key investment strategies currently being pursued by the South African government. This strategy, predicated around the concept of "Spatial Development Initiatives" (SDIs) seeks to identify and then facilitate the economic potential in particular locations in southern Africa by enhancing their attractiveness for investment. According to SDI paradigm, 'the SDIs aim to facilitate the creation of viable new jobs, as potential investment opportunities, identified through the process, are taken up by the private sector'.[1]

The MDC running from Witbank in Mpumalanga (eastern South Africa), through Nelspruit, to Maputo, capital of Mozambique is an example of such a SDI. These SDIs are attempts by the South African state, with the active support of the private sector, to 'unlock inherent economic potential in specific spatial locations in southern Africa'.[2] The notion of constructing SDIs is based on the claim that certain areas within South Africa were disadvantaged by the industrial policy pursued under the previous National Party dispensation. Import substitution, according to this view, promoted sites of investment devoted to servicing domestic requirements, hence the massive concentration of industrial investment within Gauteng, the main focal point of the (White) domestic market. At the same time, the import substitution policies of the old regime contributed to disadvantaging other parts of the country more suited to supporting export-oriented production. Thus, the eastern part of South Africa, with its ready access to the port of Maputo in Mozambique, is seen as a prime candidate for the construction of an SDI.[3]

Almost entirely driven by private capital (though in partnership with national and provincial administrations), these SDIs are currently reconfiguring whole areas of South Africa and neighbouring states, constructing effective micro-regions of economic activity. This attempt to (re)construct a micro-region is explicitly connected to perceptions held at the elite level that in an era marked by globalisation, regionalisation is a crucial means by which states may come together and tap into this process in order to maximise their pulling power *-à-vis* international capital. As Swaziland's economic planning minister, Themba Masuku, remarked on the MDC, 'there is no question the trade corridor must succeed. The world is globalising rapidly and regional co-operation is vital if [we] are to cope with increasing competition for trade and investment in the fast-improving world'.[4] The micro-regions currently being constructed then cannot be separated from the wider national and global context within which their promoters find themselves.

Launched in 1995, the SDI project(s) purport to be short-term and targeted attempts to stimulate "growth" by creating globally competitive spatial entities *via* new investment, infrastructural development and job creation. The South African government sees, as its primary task, the need to work with private capital in partnership in order to facilitate such SDIs: 'the principal mechanism underpinning the SDI programme is private sector investment which will be "crowded in" through a number of public sector interventions'.[5] This approach to development and the importance attached to the private sector, is very much in line with the neo-liberal Growth, Employment and Redistribution (GEAR) policies adopted by the African National Congress, in 1996.[6] Indeed, the SDIs have been sold as 'the practical implementation of the government's economic strategy as set out in its Growth, Employment and Redistribution policy'.[7]

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1 *'Spatial Development Initiatives in Southern Africa', www.sdi.org.za*
2 *Ibid.*
3 *David Lewis and Robin Bloch 'SDIs: Infrastructure, Agglomeration and the Region in Industrial Policy', Development Southern Africa, vol. 15, no. 5, Summer 1998, p. 729.*
4 *'Leaders Discuss Corridor Plans', Sunday Independent (Johannesburg), November 6, 1996.*
5 *David Lewis and Robin Bloch, 1998, p. 730.*
6 *See Paul Williams and Ian Taylor 'Neo-liberalism and the Political Economy of the "New" South Africa', New Political Economy vol. 5, no. 1, March 2000.*
7 *'Spatial Development Initiatives in Southern Africa', www.sdi.org.za*

In the context of the SDI paradigm, public-private partnerships (PPPs) are an integral part of this neo-liberal influenced approach to development. This paper seeks to identify and analyse one particular example of the PPP approach - the Witbank-Maputo N4 toll road. Lessons that may be learned from this particular project for future PPPs within SDIs will be teased out. The paper will proceed in the following stages:

- the philosophy and practical implications of the PPP approach will be outlined;
- the genesis of the Maputo Corridor and the situationing of the N4 toll road within this will be analysed;
- the actual toll road and its progress will be critically cast,
- problems that have emerged will be highlighted;
- lessons for future PPPs will be enunciated.

2. The Public-Private Partnership philosophy

The emergence of the PPP approach in providing the supply and/or renovation of infrastructural projects in itself reflects the hegemony of neo-liberalism in the current era. Neo-liberalism focuses on the supply-side of the economy and pushes the role of the market in providing services. With its emphasis on low public expenditure and a concentration on trade deficit reduction and low national debt, the call to increasingly involve the private sector in supplying services formerly provided by the state has become almost universalised. In this sense, the PPP philosophy inherent in the SDI project(s) is reflective of international trends and experience. Indeed, over the last few years in Europe, for instance, the use of PPPs has gained momentum and a number of transport infrastructural schemes have been pursued. Examples that may be cited include the M1/M15 Motorway and M5 Motorway in Hungary; Warsaw Airport in Poland; and the Resund Link between Sweden and Denmark. Furthermore, both the World Bank and the United Nations Development Programme (UNDP) advocate the usage of PPPs in providing or renovating services. The PPP philosophy then is not unique to SDIs and in fact draws upon past experience from other countries/regions.

The actual notion of a "PPP philosophy" may be a bit stretched as there are many forms of PPPs and no one particular definition. Indeed, PPPs can take on many varieties, from the commercialisation of existing state activity to outright privatisation, however a working definition is possible. In general, PPPs may be said to be long-term contracts involving both the public and private sectors to supply and run infrastructure and/or services. This implies a sharing of responsibilities and a sharing of both the benefits and risks by the state and by the private sector. Essentially, 'PPPs represent indirect access by the government, through private partners, to resources provided by the private sector'.[8]

This public-private involvement encompasses a whole variety of possible relationships between public and private actors for the co-operative supply of services. What can be said is that some degree of private participation in the delivery of traditionally state-provided services is essential. The "private sector" can be broadly defined to include any non-state actor(s). Thus private enterprise, informal market actors, community-based organisations, non-governmental organisations (NGO), universities, and private individuals may all be included within the proviso of the "private" element within PPPs.[9]

The attractiveness of PPPs within a structural framework where resources are limited and the availability of funding for large-scale infrastructural projects is severely constrained is self-evident. Unfortunately for the post-apartheid state, the damage wrought by forty years of National Party (mis)rule means that resources for infrastructural development (never mind renovation) is extremely limited. Such constraints are real and relate to the past. The National Party government increased the country's budget deficit from 0.9 per cent of Gross Domestic Product (GDP) in 1989-90 to 10.8 per cent in 1993-94 through a 'reckless spending spree'. Combined with a

[8] *James Leigland and Rosalind Thomas 'The Need for an Integrated Approach to Market-Based Municipal Finance', Development Southern Africa, vol. 16, no. 4, Summer 1999, p. i.*
[9] *UNDP 'Public-Private Partnerships for the Urban Environment', www.undp.org/pppue/*

profligate policy towards the end of the National Party tenure to pump extra finances into civil servant pension funds, the stock of government debt rose roughly from R 100 billion to R 250 billion.[10] It should be borne in mind that this increase in debt of R 150 billion could have covered expenditure for essential services in South Africa for nearly twenty years.[11] Criminally, in its *last year of power alone*, the National Party government increased the national debt by R 60 billion.[12] By doing so, the regime has circumscribed any future government's room for manoeuvre. Indeed, Trevor Manuel has complained bitterly that 'the spendthrift National Party government left us a structural legacy of debt', having 'ran its finances like there was no tomorrow' in the last few years of its rule.[13]

According to a recent report, by 1997 there was an accrued backlog for road infrastructure of R 37 billion and that in 1997 alone, the shortfall for road infrastructure spending was R 4.7 billion.[14] Yet, with road transport, the dominant form of transport in Africa and with the recognition that 'trade is the engine of economic growth, and reliable and efficient transport...essential for successful trade',[15] the South African and Mozambican governments are in a major quandary in attempting to maintain an efficient and well-maintained road system, particularly within spatial areas designated as potential development corridors.

With the chronic fiscal constraints on financing road projects, the PPP approach then has an obvious attraction to the post-apartheid state if it means that an additional means to finance infrastructure and services is made available from sources other than the public purse. Indeed, the South African government has had a policy since 1997, via the National Roads Agency (NRA), of encouraging unsolicited bids from private companies as a means to increase the number of regional roads that are upgraded and tolled by the private sector.

This policy was based on an understanding of the limits of the NRA's capacity and constraints, and was looking for avenues for PPPs to promote economic development by upgrading and/or constructing badly needed infrastructure. The unsolicited bid policy is a neat fit with the Ministry of Transport's aim to downsize its involvement in developing transport infrastructure and promote PPPs. The policy relates only to the upgrading and development of toll roads and has a strong competitive tender element to it. The process is that a private sector company should submit a proposal to the NRA with details including a key plan, present traffic figures, a tolling strategy and minimum design standards and performance criteria. The agency then considers the plan and, if it agrees, appoints the company as scheme developer to investigate the feasibility of the project. Once all involved parties are satisfied the scheme should go ahead, tender documents are compiled and a competitive tender process is undertaken to appoint a preferred bidder.[16] It appears that the South African government is firmly committed to PPPs, with the establishment of a new public-private partnerships unit, announced in early 2000.[17]

The importance of the N4 toll road is crucial, for the success of the N4 toll road (or otherwise) 'will be a signal regarding the viability of public-private partnerships in financing southern Africa's infrastructure requirements'.[18] According to one Mozambican source, transport infrastructure is vital to this process as it creates an enabling environment through which everything else can follow.[19] The overall Maputo Corridor and its history need to be addressed if we are to situate the PPP toll road within its wider historical and regional context.

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[10] *Anglo-American's Gavan Duffy, quoted in 'On Macro-economic Policy', aidc.org.za/themba/on_macro_eco_pol.html*
[11] *An estimated R 90 billion was reported necessary to provide essential services over the next ten years - Business Day (Johannesburg) September 15, 1998.*
[12] *Sunday Times (Johannesburg), May 15, 1994.*
[13] *Finance Minister Trevor Manuel on Face the Nation television programme, SABC 3, 8.30 p.m., May 2, 1999.*
[14] *'Huge Road Repair Backlog', Mail and Guardian, May 12-18, 2000.*
[15] *World Bank 'Developing Africa's Transport: The Shifting Paradigm', Findings: Africa Region, number 114, July 1998, p. 1.*
[16] *Business Day (Johannesburg), April 28, 2000.*
[17] *Business Day (Johannesburg), February 24, 2000.*
[18] *South African Transport, vol. 30, no. 334, 1999, p. 25.*
[19] *Interview with Dr Alfredo Namitete, Chairman, Committee of Senior Officials, Southern African Transport and Communications Commission, Maputo, April 6, 2000.*

3. The genesis of the MDC

The MDC was launched in May 1996 at an official ceremony in Maputo attended by the presidents of Mozambique and South Africa. The process began in August 1995, when the ministers of transport of Mozambique and South Africa met to set in motion a plan to establish a developmental axis between the port of Maputo and the industrial centre of South Africa (Gauteng). However, this process was very much an attempt to reconstruct a cross-border relationship and micro-region that had effectively existed since at least the industrialisation of the area around present-day Johannesburg since the late 1800s.

This constructed historical space had exhibited all the characteristics of a dominant and subordinate relationship, with White South African capital exploiting Black Mozambican labour through various agreements that made Mozambique a regional conduit and effective labour reserve for the minerals-based industries in South Africa. This process not only locked southern Mozambique and the Johannesburg environs together, it served to crystallise an already nascent micro-region. Indeed, the 1903 agreement between the Witwatersrand Native Labour Association (WNLA) - the representative grouping of the great South African mining houses - firmly established the migratory labour system that formed/forms the basis of the historical space around which the MDC has been formulated.[20] Importantly, the agreement gave the WNLA exclusive rights to recruit Black labour in southern Mozambique in return for directing 47.5% of the export traffic from the Witwatersrand through the port at Lourenço Marques (now Maputo).[21]

This meant that a transport corridor linking Johannesburg and its environs to the Indian Ocean - and the world - *via* the seaport developed and became a major feature of southern Africa's regional dynamics. Being the shortest link to an export harbour for South Africa's industrial heartland, this corridor rapidly became a major intersection for southern Africa's linkages with the world economy: by the 1970s, 40% of exports from the Witwatersrand area went through Maputo, whilst some 300,000 (White) tourists per year visited Mozambique.[22] Going in the opposite direction, hundreds of thousands of Mozambicans travelled to work as migrant labourers in the minerals industries along the Witwatersrand, as well as others finding work as agricultural contract workers. Between 1908 and 1975 the annual flow of legally recruited labourers from Mozambique fluctuated between 74,000 and 118,000.[23] By 1994, over 150,000 of the more than 250,000 workers in the Reef's gold mines came from outside of South Africa.[24]

Such arrangements were dislocated when in the mid-1970s the *Frenta de Libertação de Moçambique* (Frelimo) assumed power in Maputo after Portuguese rule collapsed. Space does not allow for a detailed treatment of the covert war launched against Mozambique by South Africa, but it is suffice to point out that active destabilisation of Mozambique by the *apartheid* regime is calculated to have cost the country 900,000 lives and more than US$ 15 billion in damages and lost production.[25] Despite this, the corridor between Maputo and (now) Gauteng survived - albeit at very low levels.

The current SDI project around the MDC then can be seen to reflect processes that have been developing ever since industrialisation began on the Rand - if not before. This implies that the practical concept of a cross-border economic and social sphere between Mozambique's southern territories and South Africa's eastern territories is a reality that is simply being institutionalised

[20] For how this played out in linking the two areas, see Simon Katzenellenbogen South Africa and Southern Mozambique: Labour, Railways and Trade in the Making of a Relationship Manchester: Manchester University Press, 1982.
[21] Eduardo Mondlane The Struggle for Mozambique Harmondsworth: Penguin, 1969, p. 93.
[22] 'Development Perspective', www.dbsa.org/Corridors/maputo/MaputoDevCorridor.htm
[23] Figures quoted in Mahmood Mamdani Citizen and Subject : Contemporary Africa and the Legacy of late Colonialism Cape Town: David Philip, 1996, p. 153.
[24] Jonathan Crush 'Contract Migration to South Africa: Past, Present and Future', paper for the Green Paper Task Group in International Migration, Cape Town, January 13-14, 1997, p. 20.
[25] Hans Abrahamsson and Anders Nilsson Mozambique: The Troubled Transition London: Zed Books, 1995, p. 66.

(and, importantly, directed) by the newly-constituted MDC, seeking to 're-establish the strong flow of goods, services and peoples that characterised the [Reef-Maputo] axis in the 1970s'.[26]

This being so, the MDC was launched officially at an investors' conference in Maputo in May 1996. The proclaimed objectives of the Corridor were outlined as:

- To rehabilitate the primary infrastructure along the Corridor using the private sector.
- To encourage private investment in the 'inherent potential' of the Corridor and in the opportunities afforded by rebuilding infrastructure.
- To ensure that development provides employment *via* economic growth.[27]

The specifics of the project are important, as they form the bedrock upon which a (re)constituted micro-region between Maputo and Gauteng is to be build upon. Among the main projects integral to the process are the following:

- **Single toll road - the N4 from Witbank to Maputo:** the contract for this project was tendered in June 1996 following the Build Operate Transfer (BOT) principle. The project will be the largest road project yet undertaken in sub-Saharan Africa, rehabilitating 380 km of existing road and building about 50 km of new road in Mozambique. The project's value is in excess of US$ 180 million and is expected to create 'at least 2,000 jobs'.[28] It was financed by a private consortium - Trans-African Concession (TRAC) - and was inaugurated in June 1998. Straddling both South Africa and Mozambique, the road is treated as a single entity by the two countries (*i.e.* as a joint project), and concretely will act as a cross-border link within the micro-region. Financed and maintained by a private consortium for the period of the concession, the toll road ostensibly 'is in keeping with the objective of optimising the scope for private sector involvement in the development of infrastructure and the creation of economic opportunities, in order to limit the long term burden on the fiscus for public expenditure and to free up much needed state resources'.[29]

- **Port of Maputo:** As the micro-region's *raison d'être* is to link up with the global economy, the port of Maputo is a crucial infra-structural component. Its renewal and upgrading will enable it to play a vital role in reducing transport-related costs for (mostly South African) exporters, thereby improving their global competitiveness and increasing profitability. The private sector is planned to take 67% share in a joint venture with the Mozambican government, expected to total around US$ 170 million.

- **Railway links to Maputo:** Three railway lines run to the port of Maputo and form the rail arteries of the micro-region: the Goba line from Swaziland; the Limpopo line from Zimbabwe and the Ressano Garcia line from South Africa. In principle, a joint venture will be entered into between the four countries involved, with CFM (the Mozambican rail authorities) taking up 33%, other countries' rail operators 16% and the private sector 51%. Rehabilitation of the lines, signal equipment and rolling stock are required after two decades of sabotage by South Africa. The South African parastatal, Transnet, has entered into an agreement, which will facilitate spot upgrading in the interim.[30] Total cost of upgrading the 90 km rail link between Maputo and Ressano Garcia on the South African border is expected to be around US$ 20 million. Seventeen new locomotives and five hundred wagons costing around US$ 80 million are scheduled to be purchased as part of the line's rehabilitation.

- **One-stop border facility:** To facilitate easy access and the flow of goods and people between the two countries, a single border facility has been planned at Komatipoort/Ressano Garcia. This facility will, if all goes well, reduce cross-border

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[26] *'Visions, Goals, Objectives', www.dbsa.org/Corridors/Maputo/sectionc.htm*
[27] *Interim Co-ordinating Committee A Development Perspective: Maputo Development Corridor Pretoria: Government Printer, 1996.*
[28] *'World Bank to Look at Ways of Funding Maputo Corridor', Cape Times (Cape Town) April 3, 1997.*
[29] *'Progress on the Maputo Development Corridor', www.transport.gov.za/docs/annual/section7.html*
[30] *Ibid.*

bottlenecks by providing a one-stop border control procedure. Various departments in South Africa and Mozambique have been meeting to progress the financial approach and other technical details and the border complex is estimated to cost US$ 20 million.

- **Sectoral Investments:** There are a number of very large investments planned and/or under construction. Notable among these are the Mozal aluminium smelter near Maputo worth US$ 1.3 billion, due for completion in 2000; the Pende gas extraction project costing US$ 700 million north east of Maputo, which will pipe gas to Maputo and to South Africa for gas-consuming industries; the US$ 1 billion aluminium plant in Maputo; the US$ 300 million heavy minerals project adjoining Red River near Tzaneen in the Northern Province; and the US$ 300 million ilmenite/magnetite and vanadium project (also near Tzaneen).

4. The N4 toll road

The toll road is 440km long and will extend from Witbank to Maputo. The overall project involves the (selective) rehabilitation and upgrading of an existing 390km route from Balmoral (20km west of Witbank) to Moamba, and the construction of a new, 50km-long route from Moamba to Maputo. The last 90km piece of the road, all situated in Mozambique, is estimated to cost a third of the PPPs overall cost.[31]

The new route will cut 150km off the trip between Gauteng and Maputo, and shorten travelling time to around four hours. It is the most extensive infrastructure project in the MDC. The concession for the toll road was awarded after an open and competitive tendering process was followed. TRAC was awarded the contract as preferred bidder in December 1996. The concession agreement was signed by TRAC in May 1997 with the Implementing Authority (IA) - the Department of Transport in South Africa and the *Direccào Nacional de Estradas e Pontes* in Mozambique. The Sponsor Shareholders, who together will own 40% of TRAC, are Basil Read and Stocks & Stocks (two major South African road contractors), and Bouygues, an international construction company and one of the major road builders in the world. This consortium is known as SBB. The initial works will be constructed over the first three and a half years by SBB.

The road is constructed on a BOT basis, with the concession operating for a thirty years period in agreement with the IA. The overall approach to the toll road is fully in line with the Department of Transport's White Paper, which pledged to seek out new sources for financing of transport infrastructure. According to the Paper, 'concessions for private financing, construction, and operation, such as the BOT agreements concluded for some major national roads, represent a method for addressing fiscal constraints within such a model'.[32] This BOT concept is part and parcel of the PPP philosophy within SDIs. The N4 toll is a particularly good example of this as there will be no government subsidies. The overall project is estimated to cost three billion Rands. After the construction phase of three and a half years, funded through debt and equity raised by the concession company, as well as a certain amount of project revenue, the cost of upgrading, maintenance and operation of the road will be raised from project revenues. This will be in the form of tolling at strategically located tolling plazas (see Table 1 and Table 2). Trevor Jackson, Chief Executive Officer of TRAC, has justified this tolling by commenting that:

> "*Many people are under the false impression that once a road has been built it has been paid for and, is thus used free-of-charge. Ultimately there is no such thing as a free road. Roads require continuous maintenance to ensure that the infrastructure is kept in a satisfactory condition which incurs heavy costs. Inevitably there are insufficient funds available in the government coffers and the recovery of tolls then cover these costs*." (*The N4 Toll Route – The Road of Hope', www.tracn4.co.za/Press%20Releases/Road%20of%20Hope.htm)*

[31] *Business Report (Johannesburg), June 22, 1999.*

[32] *Department of Transport White Paper On National Transport Policy Pretoria: Government Printers, August 1996.*

Table 1: The Cost and Funding required for the Construction of the N4 toll road:

Project Costs (R '000)	Funding for Project (R'000)
Escalated operating costs 170, 818	Revenue 366,479
Capital costs plus escalation 1,393,793	Equity 295,926
Interests during construction 253,635	Debt 1,183,702
Loan fees 27,861	
Total finance to be raised: 1,846,107	Total base funding: 1,846,107

Source: Development Bank of Southern Africa Interim Appraisal Report: Board Summary, Development Programme: Investment Project 10807 - Witbank to Maputo Toll Road Halfway House: DBSA, June 1997, pp. 9-10.

Table 2: Funding envisaged for the N4 Toll Road by the Development Bank

Funding for the Project	R'000	%
Equity	295,926	20%
Total Subordinated Debt	200,000	13%
Non-DBSA Sub-Ordinated Loan	100,000	
DBSA Subordinated Loan	100,000	
Total Senior Debt	983,701	67%
Rand Term Loan	425,978	
DBSA Senior Loan	100,000	
CPI Linked Facility	425,978	
CFD Loan (FFR)	31,745	
Total Funding (excluding revenue during construction and standby facilities)	1,479,626	100%
Other Facilities (revenue during construction)	366,479	
Total	1,846,107	

Source: Development Bank of Southern Africa Interim Appraisal Report: Board Summary, Development Programme: Investment Project 10807 - Witbank to Maputo Toll Road Halfway House: DBSA, June 1997, pp. 9-10

The actual road will vary from single lane to four lanes. Whilst parts of the existing road will simply be renovated, considerable widening, for instance on the road (1.5km) as it approaches Ressano Garcia, will be conducted. In addition, as has been said, a brand new road from Moamba to Maputo is to be built, cutting out the longer 70km route from Moamba *via* Boane to Maputo - providing users with a route shortened by 34km. This has already had a benefit for people separated by the border, and has cut down the amount of time families need to travel to visit one another. Furthermore, the mayor of Komatipoort has taken advantage of improved transport links and negotiated an informal agreement whereby people in Ressano Garcia can now go to hospital in Komatipoort rather than Maputo.[33]

As a non-recourse funded project, financing costs need to be borne by the revenue streams from tolls. TRAC has five toll plaza planned:

- one near Middelburg;
- one at Machadodorp;
- one between Kaapmuiden and Malelane;
- one at Moamba (in Mozambique); and
- one at Matola, just outside of Maputo.

[33] *Interview with Jonathan Mitchell, Economist, Special Projects and Policy Unit, Mpumalanga Province, Nelspruit April 5, 2000.*

Tolling has been accepted by representatives of the road users (the Automobile Association and the Road Freight Association) as legitimate ways to maintain road services. In South Africa, toll road charges cost, on average, R0.20 per km for light vehicles and R0.50 per km for heavy vehicles. This average costing was taken into consideration by TRAC when bidding for the concession.[34]

The tariffs are set jointly by the NRA, TRAC as well as the lenders and shareholders of the PPP and will be increased per annum in line with inflation. This information refers to the South African side, where traffic behaviour models used in the bid were based on South African experience. Tolls on the Mozambican side will replace charges previously incurred at the Mozambican-South African border and will not change the cost of a trip to Maputo. In fact, it was recently announced that road freight companies operating between South Africa and Mozambique will no longer have to pay the R600 duty fee paid at the Komatipoort border when the first two toll plazas in Mozambique are opened in June 2000.[35]

The type of vehicle determines the toll prices. There are four types of vehicles listed for the purpose of toll pricing:

- **Class 1 - Light Vehicles:** These are motor vehicles with no heavy axles Light vehicles include motor vehicles with trailers or caravans. Motor cycles, motor tricycles, motor cars and light delivery vehicles are classified in this category

- **Class 2 - Medium Heavy Vehicles:** Medium heavy vehicles are vehicles with at least one heavy axle. Medium heavy vehicles may NOT have more than one heavy axle.

- **Class 3 - Large Heavy Vehicles:** Large heavy vehicles are vehicles with three or four axles where at least one of the axles is a heavy axle.

- **Class 4 - Extra Large Heavy Vehicles:** Extra large heavy vehicles are vehicles with five or more axles where one or more of the axles is classified as heavy

The toll pricing has been the subject of much controversy. On the South African side, road-users are discontented that they must now pay for using a road that was previously "free", whilst on the Mozambican side, widespread levels of poverty, as well as residual legacies from when Frelimo was socialist, mean that Mozambicans are, in the main, hostile to the whole PPP concept as it relates to the road from Maputo to Komatipoort. Due to protest by local communities, TRAC has introduced a system of discounts for commuter and local users which is below (in some cases substantially below) "normal" fares.[36] The tolls and the attendant discounts are listed in Table 3:

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[34] *Development Bank of Southern Africa Interim Appraisal Report: Board Summary, Development Programme: Investment Project 10807 - Witbank to Maputo Toll Road Halfway House: DBSA, June 1997, p. 7.*
[35] *Business Day (Johannesburg), May 11, 2000.*
[36] *To qualify for discounts at the Middelburg plaza, TRAC requires "commuters" to record at least 30 passages per month, reside and work on opposite sides of the toll plaza and provide proof of residence and place of work. "Local Users" must record at least 5 passages per month, reside within the Witbank or Middelburg magisterial districts and provide proof of residence. At the other two plazas, "local residents" must prove that they live in the local area.*

Table 3: Tolls and the Attendant Discounts

Middelburg Toll Plaza

	Class 1	Class 2	Class 3	Class 4
Commuters	R 5.00	n/a	n/a	n/a
Local users	R 14.00	R 29.00	R 43.00	R 58.00
Normal users	R 20.00	R 40.00	R 60.00	R 80.00

Machado Toll Plaza

	Class 1	Class 2	Class 3	Class 4
Local users	R 2.90	n/a	n/a	n/a
Normal users	R 30.00	R 80.00	R 120.00	R 170.00

Nkomazi Toll Plaza

	Class 1	Class 2	Class 3	Class 4
Residents of Matsulu, Malelane and Kaapmuiden	R 5.25	n/a	n/a	n/a
Residents of Onderberg and Nkomazi	R 12.50	n/a	n/a	n/a
Normal users	R 21.00	R 44.00	R 65.00	R 92.50

Source: TRAC's webpage - www.trac4.co.za

According to the Development Bank of Southern Africa (DBSA), tolls raised on the Mozambican side 'will contribute only about three to four percent of toll revenues and are not significant'.[37] Indeed, it is apparent that South African road users are effectively subsiding Mozambican users of the toll road on the Mozambican side. Not only that, but travellers between Witbank and Middelburg are effectively subsiding other road users further east.[38]

The viability of this as a method to offset costs is dependant upon traffic flows through the various toll plazas. In its planning stage, models were used to test for interest rate fluctuations, construction costs overruns, different traffic projections etc. According to Richard Wainwright of Investec, the models used proved that the project was financially sound.[39] However, there is some confusion regarding the predicated traffic flows, which may well be problematic (see below).

5. Identifiable Problems

When conducting research for this report, the identification of problems was a major aim as a means by which lessons can be learnt for future PPPs in SDIs. A number of problems with the toll road and its overall enabling environment have been identified:

5.1. Expectations

It is apparent that a great deal of high expectations was built around the road project as part of the wider MDC. 'Too high expectations were raised through premature announcements - the build-up was too much'.[40] According to one Mozambican source, the MDC concept was 'over-enthusiastic at the beginning and did not establish legal and institutional mechanisms before the project began'. The conclusion was that it 'would have been much better to wait'.[41] Whilst the

[37] *Development Bank of Southern Africa Interim Appraisal Report: Board Summary, Development Programme: Investment Project 10807 - Witbank to Maputo Toll Road Halfway House: DBSA, June 1997, p. 7.*

[38] *Interview with Jonathan Mitchell, Economist, Special Projects and Policy Unit, Mpumalanga Province, Nelspruit April 5, 2000.*

[39] *South African Transport, vol. 30, no. 334, p. 25.*

[40] *Interview with Gordon Griffiths, Chief Executive Officer, Mpumalanga Investment Initiative, Nelspruit, April 4, 2000.*

[41] *Interview with Dr Alfredo Namitete, Chairman, Committee of Senior Officials, Southern African Transport and Communications Commission, Maputo, April 6, 2000.*

promotion of the MDC was obviously necessary and a certain amount of over-selling was perhaps required, more realistic evaluations of what was possible would have been better advised. Exaggerating the potential and readiness of the MDC to receive investment can lead to disappointment on the part of prospective investors who may be reluctant to return (when the MDC is actually ready for them) if turned away at their first expression of interest. Exaggerating what the PPP contractors can or will provide to the local community is also highly problematic: there is a limitation to what TRAC can realistically do (or be expected to do).

Another, qualitatively different set of expectations which may well impact negatively on the financial viability of the PPP is the difference in traffic forecast (and subsequently, raisable revenue) along the N4. Indeed, there is a huge difference between what TRAC forecast and what the financial lenders forecast. It must be borne in mind that the DBSA believes that the "base case" (*i.e.* the lenders' forecast) will be exceeded, but no one seems sure of this, or the amount[42] (see Table 4):

Table 4: Discrepancies in Traffic Forecast

Traffic Growth	TRAC Consultant	"Base Case"
1997-2005	6.3%	4.5%
2005-2015	4.7%	4.0%
2015-2027	3.9%	3.0%
Revenue		
1996	R163 million	R159 million
2005	R279 million	R242 million
2015	R445 million	R365 million
2027	R710 million	R566 million

These figures were devised using a predicted growth rate in Mpumalanga of 2.5% increase in GDP per annum. TRAC's consultant used a relationship between GDP and traffic growth based on historic data which has been questioned by the DBSA. Indeed, according to the DBSA 'the critical variables are those related to the traffic forecast, namely the base year revenue and the traffic growth. They are the only variables which would independently put the project in default'.[43]

5.2 Maputo Port

The slow manner in which the port at Maputo has been renovated has been a major stumbling block to the success of the MDC and has impacted negatively on the flow of traffic using the N4 toll road - with hugely negative implications for the short-term financial success of the PPP. This is particularly so when the port has been characterised as 'the keyhole to the success of the Corridor'.[44]

Traditionally, the port has carried a huge volume of traffic, servicing the South African hinterland and handling around 14 million tons per annum. However, the destabilisation campaign by South Africa, as well as managerial incompetence, theft and general economic and infrastructural decline, led to a situation in June 1996 where only 1.6 million tons was being handled.[45]

Renovating the port and resurrecting its capacity is thus a crucial aspect of the broader MDC. Unfortunately, there seems to be lack of momentum in reconstructing the port. This has centred around disputes between Spoornet and the Mozambican Ports and Railway Company (CFM) which has slowed down the project. Spoornet had demanded that CFM make a substantial annual payment to Spoornet to cover operating costs, investment and technical assistance in

[42] *Development Bank of Southern Africa Interim Appraisal Report: Board Summary, Development Programme: Investment Project 10807 - Witbank to Maputo Toll Road Halfway House: DBSA, June 1997, p. 8.*
[43] *Ibid, p. 12.*
[44] *Interview with Gordon Griffiths, Chief Executive Officer, Mpumalanga Investment Initiative, Nelspruit, April 4, 2000.*
[45] *South African Transport, vol. 30, no. 334, p. 14.*

operating the Ressano Garcia line. CFM refused and talks were suspended between the two parties.

This impasse has now been broken and a consortium headed by Mersey Docks (37%) and Swedish construction firm Skanska (35%) has now agreed to run Maputo port.[46] This consortium will take over the port in July 2000 and invest over $ 50 million during the first three years of the contract.[47] Yet, it seems strange that the road project (including the introduction of tolling) was rushed ahead whilst the very anchor to the overall MDC lagged behind. Obviously, the N4 PPP needed to go ahead as part of the overall Corridor programme, but without an operating port at Maputo the success or otherwise of the Corridor is profoundly compromised. In this sense the project went about it the wrong way – the port should have first been renovated and brought on-line, *then* the road and other Corridor-associated projects would have fitted into place in a coherent and integrated manner. Tolling an existing road and reconstructing another without tackling the obvious bottleneck does not make sense. Indeed, as it stands the N4 PPP appears to be just a road, and not a development corridor.

Connected to the port at Maputo, the delays could have possibly been avoided - or at least minimised - if a pro-active involvement by the two states had attempted more forcefully to broker a deal, particularly if it had actively facilitated negotiations, recognising the importance the port has for the overall success of the MDC. This relates to a degree to the next point.

5.3. Political support - provincial leadership and role of local politicians

Every interviewee on the South African side expressed dismay and deep disquiet about the provincial leadership in Mpumalanga. This relates to the change in leadership within the province and the ouster of Matthews Phosa as Premier, being replaced by Ndaweni Mahlangu. Phosa was widely seen as being a major political power supporting the MDC and a positive and active spirit pushing forward the project, particularly at the provincial level. According to one report, 'the youthful enthusiasm of the Mpumalanga leadership gave the Maputo Development Corridor (MDC) such momentum that Mpumalanga became widely regarded as the country's most progressive and promising province'.[48]

However, Phosa's replacement following inter-ANC politicking has had a decidedly negative effect on the MDC. This is largely due to the buffoonish activities of Mahlangu: 'his infamous statement that it is sometimes acceptable for a politician to lie has poured scorn on a province which needs good governance to raise its image as one of Africa's most desirable investment destinations'.[49] Mahlangu's capacity as a provincial Premier has been, and remains, under intense scrutiny.

Not only has Mahlangu projected a negative image of the province, with serious implications for investment flows into the province, he has also apparently been trying to undermine the MDC as a means by which Phosa's legacy can be attacked - a decidedly petty activity. One interviewee claimed that Mahlangu was actively trying to derail the MDC as a means to eradicate Phosa's contribution to the province. According to this source, competence and support for the MDC declined massively post-Phosa and there was now a lack of interest and vision in regional integration.[50] This has been a major problem, particularly as a strong and competent provincial involvement is needed in the MDC in order to deal with issues surrounding cross-border co-operation.[51]

The activities of local politicians and their populist grandstanding were also found to be problematic. For instance, it was reported by one (reliable) source that local ANC politicians had addressed meetings where they announced that the government would make sure that local

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[46] *The Mpumalanga and Maputo Corridor Report, Fourth Quarter, 1999, p. 61.*
[47] *Mpumalanga Investment Initiative Insight, vol. 2, no. 1, January 2000, p. 4.*
[48] *The Mpumalanga Report, First Quarter, 1999, p. 2.*
[49] *The Mpumalanga and Maputo Corridor Report, Fourth Quarter, 1999, p. 10.*
[50] *The identity of this interviewee is withheld, for obvious reasons.*
[51] *Interview with David Arkwright, Maputo Corridor Company, Nelspruit, April 12, 2000.*

users no longer had to pay the toll fees. If true, this activity breaks the concessional contract which states that 'any action by the States, the effect of which is to discriminate against this project in relation to other roads and which has a material adverse effect on the rights, interests or obligations of the concessionaire and/or results in any actual or prospective change in the concessionaire's costs or revenues, shall be deemed to be a material adverse government action and therefore the concessionaire is protected against such action'.[52]

Overall, the behaviour and activities of a number of provincial politicians has not met acceptable standards of good governance. This, and low capacity at national and provincial levels in implementing policy has, and continues to threaten to, impact negatively on the MDC and by extension the viability of the N4 PPP.

5.4. Toll fares

Lack of information regarding the tolling process has impacted negatively on local perceptions of the PPP. According to one source, there has been a 'complete misunderstanding of PPP process and who it is for'.[53] This has been compounded by the lack of openness *vis-à-vis* the concession agreement, with one source claiming that the national government refused the provincial (Mpumalanga) authorities access to the agreement.[54] A Mozambican source agreed, asserting that the concession was 'secret' and not publicly available.[55] This may be a residue of the old-style government-by-decree characteristic of the apartheid administration.

But, even with such information, it is apparent that there are public sections who cannot/will not accept the payment of tolls to use the road. As mentioned, those on the South African side see no radical improvements on what was already an acceptable road, whilst those in Mozambique in the main do not have the available capital to pay. Indeed, on the Mozambican side this issue has become particularly acute around the siting of the toll road outside of Maputo (in Matola). One Mozambican source claimed that if the toll plaza was situated between Matola and Maputo (thereby catching daily commuters travelling from Matola to Maputo), then 'serious problems' would emerge, including the possibility of sabotage. Apparently 'all people in Matola are critical of the toll road'.[56]

On the South African side, many local residents are outraged that placing tolls on the N4 will separate them from their schools, jobs and the main shopping centres 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'.[57] 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.[58] This is remarkable in that the prices seem to have been imposed upon locals arbitrarily, with little regard for the social implications of such financial impositions. Though the operators have backed down, it seems peculiar that although the MDC is predicated upon "development", its supposed beneficiaries are sidelined.

It is thus apparent that the TRAC has been placed in a most difficult situation. TRAC is a profit-making enterprise, yet it has had to justify its tolling activities whilst the national and provincial authorities have seemingly melted away into the background. According to one source 'government has effectively pulled out and the project is really in the hands of the private

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[52] *'Interim Appraisal of Contractual Allocation of Risks', cited in Development Bank of Southern Africa Interim Appraisal Report: Board Summary, Development Programme: Investment Project 10807 - Witbank to Maputo Toll Road Halfway House: DBSA, June 1997, p. 24.*
[53] *Interview with Jonathan Mitchell, Economist, Special Projects and Policy Unit, Mpumalanga Province, Nelspruit April 5, 2000.*
[54] *Ibid.*
[55] *Interview with Dr Alfredo Namitete, Chairman, Committee of Senior Officials, Southern African Transport and Communications Commission, Maputo, April 6, 2000.*
[56] *Interview with Domenico Liuzzi, co-ordinator of KULIMA non-governmental organisation, Maputo, April 6, 2000.*
[57] *Mail and Guardian (Johannesburg) June 15, 1998.*
[58] *'Impasse on R2-billion Toll Road Drags On', African Eye News Service (Nelspruit), October 7, 1999.*

sector'.[59] Yet, the PPP concept does not mean a total abdication of responsibilities by the state, either to its social constituencies or, its private sector partners. In fact, TRAC has made numerous concessions to the local communities regarding toll pricing. The tariffs approved by the governments in the bidding process are actually way above what TRAC is charging. This has led to questions of unsustainability being asked, particularly when the traffic flows have been less than what TRAC had predicted in its tendering documents.[60]

In addition, it must be added that civil society has not always responded to invitations to negotiate the implications of raising tolls on roads. According to one Mozambican source, the government called meetings to discuss the MDC but a number of stakeholders did not bother to attend the meetings or came unprepared. These people (primarily entrepreneurs and local companies) now complain loudly at the impact of the MDC on their businesses.[61] It is apparent that dialogue with civil society is a two-way process and more complicated than simply critiquing the state for a lack of engagement.

5.5. Big bang approach - lack of public involvement/consultation

It is apparent that the "fast-track" approach promoted as an integral part of the SDI project(s) is problematic. This is not to say that the philosophy is totally flawed or negative. For instance, the process allowed the N4 PPP to move from the RDP stage to the selection of bidders in eight months.[62] In addition, the emphasis on rapid implementation and the streamlining of bureaucratic barriers to investment, as well as the notion of "one-stop" border formalities and integrated consulting centres (the Mpumalanga Investment Initiative is a particularly praiseworthy venture) all act to stimulate investment. This can only be a good thing. The rapidity that characterises much of the MDC's operations can also be a positive, in that it creates space for considerable innovation and experimentation in directing and then evaluating projects. The parsimonious nature of much of the top-level structures provides a flexibility that may well be constrained in other, more "traditional" joint-venture initiatives.[63]

However, the emphasis on speed precludes serious or in-depth engagement with stakeholders outside of the financial sector. One Mozambican source claimed that a lack of participation by local communities in the toll road process lead to a loss of land with very little compensation and with no job creation. This has led to indignation and opposition against the PPP.[64] This may spring from the overall fast-track approach to the SDI concept. According to one source:

> *The Department of Trade and Industry (DTI), the government's custodian of GEAR and its SDI-offshoots, has taken a hard line and non-negotiable stand on the planning of SDI projects, particularly when it comes to issues of grassroots participation, given the fast-track nature of the SDI processes.*[65]

Mpumalanga's economic affairs department agrees that 'the small man [sic] has not always featured significantly in the Maputo Corridor planning'.[66] Certainly, the implementation of a fast

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[59] *Interview with Jonathan Mitchell, Economist, Special Projects and Policy Unit, Mpumalanga Province, Nelspruit April 5, 2000.*
[60] *Interview with Greg White, Development Bank of Southern Africa, Halfway House, Gauteng, April 14, 2000.*
[61] *Interview with Francisca Henriqueta Soares, transport economist, Mozambican Ministry of Transport and Communications, Maputo, April 10, 2000.*
[62] *South African Transport, vol. 30, no. 334, p. 24.*
[63] *Fredrik Söderbaum 'The Political Economy of Development Regionalism in Southern Africa', paper presented at South African Political Science Association bi-annual conference, Saldanha Military Academy, June 29-July 2, 1999, p. 13.*
[64] *Interview with Dr Alfredo Namitete, Chairman, Committee of Senior Officials, Southern African Transport and Communications Commission, Maputo, April 6, 2000.*
[65] *Dudley Moloi 'There's Logic in SDIs, But…', Land and Rural Digest, vol. 1, no. 1, June/July, 1998, p. 16.*
[66] *Interview with Dr Alfredo Namitete, Chairman, Committee of Senior Officials, Southern African Transport and Communications Commission, Maputo, April 6, 2000.*

track approach in Mozambique has caused problems in an environment where capacity to evaluate the implications of projects is currently limited at the best of times.[67]

5.6 Role/space for informal traders and local communities

This has already provoked tensions between local communities and TRAC. Initially, rural local women were chased off the N4 for trying to sell fruit to travellers. Admittedly, their activity was illegal and was a safety hazard. Nonetheless, it is prudent to recognise that in a province with gross levels of unemployment, it is going to be impossible to prevent such informal activities. For sure, with the increase in traffic flows along this route, the impoverished women felt that they had a right to try and make a living.[68]

Originally, the local council demanded that such activities be licensed and formalised and the women moved to a planned "mini-market". Local women interviewed felt that this would deprive them of potential customers.[69] It must be said that in response to such criticism, TRAC has attempted to solve a number of issues. For instance, a hard-standing area with a slip-off area for vehicles from the N4 will be built, with water and sanitation. This will meet the informal traders demands someway. However, once again the maverick activity of provincial politicians played a role in this process, with local informal traders claiming that they had been promised housing as well as the formalisation of their trading status.[70] Such behaviour is obviously going to contribute to frustration (when the promised housing fails to materialise) and an anti-PPP attitude by local stakeholders.

5.7 Issues of gender in the MDC

Women seem to have lost out thus far in a number of projects related to the MDC. The majority of tenders to build the N4 toll route were awarded to male-managed businesses. The imbalance in female involvement in the micro-region's construction sparked the (South African) Commission on Gender Equality to gauge the empowerment of Black women along the Corridor, with one member remarking that 'sadly, the only industry that appears to be working for women is sex work that has sprung up along the highway, which is unfortunately accompanied by the increase in HIV and AIDS'.[71]

There seems to be no gender policy for the SDI projects. Although there is an affirmative action policy which is supposed to be integrated into SDI projects, gender is not specifically emphasised. Indeed, the two points (out of one hundred) allocated for gender representation in the government points system for the awarding of contracts is trivial. Not surprisingly, provincial government does not seem to have any policies in place to address issues of female involvement in the MDC (on this point however it should be mentioned that Matthews Phosa charged the Commission on Gender Equality to look into the issue of gender in the MDC).[72] All these above points are highly problematic.

The question of employment practice on the PPP project is in fact highly mixed: one contractor seems to have made no real effort to involve women, whilst another has an exemplary record. On this score, SBB has a particularly bad record. At SBB, a total of 1302 permanent and temporary jobs were created (excluding jobs created by subcontractors and casual jobs, which add 773 to the figure). Eight hundred and thirty four (64%) were from local communities (excluding jobs created by subcontractors), but a total of only sixty, or 4,6% were female. A total

[67] *Interview with Francisca Henriqueta Soares, transport economist, Mozambican Ministry of Transport and Communications, Maputo, April 10, 2000.*
[68] *Interviews with informal traders outside of Nelspruit, April 3, 2000.*
[69] *'Doing the Moz Corridor Strip', Mail and Guardian (Johannesburg) June 15, 1998.*
[70] *Interviews with informal traders outside Nelspruit, April 3, 2000.*
[71] *Colleen Lowe-Morna, quoted in 'Multi-Billion Rand Corridor Great for Men, Poor for Women', African Eye News Service (Nelspruit), February 14, 1999.*
[72] *Commission on Gender Equality Executive Summary, Gender Analysis of the Maputo Development Corridor Projects Pretoria: CGE, 1999.*

of 1173 employed by SBB (90%) were from previously disadvantaged communities. TRAC's figures are much better. A total of one hundred and eight permanent positions were created, excluding jobs created by subcontractors. Ninety of these (83%) were drawn from local communities and seventy-nine (73%) were female. Eighty-nine (82%) were from previously disadvantaged communities.[73]

6. Lessons

Fundamental to any successful implementation of a PPP is the commercial viability of the project. The MDC makes economic sense and is potentially workable and profitable (though traffic flows and a lack of other development along the MDC may threaten the N4 PPP). In fact, the very workability of the N4 PPP may be dependent upon the fact that it is being built around an already existing infrastructure and not the actual viability of the PPP approach *per se*.

However, the list of other proposed SDIs is problematic and needs a careful re-thought if PPPs are to be invited. The SDI philosophy and its attendant notion of PPPs is not and should not be, buzzwords or the latest fad. The viability of a number of proposed SDIs is doubtful and should be re-examined. It is axiomatic that good infrastructure bases are needed for any good development project if it is based on the SDI concept. A number of SDIs in the pipeline do not have this and are unlikely to attract substantial or realistic PPP contractors. Impressionistic analysis suggests that the following SDIs are potentially problematic:

- Nacala Development Corridor (Malawi-Mozambique);
- Malange Development Corridor (Angola);
- Lobito Development Corridor (Angola-DRC-Zambia);
- the Namibe Development Corridor (Angola);
- Mtwara Corridor (Malawi, Mozambique and Tanzania).

Obviously, further research on these SDIs is required.

Introducing PPPs requires a favourable macroeconomic climate and a regulatory framework that supports and encourages private sector involvement. South Africa and Mozambique currently have this. However, wayward comments by politicians have at times undermined this confidence. In particular, the manner in which provincial politicians have at times conducted themselves in Mpumalanga is not conducive to a successful SDI and has on occasion directly challenged the whole PPP idea. Future PPPs within SDIs must be 100% backed by national and provincial government and maverick behaviour by politicians and/or public officials dealt with speedily and openly. If this is not done, investor confidence and willingness to engage in PPPs is (understandably) compromised.

The "fast-track" philosophy expounded by key members within the Department of Transport is highly problematic and has lead to difficulties for both the state and the private contractors. This is particularly so when leading members of the Department openly question the relevance of valuable bodies such as the Mpumalanga Investment Initiative and dismiss the notion of clusters to stimulate development within the MDC. Such criticism is supposedly aimed at removing what are perceived to be "barriers" to the fast track approach, but which in reality are facilitators and first point of contact for prospective investors.

It can in fact be said that fast track is the wrong track and leads eventually to the slow track. SDIs should not be about big-bang infrastructure projects, but rather integrated projects that holistically aim to stimulate development within a certain micro-region. Big infrastructure projects undermine the chances of success for SDIs as there is no coherent base to situate them but rather there is a disjuncture between big projects and the rest of the micro-region. The rush to advance the N4 PPP whilst the Maputo port remained at a very low level of operational capacity is a case in point, allowing critics to point out that the project as it stands is simply a road and not generating development at all. Indeed, until the road leads to an operating port and traffic starts

[73] *Figures accurate as of June 1999. Taken from TRAC's FAQ page - www.tracn4.co.za/FAQ.htm#q7*

flowing in appreciable quantities, it is likely to remain “just” a road. Hence, slowness is required. This not only relates to dealing with obvious bottlenecks such as the port, but also *vis-a-vis* in dealing with future problems, which can delay the SDI process as a whole.

Local processes must be accommodated within SDIs and must play a role in PPPs, otherwise popular support for the PPP philosophy will evaporate if it is seen as a means by which the private sector can raise profits with little regard for the social and ecological consequences. This is not to say that the N4 PPP is an example of this, but that the possibility of such perceptions developing does exist and can only be stimulated by an overtly top-down and over-zealous approach to the necessity for speed. The attempt to pull the state out of active involvement with the PPP after its initial fast track facilitating role is also highly problematic and has led to the private sector having to take on a role it is not suited to (nor should fulfil).

Introducing PPPs also requires an active dialogue with civil society so that the public understand (and hopefully) accept the PPP approach. This is especially important when, as in the case of the N4 toll road, charging is involved and the public is being asked to pay for previously “free” services. In this respect, a co-ordinated public relations campaign and educational programme should be part and parcel of any early implementation process. Briefings to the media and concerned parties should be a regular feature as the project progresses. By doing so, the concerns of the public can be heard and answered. Obviously, even after such a campaign has been conducted (and it should be an ongoing process) there will still be persons who will remain unsatisfied. This is largely unavoidable, but an awareness of the problem needs to be there, with competent strategies on how to deal with such actualities in place.

As such, future PPPs need to be structured with great care at the start to make the project requirements, roles and responsibilities clear. This is particularly important when it comes to regulating conflicts of interest. For instance, it is unacceptable that TRAC should be left to defend its tolling policies against members of the public whilst the provincial and national government seem to wash their hands of the issue. It is imperative that administrative and political support must be maintained and commitment at the highest level must be continuous. Communication between the national and provincial must be efficient and regular.

A dedicated and well-resourced team is required to oversee this process - similar to the vision behind forming the Maputo Corridor Company. This team must liase with national and provincial administrations and with the private sector, but must be in a situation where it is free of petty political and bureaucratic interference. It cannot be held to the whims of (at times) unpredictable politicians.

In addition, future PPPs need a firm commitment on the part of the state to provide support for private actors and agree on a set list of responsibilities. The state must not abandon private investors to the vagaries of political opinion: it is not the job of PPP contractors to sort out political problems, rather this should be left to the politicians.

This of course is not a one-way street and the private sector needs to understand its social responsibilities. On this point, it is important to stress that the private sector *does* have social responsibilities and that recent thinking has acknowledged this important fact. It is imperative that both the South African and Mozambican states *compel and monitor and enforce* empowerment and developmental obligations undertaken by contracting capital ventures. A big-bang and then hands-off approach mitigates against such surveillance and needs to be re-thought. By doing so, both the public and private sector will be held accountable to their constituencies and held to social commitments they have already articulated. This can actually benefit the private contractor in the PPP as if it is demonstrated to local communities that the PPP has practical advantages, support is likely to be sustained.

Specific contractual obligations to involve local partners on the ground, particularly those managed by and with a strong labour component comprised of disadvantaged persons, such as Blacks and females, would be vital to any positive spin-offs from private sector involvement. Admittedly, if this is realised the capacity to monitor the social implications of the MDC may well be lacking at certain junctures, but serious attempts to do so are vital. However, the very low level of Mozambican NGO activity *vis-à-vis* the MDC is problematic on this score and needs addressing.[74] The role of international donors may well play a part here.

Opportunities to enlist the support of civil society open up avenues for a serious role for democratic bodies, stimulating accountability in a process that has been marked somewhat by a "democratic deficit". Indeed, the role of an activist civil society is vital for 'governments on their own are unlikely to act to promote the public good unless pressured by their constituencies. It is the people and the NGOs and the eco-development movements, concerned about ecology and development, that [do this]'.[75]

It would be helpful if specifically gender-oriented NGOs or bodies were actively involved in monitoring developments and providing recommendations for the ongoing running of PPPs. Here, the Commission on Gender Equality and the Office on the Status of Women could/should be enlisted to contribute to any future PPP projects. However, this primarily needs to be done at the planning process, perhaps slowing down the "fast-track" approach, but this is necessary if gender representivity is not fated to play continual catch-up to developments on the ground. Social impact studies with strong gender components would be one way this could be achieved. The training programmes instituted by TRAC are laudable. However, it would be better if these programmes concentrated on technical capacity building, rather than life skills courses.

The prospectus for the MDC *does* include admirable developmental commitments and environmental awareness. For instance, the MDC's 'Strategic Context' and 'Vision' states that:

> *The re-establishment of the [Witbank-Maputo] axis will significantly enhance the underlying conditions for development along its entire length...*
>
> *The development corridor will also present opportunities to address the important (corridor and wider regional area) issues of sustainability (natural resource use, refined industrial processes etc), poverty and access to basic needs and social services.*[76]

Future PPPs should and must take this commitment more seriously than the MDC has done so far, and this commitment should not be left to the private sector to play catch-up in order to keep affected constituencies "on side". It is recognised that the N4 PPP is the first - and flagship - project within SDIs. The purpose of this report has been to highlight lessons learnt from the toll road PPP - it is hoped that some of these lessons may be integrated into future PPPs.

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[74] *Interview with Dr Milissão Nvunga, lecturer at the Instituto Superior de Relações Internacionals, Maputo, April 7, 2000.*
[76] *`Key Goals and Strategic Objectives for the Maputo Development Corridor', www.dbsa.org/Corridors/maputo/sectionc.htm*
[75] *Fantu Cheru 'Global Apartheid and the Challenge to Civil Society: Africa in the Transformation of World Order' in Robert Cox (ed.) The New Realism: Perspectives on Multilateralism and World Order Basingstoke: Macmillan, 1997, p. 219.*