

DISCUSSION PAPER No. 277

A political economy analysis of the Nacala and Beira corridors

By Bruce Byiers, Poorva Karkare and Luckystar Miyandazi

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While trade and transport costs in Africa are high, those faced in Malawi are higher than in the wider region. International partners are keen to invest in improving trade and transportation, with a view to promoting socio-economic development in the region, but trade and transport are highly political in both Malawi and Mozambique.

This study maps out the different factors and actors that shape current use of the Nacala and Beira corridors connecting Malawi to the Mozambican coast. High-level political relations have fluctuated through time, and though cordial, do not provide a solid basis for improving efficiency along the Nacala rail corridor, with domestic priorities on both sides dominating cross-border cooperation. Thus far, Beira has emerged in Mozambique as the more efficient port serving Malawi and the wider region where state-business relations have aligned with political objectives. Nacala has been made efficient for coal exports but coordination for other trade is lacking, with political interests more geared towards a competition for control of rents. Mozambican road transporters have also the upper hand over Malawian transport, though the market is highly segmented for imports and exports and different goods.

External support to improve efficiency will need to take account of the vested state-business interests round the ports and corridors, particularly in Mozambique, and rekindle multi-actor cross-border coordination mechanisms, ideally including different government bodies, private service providers as well as businesses engaged in exports/imports, and learning from past failures to coordinate better.

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Any errors remain the sole responsibility of the authors. The views expressed do not reflect those of ECDPM, or TMEA. For comments and feedback please get in touch with Bruce Byiers (bby@ecdpm.org).

Acronyms

AfDB	African Development Bank
BAGC	Beira Agricultural Growth Corridor
BCA	Beira Corridor Authority
CDN	Northern Development Corridor (Corredor de Desenvolvimento de Norte)
CEAR	Central and East African Railway
CFM	Ports and Railways of Mozambique (state-owned enterprise)
DfID	Department of International Development
DRC	Democratic Republic of the Congo
ECDPM	European Centre for Development Policy Management
EIB	European Investment Bank
EU	European Union
FDI	Foreign Direct Investment
FISP	Farm Input Subsidy Programme
FRELIMO	Mozambique Liberation Front
GDP	Gross Domestic Product
JICA	Japan International Cooperation Agency
LNG	Liquefied natural gas
MECTS	Mozambique Electronic Cargo Tracking Services
MoU	Memorandum of understanding
MRA	Malawi Revenue Authority
NDC	Nacala Development Corridor
NEPAD	New Partnership for Africa's Development
RENAMO	Mozambique National Resistance
RISDP	Regional Indicative Strategic Development Plan
SADC	Southern Africa Development Community
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SDCN	Northern Development Corridor Company
SDI	Spatial Development Initiatives
TEU	Twenty foot Equivalent Unit
TMEA	TradeMark East Africa
TN	Terminais do Norte
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development

Executive Summary

High transport costs affect economic competitiveness in Malawi. However, despite the fact that rail transport to Nacala in Mozambique is cheaper than other alternatives, traffic on the railway has not picked up as traders prefer other routes.

This study maps out the different political and economic interests and incentives that shape current use of the Nacala and Beira corridors. It addresses the following question: What actors and factors support or constrain the Nacala and Beira corridors in operating as transport/transit corridors for Malawi (and neighbouring countries)?

Malawi has a small economy and as such represents a small part of the hinterland countries served by Mozambican ports. While the port of Beira is a truly regional transit hub, catering to neighbouring Zambia, Zimbabwe and even southern Democratic Republic of the Congo in addition to Malawi, the port of Nacala mainly caters to the city of Nampula inside Mozambique and cargo from Malawi is a small proportion of the total cargo handled.

Malawi's exports, consisting mainly of agricultural products, are better handled at Beira which has built up specialised services and warehousing facilities, than at Nacala where freight is dominated by extractive resources, particularly coal. At the same time, Malawian cargo to/from China is better served through the port of Durban in South Africa given better connections.

While Beira has seen a continuous rise in cargo handled over recent years, the same cannot be said of Nacala - despite investments in the rehabilitation of the railway line and new road to Nacala. Inefficiencies with the railway line, despite continuous improvements, do not yet make it an attractive option for businesses. Moreover, Beira port seems to be more professionally run compared to Nacala, leading Malawian businesses to prefer their established routes until Nacala offers a *better* alternative.

Malawi's imports far outstrip exports, leading to a segmented transport market. Import freight tends to be carried more by Mozambican road transporters through outsourcing by freight forwarders and shipping lines, implying more trucks and thus more competitive rates to Malawian exporters on their backhaul. Nonetheless, export freight is predominantly carried by Malawian transporters, who however charge higher prices to carry freight given their more limited access to backhaul at port and regular empty return journeys. The general picture of road transport operating from Beira in particular is of a relatively small group of large, professional trucking services essentially dominating the market, though several small subcontractors also exist.

Apart from these structural and operational reasons, political relations between the two countries, while not hostile, have varied through time, depending on the personalities in the presidency. Though transport corridors linking Malawi's production hubs to ports in Mozambique are considered a priority on paper and Beira and Nacala feature as 'priority' corridors in the SADC region adopted Spatial Development Initiative there do not appear to be any champions pushing for greater efficiency, especially in Nacala. Malawian presidents have also pushed for a waterway connection to the coast through the Shire River Waterway Project, against Mozambican wishes. Though a Nacala Corridor Agreement was signed in 2000 by the Presidents of Malawi and Mozambique, with Zambia subsequently also joining in 2003, it was only in 2017 that this began to show real traction.

Political priorities and systems *within* these countries are also important to understand the context in which respective corridors have developed - the level of contestation within the ruling coalitions, and vulnerability

to outside political forces combine to shape the incentives of political and economic elites whether in economic policy more generally, or more specifically in relation to time and financial costs to trade along the two corridors. A key question for this work is therefore whether current forms of rent seeking and distribution in the two countries help or hinder trade and transport efficiency around the two corridors

In Malawi state-business relations are characterised by a systematic failure to distinguish state resources from ruling party, or even private resources. The government's Farm Input Subsidy Programme (FISP) has become an expedient vehicle to win votes. Even though the smooth supply of fertilisers is a priority, it is also a means of patronage with politically connected transport firms winning contracts. A recent circular recommending minimum haulage rates in order to secure the market share of national transporters shows that protection of Malawian truckers, more than reduction in prices, seems a concern for the government.

In Mozambique, political interests are entrenched in several links of the transport chain. The discovery of natural resources, and the related "resource curse" (the expectation of windfalls) have further intensified tendencies towards unproductive rent-seeking behaviour and weakened state institutions. Transport linkages and firms in and around Beira and Nacala are thus inherently linked to the ruling party's interests. The growing insurgency in the North remains a serious risk. Not only could it put the large investments in natural resource extraction at risk, but it could yet again create uncertainty among businesses from the hinterland countries who depend on Mozambique for their trade.

Looking specifically at the ports, political and economic interests have somewhat aligned to improve efficiency at Beira, while in Nacala these interests have been more focused on political opportunism. But other differences have also been important. The relative importance of transit cargo at Beira has created pressure to increase efficiency more than in Nacala where it mostly serves the domestic market. Even though the railway via Nacala port is cheaper and closer for Malawian trade, there has not been a substantial shift in goods being carried by the railway line due to indirect costs like unreliability, insecurity (theft) and quality losses. Moreover, efficiencies at the port and limited number of ships calling on Nacala increase the overall costs for using the corridor.

Professionalisation at the port of Beira is thus reportedly higher than in Nacala, further aided by the generally strong business community pushing for their interests. This alignment of political and business interests is currently lacking in Nacala. Moreover, vast anticipated natural resource rents risk increasing political competition for rents around Nacala, undermining attempts to promote efficiency.

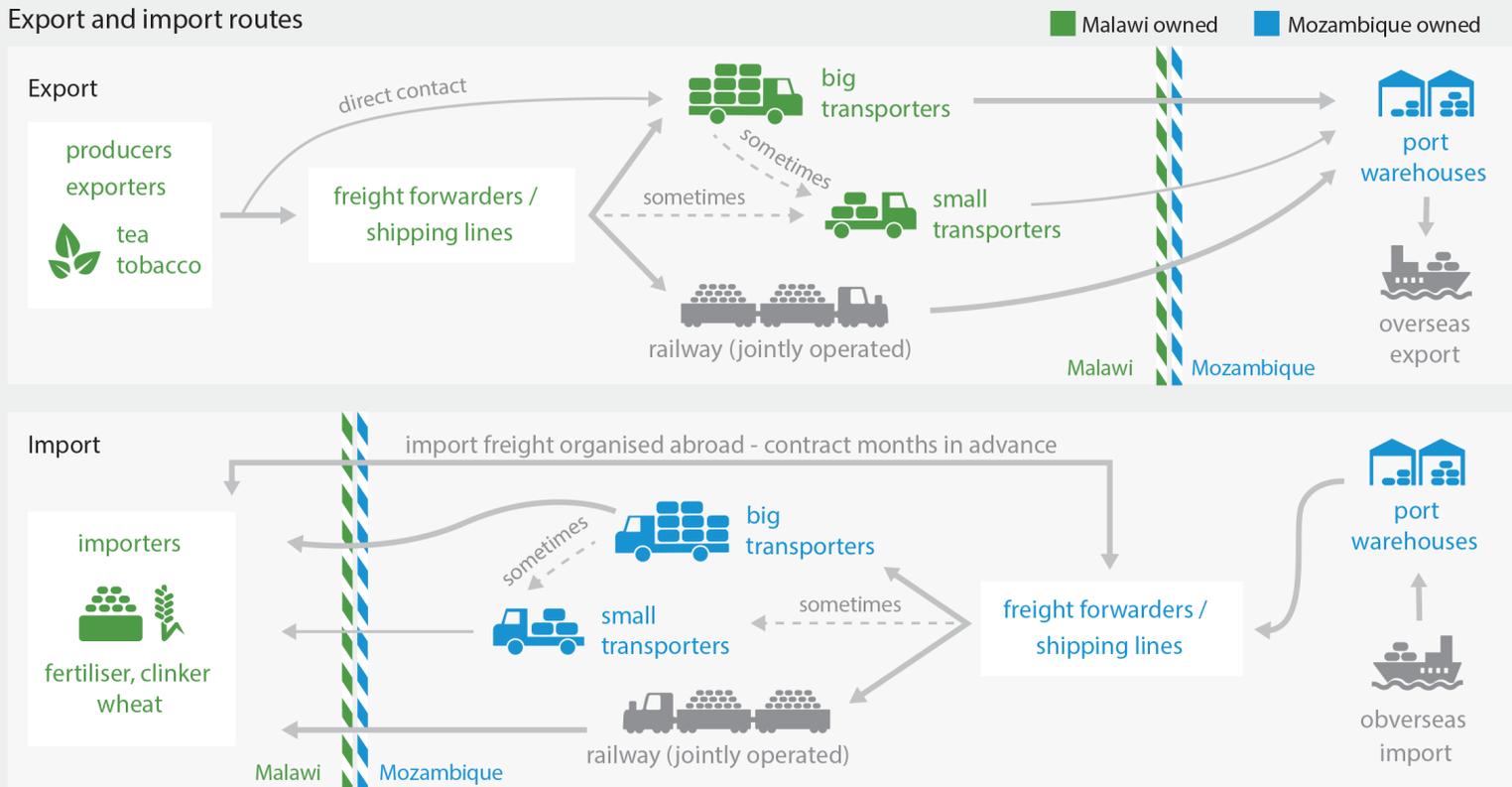
Given the numerous players and services involved in the transport sector, cross-border coordination will be required to raise efficiency of the corridor - the need for this is only increased by the COVID-19 pandemic. Coordination efforts are underway in Beira, but are less apparent in Nacala. While transport in both countries is a political issue, it is unclear whether raising efficiency is among the top priorities of the leaders or high-level actors on either side, though this may change with the newly elected Malawian president. In the absence of a champion that can coordinate activities and push for particular interests, one can only expect incremental use of the Nacala corridor in the short to medium term though the longer-term potential remains.

TRANSPORT DYNAMICS BETWEEN MALAWI AND MOZAMBIQUE

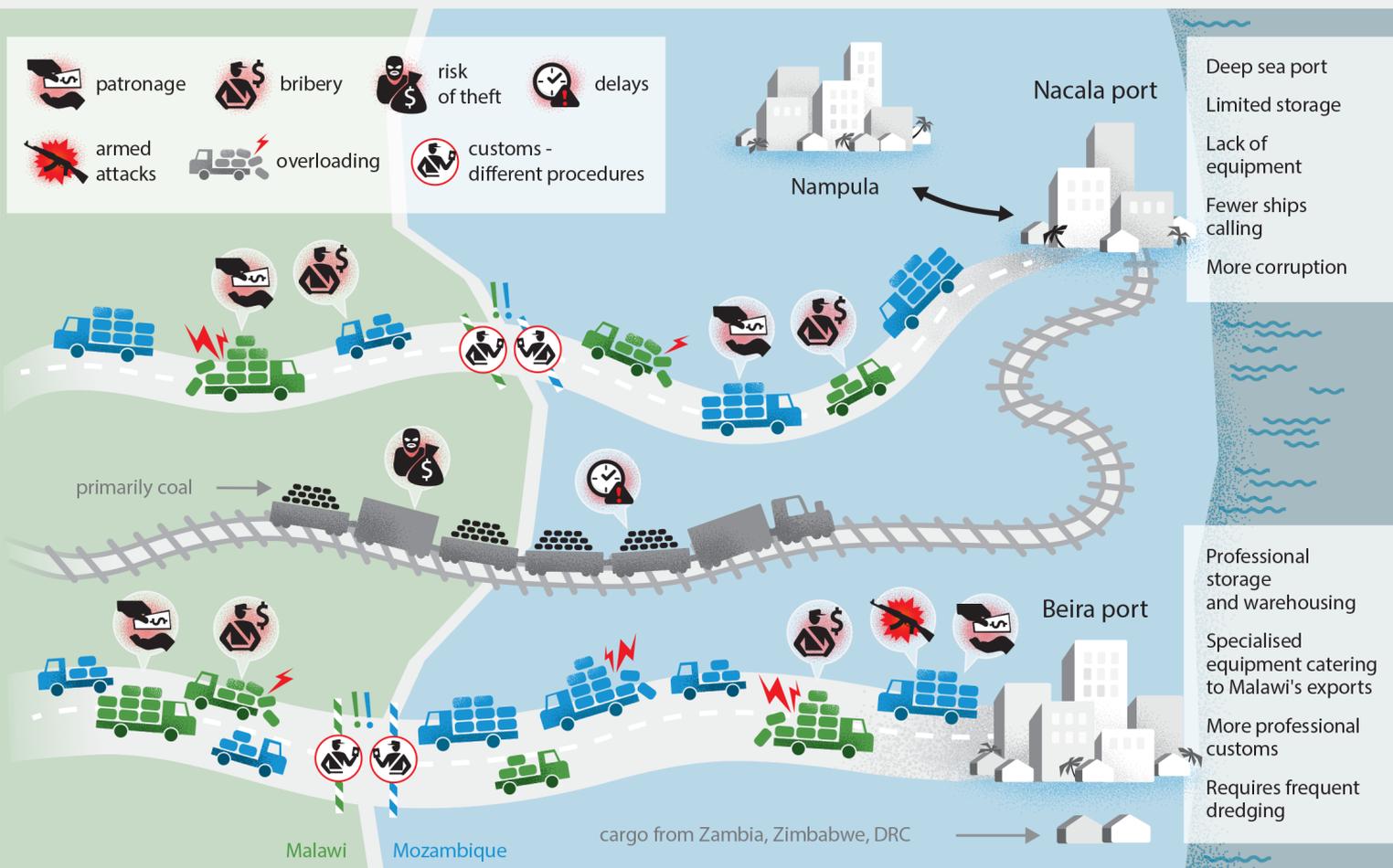
High level relations



Export and import routes



Corridors in practice



1. Introduction

While trade and transport costs in Africa are generally higher than other parts of the world, those in Malawi are higher than the wider region. Recent analysis suggests that the cost of transport from Malawi by rail to Nacala in Mozambique is markedly cheaper than other available transport corridors. Yet, trade data for Malawi's main exports and imports suggest that traders favour Beira in Mozambique, Dar es Salaam in Tanzania, and Durban in South Africa, despite higher costs and longer distances. This represents a puzzle.

International partners are keen to invest in improving trade and transportation, with a view to promoting socio-economic development in the region. Donors such as the World Bank, DfID, and donor-financed vehicles like TradeMark East Africa (TMEA), believe that investments to reduce transport prices along the Nacala corridor in particular would help encourage greater trade volumes, higher investment around the corridor, greater economic diversity and therefore economic transformation with more and better employment opportunities in Malawi, Mozambique (and neighbouring countries).

At the same time, there is recognition that trade and transport issues are highly political in both Malawi and Mozambique. This has implications for how external support to reform trade and transport practices to encourage use of the Nacala corridor, might work in practice.

This study aims to map out the different factors and actors that shape current use of the Nacala and Beira corridors. Specifically, it aims to address the following question: *What actors and factors support or constrain the Nacala and Beira corridors in operating as transport/transit corridors for Malawi (and neighbouring countries)?* It seeks particularly to understand the role of state-business relations, and how these either support or undermine attempts to improve transport efficiency.

The following key points emerge from the analysis, further developed in the conclusions:

1. Political relations between Mozambique and Malawi have fluctuated a lot through time, since before independence. Though not directly impacting current trade and market integration efforts, neither does it provide a solid basis of trust and shared leadership on which to build.
2. Mozambican government policy has been focused on megaprojects and minerals since the late 1990s, affecting trade and transport priorities. Coal clearly dominates the Nacala rail line in trade volumes reflecting current political attention to extractive resources at the national and local levels. Beira seems better positioned economically and politically to serve Malawi and the wider regional hinterland, with port and partners actively marketing themselves to do so.
3. Though FRELIMO (ruling party) elites are heavily involved in the concessions around the Beira and Nacala ports, for Beira this has largely led to an efficient alignment of business and public interests. That does not yet seem to be the case in Nacala. That is, existing forms of rent creation and distribution seem to support Beira corridor efficiency while undermining them in Nacala. Beira is predominantly a transit port for the wider hinterland, also raising incentives to improve efficiency above those in Nacala, which currently caters more to the domestic market. Even with recent changes in government and ownership structures, port inefficiencies beyond the coal sector still undermine Nacala's potential role as a regional corridor, though the direct connection between party individuals and investments is lessening under President Nyusi.

4. Though there have been memoranda of understanding and high-level discussions through the years, neither the Malawian government nor private sector actors are actively pushing for improved trade links through the Nacala railway line. This possibly relates to heavy political involvement in Malawian trucking and its beneficiaries that would stand to lose out (see Kelsall, 2020) even though Malawi truckers are already generally losing in competition with Mozambican truckers on road corridors.
5. Malawian importers and exporters appear to prefer their more established routes, particularly to Beira - for tea and tobacco exports, though several express themselves to being open to Nacala if it can improve. This relates to path dependency, facilities that have been created in Beira for storage and processing, and issues of *overall costs* to move goods, not just those for the transport leg.
6. Though Beira seems to come out as the beneficiary of current political economy dynamics, there is nonetheless some demand for greater efficiency along the Nacala corridor. This includes economic incentives - for bulk imports like fertilizers, wheat, clinker and so on - to provide a viable alternative to Beira as it gets congested with overstretched trucking capacity in the high season. There is also political pressure in Mozambique to ensure a functioning transport link in the province of Niassa, which recently has seen swings to the opposition in elections. Nevertheless, opportunism in state-business interests continues to dominate the reality of corridor development.
7. Both corridors have seen attempts to improve multi-stakeholder coordination, often supported by a wide range of international partners - with multiple memorandums of understanding (MoUs), stakeholder meetings, and corridor initiatives launched around them since the 1990s. Most have struggled to continue, likely due to dispersed political and economic interests, changes priorities of political elites in both Malawi and Mozambique, as well as mineral discoveries and growing import-export markets.

These broad findings only provide a first overview of the political economy context of efforts to promote trade along the Nacala corridor. Each future reform will face a specific subset of the interests and incentives discussed here, thus requiring more detailed attention. Efforts to go beyond coal in the Nacala corridor will therefore require more detailed understanding of the specific interests and incentives around the existing rail sharing agreement, overcoming coordination failures so that greater demand for efficiency translates to pressure for delivery, and above all, an awareness of the shifting political sands between and within both Mozambique and Malawi.

Importantly, this research and interviews were done before the COVID-19 pandemic reached African shores. Since the outbreak, there have been new developments, some of which are discussed in the conclusions. While it may not change the underlying political economy dynamics in the sector in the short-term, and in spite of clear health and economic impacts, the unfolding COVID-related dynamics should nevertheless be considered when reading this analysis.

The remainder of this study is organised as follows: Section 2 looks at relations between Mozambique and Malawi in terms of trade and transport dynamics today as a starting point, before discussing the structural factors that shape this, and political relations. From looking at *between country* relations. Section 3 looks at *within* country political economy dynamics for Malawi and Mozambique, highlighting the overlaps of state-business relations and how these impact on trade and transport relations. Section 4 zooms in further on the actors and factors that shape trade and transport along the Beira and Nacala corridor. Section 5 concludes with key takeaways to be taken into consideration in engaging in future trade facilitation initiatives.

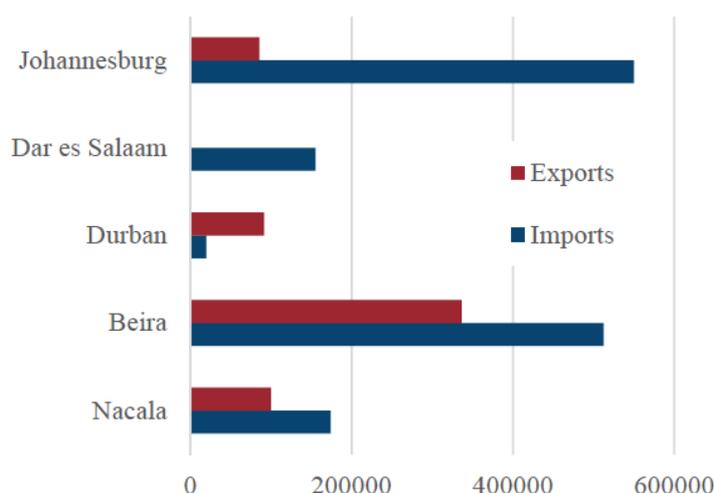
2. Mozambique-Malawi relations

2.1. Current context: trade and transport

Malawi faces higher transport costs than other countries within the Southern African Development Community (SADC) region. Compared to the average cost in the region of US\$7 per ton per km, in Malawi this reportedly ranges from US\$7 to US\$10 (JICA, 2019). These high costs translate into other competitive disadvantages for Malawi. For instance, fertilizers cost about 25% more in Malawi than Zambia, even though both countries are landlocked, with 60% of the price differential explained by the high transport costs in Malawi (Ncube et al., 2015).

Though Nacala Port is the closest to Blantyre and Lilongwe the most cost-effective on paper, it is not the favoured route for Malawian imports and exports.¹ Rather, as seen in Figure 2 (with data from 2015), the majority of *imports* seem to come through South Africa, closely followed by Beira, while *exports* are majoritarily through Beira.²

Figure 2: Trade volumes for Malawi's main exports and imports by transport routes (2015, in tons)



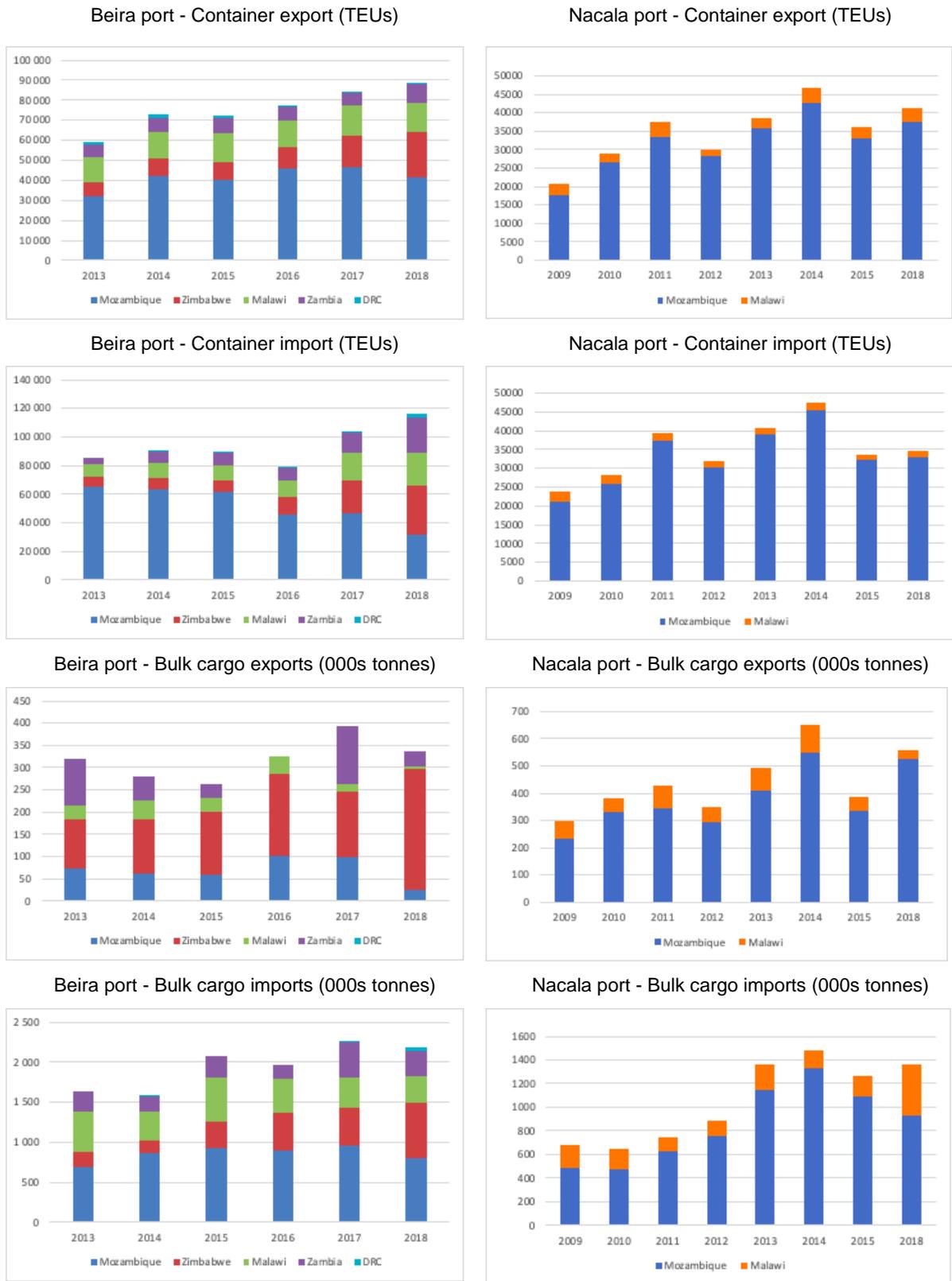
Source: Ksoll and Kunaka (2016)

As Figure 3 below shows, Beira handles almost 3 times more container cargo and at least 25% more bulk cargo in 2018 - and has also been growing faster than Nacala. Both ports handle a lot more imports than exports reflecting the economic structure and imbalance of these countries. Malawi accounts for about 17% of container, and 13% of bulk exports and imports transiting through Beira port, behind Zimbabwe or Zambia (USAID, 2018b). Much of the cargo from Malawi to Durban shifted to Beira following improvements in the efficiency of the port (Vilakazi and Paelo, 2017). In Nacala, the proportions are even lower at 7% for container exports and imports, though Malawi does account for about a quarter of the total bulk exports and imports.

¹ According to a recent JICA study (cited in USAID, 2018a) Nacala-Blantyre connection with the rail is 78% less expensive than bringing cargo to/from Beira, 40% less expensive than to/from Dar es Salaam and 39% less expensive than to/from Durban.

² While we did not receive data from the Malawi Revenue Authority (MRA) in response to our request, anecdotally there does not seem to be much change in the overall distribution of ports used by Malawi's traders since the data in Figure 2 was recorded.

Figure 3: Comparing cargo handling at Beira and Nacala



Source: Cornelder cited in USAID (2018b)

Source: CDN/CEAR

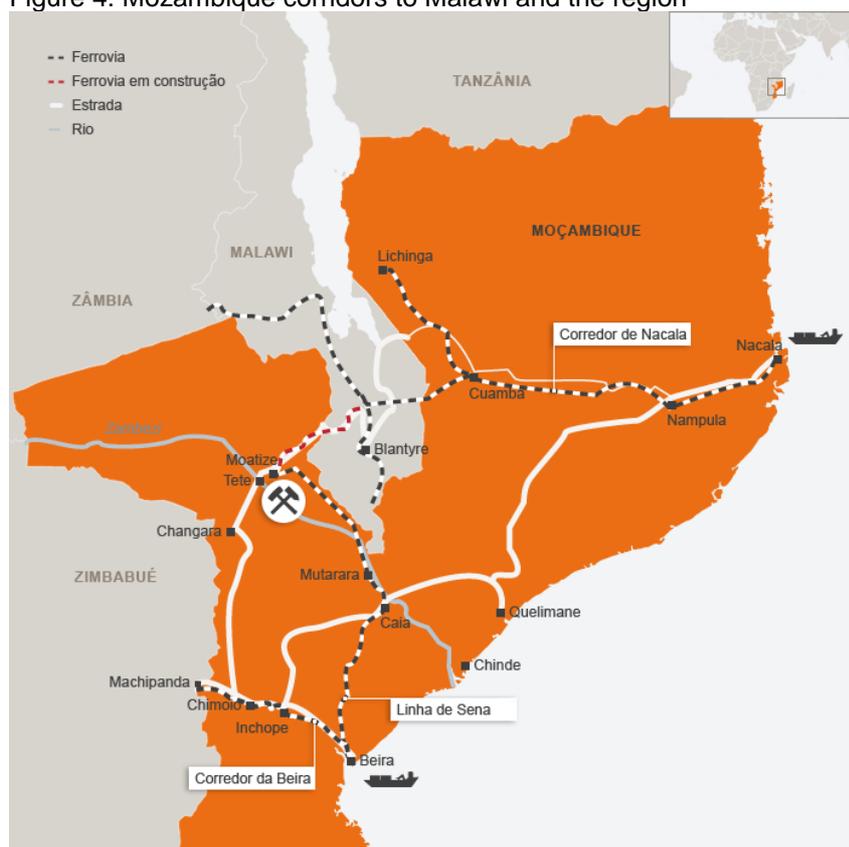
The question then is why shippers do not make more use of Nacala. By understanding what drives the current corridor usage, this paper aims to better understand the barriers for Malawian shippers to switch to Nacala, and thereby better inform external partners engaged in the area.

2.2. Structural factors affecting corridor use

A range of structural factors shape the use of the Beira and Nacala corridors. These can support or undermine the potential effects of trade facilitation measures to increase Malawian trade through Mozambique, and thus help shape both the institutional setups but also the behaviour of different actors along the corridors.

The connections from Mozambique's ports to hinterland countries are famously much better than its North-South connections. The Beira Corridor links Beira in Mozambique to Zimbabwe and Malawi by road and rail, but also Zambia increasingly Democratic Republic of the Congo (DRC) by road (interview, PO1). The Nacala corridor, predominantly built around rail though road conditions are improving, connects Nacala port to coal fields in Tete province in Mozambique, passing through Malawi. These historical, transversal linkages have, since the 1990s, been the basis for a policy of corridor development in Mozambique linking Maputo, Beira and Nacala to their hinterlands, where Beira and Nacala represent the closest ports to the economic centres in Malawi of Lilongwe and Blantyre (Figure 4).

Figure 4: Mozambique corridors to Malawi and the region



Source: Bnamericas, 2017

The distances from Malawi to Beira and Nacala are markedly shorter than the alternatives of Durban and Dar es Salaam. Table 1 below indicates the distances (in km) from Lilongwe and Blantyre to the main ports. Their historical role and geographical proximity, combined with lower prices, suggest a good basis on

which to invest in trade facilitation measures to draw traffic from the more distant ports of Dar es Salaam and Durban.

Table 1: Distance to main ports

Port	From Lilongwe (km)	From Blantyre (km)
Beira	1,194	846
Durban	2,678	2,323
Nacala (Rail)	1,085	959
Dar es Salaam	1,667	2,031

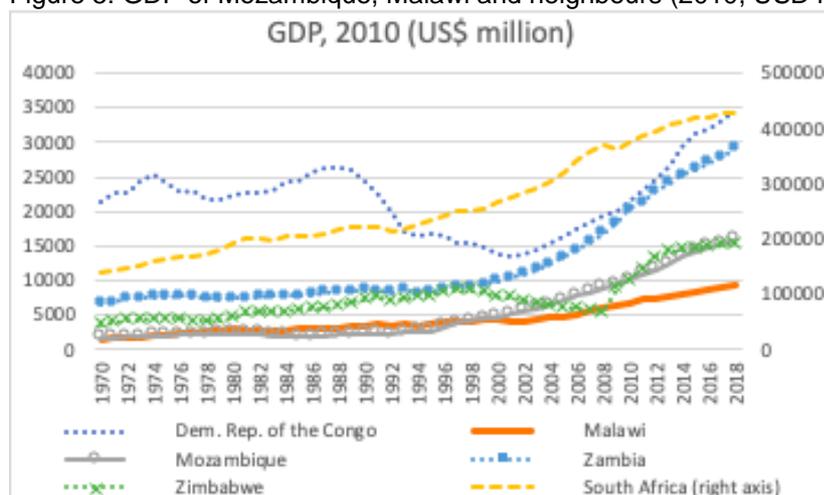
Source: World Bank (2014) pp77

The importance of Malawian trade in Mozambique

However, Malawi’s economy is small, growing slowly, and concentrated in a small number of products. Per capita income grew at just over 1.5% between 1995 and 2014, below the average of 2.8% for non-resource-rich African economies, making it an outlier even among similar countries (IMF, 2017). Agriculture accounts for about a third of the Gross Domestic Product (GDP), and for the livelihoods of some two thirds of the population (World Bank, 2019). Malawi’s main exports are tobacco (US\$688mn), tea (US\$87mn), and macadamia and groundnuts (US\$53mn) (World Bank, 2019), though the latter is more for the regional market according to several interviews. Sugar which used to be a major export has seen significant decline in recent years (Ibid.).

Malawi is only a small part of the sub-regional economy, as Figure 5 shows. While Mozambique and Zimbabwe have similarly sized economies, Zambia and DRC are much larger; Malawi trails considerably. Given that Zimbabwe, Zambia and Malawi all have similar populations of around 13 million (compared to Mozambique’s 20 million), Malawi represents, though important, a more limited market.³

Figure 5: GDP of Mozambique, Malawi and neighbours (2010, USD million)



Source: UNCTADstat

³ Population statistics based on: https://en.wikipedia.org/wiki/Southern_African_Development_Community

Their locations mean that Beira and Nacala ports compete for wider hinterland traffic, of which Malawi is only one part. Thus, whereas Nacala serves Malawi, as well as the highly populated Mozambican hinterland provinces of Nampula and Zambezia as well as Niassa (e.g. Selemane, 2017), Beira can take advantage of international connections to Malawi, Zambia, Zimbabwe and beyond to DRC and Botswana, therefore benefiting from economies of scale from considerably larger potential trade flows.

Relatedly, the markets being catered to also matter. Given the relative importance of transit cargo in Beira (accounting for two-thirds of the total cargo handled - interview, SH1) the pressure to improve efficiency may be more explicit, since businesses would otherwise switch to other ports. By contrast, Nacala predominantly caters to the domestic market (over 80% of the cargo - interview SH1). As such, other political interests have taken precedence over efficiency concerns as is shown in the rest of the paper.

From Malawi looking out

Malawian businesses have various options for importing and exporting goods beyond the Mozambican short routes. In 2016, about 60% of Malawi's transit cargo, which includes exports as well as imports, went through Beira and to some extent Nacala corridors (USAID, 2018b), while Durban/Johannesburg accounted for about 30% of the flow, and Dar es Salaam 10% (Vilakazi and Paelo, 2017).

Transit cargo has an import bias i.e. there is more cargo moving inland than going towards the ports. In Beira for every 100 tonnes of imports, there are only 40 tonnes exported. The ratio is even lower for Dar es Salaam and Nacala, at 30 tonnes of exports for every 100 tonnes imported. These structural imbalances also shape the context in which transport companies operate, the prices available, and thus the calculations shippers use on which corridors to use. Clearly that also impacts on how improvements on the Nacala rail corridor might affect its use.⁶

A significant proportion of Malawi's transit imports (36%) comes in from Durban, not including South Africa's exports to Malawi. This may be linked to the fact that there is a greater number of ships calling per week at Durban (80) compared to Beira (20) as well as specific customer preferences (Ibid.). Moreover, ships from China do not directly call at any of the ports in Mozambique. Given the flexibility and large fleet of South African transporters, it may be easier to import in large quantities (and secure a better price) before transporting it to Malawi.⁷ This then offers cheaper backhaul transport prices. Similarly, Chinese construction companies reportedly source all their imports from the port of Dar es Salaam with active assistance from MRA (interview, PS3), presumably because there are direct calls from China to the port. Recent reintroduction of cabotage in Mozambique, meaning shipping services along the coast from port to port, could potentially displace some of the traffic from Malawi going via Durban if it is cheaper and/or faster than road transport to Durban as is currently the case. In such a case, road transporters may face further competition.

The dynamics in the freight forwarding and shipping lines business have also meant that there is a segregation in the export and import market. With a vertically integrated business model, freight forwarders and shipping lines also provide trucking services, or outsource it to transporters and agents close to the port who can provide expedited services. This has resulted in a segmented trucking market with imports to Malawi increasingly contracted to professional Mozambican companies, who can then offer cheap return trips. The reliance on South Africa-focused imports also creates a similar imbalance story that distorts

⁶ It was pointed out in one of the interviews that the import bias in Nacala has intensified in recent years (PE1).

⁷ We do not have information on what products come via Durban, a request was made to Malawi Revenue Authority in this regard to which we had no reply.

the market, with Malawian truckers essentially losing out, even if the exports are mostly carried by Malawian transporters.

Other structural factors like language differences might be expected to undermine trade relations with Mozambique in favour of Tanzania or South Africa. However, practically it does not seem to represent a major barrier (e.g. interview, PE2).⁸

2.3. Tortuously changing political relations

Beyond these structural factors, the political relations between Malawi and Mozambique have fluctuated through time, affecting the level of trust and political prioritisation given to improving trade flows. In a series of “tortuous changes of political direction”, Malawi’s President Banda from 1964 to 1994 withheld support from FRELIMO in their war against the Portuguese (Newitt, 1995) and hosted anti-FRELIMO movements after independence to counter their socialist collectivisation process, and arguably in the hope of connecting Malawi to the coast (Chichava, 2013);⁹ Malawi was also the first and only African country to maintain relations with apartheid South Africa, allowing South Africa to use Malawi in supporting the destabilising RENAMO forces in the early 1980s (Finnegan, 1992).¹⁰

Though historical, these relations still shape trade and transport connections today. Banda’s assistance to the Portuguese military helped obtain the railway from the border at Nayuchi in Malawi to the coast at Nacala in 1970, funded with South African capital (Hanlon, 1986), adding to the existing route to Beira (Perry, 1971). Interviewees cite how the Nacala Corridor used to be the most important import and export route for Malawi until the 1980s (e.g. PS1, PS4), also confirmed by JICA (2015a). Nonetheless, underlying tensions are still cited in interviews along with the veiled desire of Malawian politicians to “break the curse of being landlocked” (PE4).

The Mozambican civil war effectively sealed off both the Nacala and Beira corridors from the mid-1980s. Malawi’s trade partners also changed; tobacco crop development moved north, and Malawi became more economically integrated and dependent on South Africa for imports and exports, making long trucking routes a sustainable option (World Bank, 2004).

Attempts to improve the Nacala and Beira corridors built on the success of the Maputo Development Corridor in the mid-1990s, a post-civil war/post-apartheid rapprochement between Mozambique and South Africa. With this, the corridors approach gained traction in Mozambique and the region. SADC adopted the initially South African Spatial Development Initiatives (SDI) approach, where the Beira and Nacala corridors featured as ‘priority’ corridors (e.g. World Bank, 2004, pp54). At a similar time, a Zambia-Malawi-Mozambique growth triangle initiative was launched in the Southern African sub region by the United Nations Development Program (UNDP) in collaboration with the United Nations Economic Commission for

⁸ Though mentioned by some in interviews as a challenge to understand official documents written in Portuguese (PS1, GV1), others report that most of the freight forwarders, shipping agents, and truck drivers speak English even on the Mozambican side (PT1, PT2, GV2, PS2), while interpreters are also often available or employed in-house (FF2). Further, for informal traders and truck drivers, communication can also be through Chichewa, spoken in Malawi and the border areas with Mozambique. Still, some interviewees indicated a strong preference at times for the use of the Port of Dar-es-Salaam given the ease of communication through both English and Chichewa (PE2).

⁹ Banda harboured the ambition of uniting the north of Mozambique into Malawi, which was part of the ancient Maravia empire. For more see Taju (1988).

¹⁰ RENAMO is now the biggest opposition party in parliament.

Africa (UNECA) Southern Africa Office in 1999, an effort that has periodically been revisited and framed investments in and around the Beira corridor from partners such as DfID, the World Bank and the AfDB.¹¹

Under president Muluzi (1994 to 2004), relations with Mozambique improved. Nonetheless, two meetings in 1998 and in 2004 to promote the Nacala Development Corridor (NDC) were seen by some Malawian politicians as only benefiting Mozambique (interview, PE4).¹² A Joint Ministerial Committee on the Nacala Development Corridor met in 1999, setting up the basis for a joint technical committee of government officials from various ministries and government agencies to meet on an annual basis to discuss issues of how to improve transport through the Nacala corridors (interview, GV1, GV2).¹³ Though unclear what coordination activities the committee has undertaken, it was suggested that for a time it was unclear who their counterpart on the Mozambican side was (interview, GV1). Though a Nacala Corridor Agreement was also signed on 28 September 2000 by the Presidents of Malawi and Mozambique, with Zambia subsequently also joining, it was only in 2017 that this began to show real traction.

Bingu wa Mutharika, elected in May 2004, instead sought to advance the Shire- Zambezi waterway project to provide Malawi with direct access to the sea. An MoU was signed, committing the parties to carry out an assessment of the viability of the project. Beyond that, however, Malawi reportedly sought to pressurise Mozambique to agree to the project through support from other African leaders at meetings of the African Union, Southern African Development Community (SADC) and New Partnership for Africa's Development (NEPAD).¹⁴ This overlapped with the presidency of Guebuza in Mozambique, from 2005 to 2015, who refused to participate in a unilaterally launched trial of the river barge system.¹⁵ The situation escalated further with the Mozambican authorities impounding the Malawian barge and detaining four Malawians in it for navigating without authorisation (Kayuni et al., 2019).

Joyce Banda's presidency (2012, to 2014) again brought warmer relations marked by deeper bilateral cooperation (e.g. Lalbahadur, 2013) and the beginning of the rail freight corridor. That launched construction of the US\$1.1bn heavy haul freight corridor to the port of Nacala from Tete, through Malawi.¹⁶ Her first state visit was to Mozambique, to try and "mend fences" between Malawi and Mozambique, especially citing operations of the ports of Beira and Nacala (Banda, 2014).

When Peter Mutharika, brother of Bingu wa Mutharika took office in 2014, he reinitiated the Shire-Zambezi Waterway Project, despite Mozambican opposition.¹⁷ Although there is a clear push by Malawi's current president Peter Mutharika to revisit the Shire-Zambezi Waterway Project, the current official narrative is that the two countries are currently on good terms.¹⁸ In 2017, an addendum was introduced to the 2000

¹¹ See UNECA (2000) on the original idea, more recent AfDB references. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Annual_Meetings/MEDIA_STATEMENT_MOONO_MUPOTOLA_VIP_RECEPTON_ZMM_TRIANGLE_FINAL.pdf and overlapping World Bank work on Growth Poles in the same region (2013).

¹² [Mozambique: Chissano To Meet Muluzi In Nacala](#), All Africa, 22 June 1998. After the Mozambican peace agreement in 1992 was also when negotiations for the Maputo Development Corridor were initiated, where presidential relations played an important role (Byiers and Vanheukelom, 2014).

¹³ First ministerial meeting held on Monday 12th July 1999 in Nampula, Mozambique. See UNECA (2000), Agencies include, the Ministry of Transport and Public works, the Roads Authority, specific officials from the Malawi Revenue Authority (MRA), Ministry of Trade, Ministry of finance, Ministry of Agriculture, and Ministry of Foreign Affairs etc.

¹⁴ The Malawian side went ahead, before the viability study of the project was concluded, and invested in a development of Nsanje port on the river without getting an agreement from Mozambique. Moreover, the report concluded that the project was not viable because it was not suitable for larger vessels to navigate (Kayuni et al., 2019).

¹⁵ [Vainglorious waterway quest leaves presidents stranded](#), Africa Business Insight, 7 December 2010.

¹⁶ [Vale starts work on Nacala corridor](#), Railway Gazette, 10 December 2012.

¹⁷ [Shire-Zambezi waterway not viable, insists Transport Ministry of Mozambique](#), Club of Mozambique, 4 June 2017.

¹⁸ Malawi and Mozambique signed a new Regional Interconnector project agreeing for Mozambican power exports of 200 megawatts starting in 2022 (Kayuni et al., 2019).

Nacala Corridor Agreement to expand the Nacala Development Corridor, to be funded by Brazilian company Vale to link its mines in Moatize to the port of Nacala, now under the presidency of Nyusi in Mozambique since 2015.¹⁹ At a meeting in February 2020, Mozambique indicated that it would improve its national coordination and participation in the technical corridor coordination meetings (interview, GV1), perhaps suggesting a renewed political prioritisation on the Mozambican side.

Beyond their direct relations, Malawi and Mozambique are members of the Southern Africa Development Community (SADC) which lays out frameworks for cooperation between its sixteen members. The SADC Protocol on Trade has been ratified by both countries, and the Protocol of Transport, Communication and Meteorology, where both countries are signatories, govern the regional integration and Spatial Development Initiatives (SDI) in SADC. A roadmap for the key SDIs is envisaged in the SADC Regional Indicative Strategic Development Plan (RISDP). In addition, the AU's New Partnership for Africa's Development (NEPAD) has the African Action Plan which also includes Spatial Development Programme (Kalina, 2017). Currently there are eleven regional transport-oriented development corridors in addition to five other SDIs, half of which include a Mozambican component.²⁰ The Nacala Corridor is cited by SADC as one of their key 'success stories' while an MoU on the Beira Corridor was discussed at a 2017 Meeting of Ministers of Transport, providing further regional legitimacy to the Mozambique-Malawi corridors (SADC Secretariat, 2017).

Overall, while today the relations between the two countries are considered cordial, on the ground the feeling is of mutual distrust.²¹ According to a technical report by USAID (2018a) there is some resistance on both sides to full cooperation towards harmonisation of border procedures which also hinders further development of the Nacala corridor. An escalation in this somewhat strained relationship poses a significant threat to the viability and development of the Nacala corridor (Selemane, 2017). Further, given the difference in economic size, and the linkages to other countries in the region, discussed above, there is a sense that beyond the Vale coal railway line, Malawi has been low on Mozambique's list of political priorities. It is even suggested that the political interest on the Mozambican side in the railway was driven more by the need to secure a connection between Cuamba and Lichinga in the province of Niassa, in order to woo electoral support than securing a Malawi connection (interview, PE1, PE6).²²

¹⁹ [Mozambique and Malawi approve expansion of Nacala Development Corridor](#), Macauhub, 18 September 2017.

²⁰ Development Corridors: Maputo Development Corridor (Republic of South Africa or RSA and Mozambique); Nacala Development Corridor (Malawi, Zambia and Mozambique); Beira Development Corridor (Zimbabwe and Mozambique); Lobito Development Corridor (Angola, Zambia and DRC); Walvis Bay Development Corridor (Namibia and Botswana) Trans Caprivi Corridor (Namibia and Zambia); Mtwara Development Corridor (Tanzania, Malawi and Zambia); Swaziland Tourism and Biodiversity Corridor (RSA, Swaziland & Mozambique); Tazara Development Corridor (Zambia and Tanzania); Malange Development Corridor (Angola and DRC); and the Namibe Development Corridor (Angola, Namibia and Zambia). SDI include Zambezi Valley SDI (Mozambique, Zimbabwe and Malawi); Coast to Coast SDI (Namibia, Botswana, RSA, Swaziland and Mozambique); Gariep SDI (RSA and Namibia); Lubumbo SDI (Mozambique, Swaziland and RSA); and the Okavango Upper Zambezi SDI (Zimbabwe, Botswana, Angola, Namibia and Zambia) (Kalina, 2017).

²¹ [Shooting at Malawi-Mozambique border as tension rises in Mangochi](#), Club of Mozambique, 7 December 2017.

²² Niassa province, especially Cuamba and Lichinga, have an increase in support for the opposition RENAMO, to the detriment of the ruling party. This is said to give a political imperative to establish a transport link connecting the province. [Mozambique: Nyusi urges Cuamba not to vote for opposition – AIM report](#), Club of Mozambique, 19 September 2019.

3. Within country dynamics

Beyond bilateral relations, the political settlements *within* Malawi and Mozambique also affect how different actors use the Beira and Nacala corridors. The level of contestation within the ruling coalitions, and vulnerability to outside political forces combine to shape the incentives of political and economic elites whether in economic policy more generally, or more specifically in relation to time and financial costs to trade along the two corridors.²³

Mozambique and Malawi are both generally described as having ‘neo-patrimonial’ forms of governance. That is, the state is often used as a source of patronage to favoured groups: “It is the nature of the elite bargain that structures the distribution of rents and personalised institutional arrangements between members of the dominant coalition” (Pritchett, et al., 2018). An important part of this analysis is therefore on how existing forms of rent creation and distribution support or undermine policies to facilitate trade and market integration within Mozambique and with its neighbour Malawi.²⁴ Though rent-seeking can be wasteful and undermine development, “if rents are well-managed, being quickly withdrawn from unproductive users who can survive without their support, their creation may have positive effects” (Kelsall, 2013).²⁵

A key question for this work is therefore whether current forms of rent seeking and distribution in the two countries help or hinder trade and transport efficiency around the two corridors. Given that Mozambican politics arguably have a greater effect on what takes place in and around the corridor, it is given more treatment here than Malawi.

3.1. Mozambique politics, rents and transport

Mozambican political settlement

A brief reading of Mozambican history highlights the importance of rent creation and distribution in Mozambican industrial policy, including in the transport sector. Privatisations and a history of private concessions thereafter has created close state-business relations that have increasingly, though not only, been linked to the extractive sector. The large financial benefits from extracting natural resources both lead to economic rents but also political rents, where state and party connections give privileged access to lucrative business deals. This has been an important driver of recent trade and transport dynamics, given the need to transport extractives, but also shaped the broader political economy context.

Key aspects to understand include the level of *centralisation of rents* and the time horizon for which leaders can control these (Kelsall, 2013). In spite of some of sub-party factionalism which has changed through time, FRELIMO has essentially managed to centralise rents among core party members.²⁶ In the 1990s, the government used privatisation to create interests with a stake in private sector development, the beneficiaries being politically well-connected businessmen and women including former first ladies, former

²³ This draws on the typology used by Whitfield et al. (2015) in their work on the political economy of African industrial policy. Kelsall (2013) writes about business, politics and the state in Africa, exploring the conditions under which “neo-patrimonial governance, or something rather different to liberal ‘good governance’, can be combined with sound industrial policies and strong developmental performance” (pp2).

²⁴ Neopatrimonial, broadly meaning that it is held together by the allocation of resources and advantages based on personal connections to the ruler or authority, which exists in tandem with formal, impersonal rules and regulations (see Kelsall, 2013, pp12).

²⁵ Rents can be created through a range of measures to protect specific firms from market competition: monopoly licenses, price controls/subsidies, overvalued exchange rates, tariff and non-tariff barriers, specific privatisation and/or concession conditions, subsidised (or simply non-refunded) loans, among others.

²⁶ This has varied through time from less centralised under Chissano, to highly centralised under Guebuza (e.g. Whitfield et al., 2015), and uncertainty around the current Nyusi regime.

prime ministers, members of the military, heads of parastatals, and veterans of the armed struggle, represented across sectors from banking, to tourism, trade, industry and agriculture (Pitcher, 2012). Of 1000 privatised companies, 64 were in the transport sector (ibid).²⁷

During a second wave of privatisations, most port services in Mozambique were privatised or put to concession in the early 2000s (e.g. Murithi et al., 2012). That includes port concession for Beira and Nacala ports, discussed below. At the same time, the state retained shareholdings in ports, railways and other sectors, not least through joint ventures. CFM, the state-owned ports and rail company formed public-private partnerships to rehabilitate railway lines and ports, with a stake in no less than ten different companies (CFM, 2020).²⁸ These are discussed below.

Alongside privatisation, there has been a strong focus on foreign direct investment (FDI), particularly in so-called mega-projects, mostly in the extractive sector. Examples include the well-known Mozal aluminum smelter constructed in the south of the country shortly after the 1992 peace accords - itself closely linked to the development of the Maputo Development Corridor - quickly followed by an expansion of the same plant in 1999, a gas pipeline to South Africa in the early 2000s, heavy sands mining at Moma in the South, and since the mid-2010s major coalfields and offshore gas discoveries in Tete province.²⁹ FRELIMO elites also act as the gatekeeper for investors in the country. Most FDI has included local partners, where “both the state and domestic capitalists seem to occupy many points on the spectrum ranging from ‘comprador’ and ‘handmaiden’ to serious investor and respected partner”.³⁰

While this led to high economic growth rates, averaging 7% per annum, from 1992 to around 2014 (Castel-Branco and Massingue, 2015), these megaprojects have not led to significant employment creation or poverty reduction and growth rates have since dropped³¹. Figures 7 and 8 show the continual rise in GDP though economic activity has taken a severe blow since 2016, dramatically reducing growth rates from above 7% to an average of just over 3% in 2016-2018, and the surge in FDI. These trends have further created i) a political focus on the rents to be made through participation in these ventures and ii) a focus on the transport and logistics around extractive resources. While not bad in itself, the challenge has been to ensure that these investments impact on the wider economy and help promote economic transformation - as Kelsall (2013) puts it, developing country entrepreneurs often stick to “tried and tested sectors such as transport, haulage, or real estate, instead of moving into new sectors with potentially greater social benefits” due to the difficulty of capturing first-mover benefits of investment in productive sectors.

²⁷ The majority, 434, were in the industry, commerce and tourism sectors.

²⁸ See CFM website, <https://www.cfm.co.mz/index.php/en/concessions>.

²⁹ USAID figures (cited in Whitfield et al., 2015) suggest approximately \$8.4bn of FDI inflows between 1997 and 2009, though this is well below investments in gas, currently underway. FDI inflows since the gas discovery in 2009, have run into billions of US dollars, and at its peak in 2013 it was US\$6.2bn.

³⁰ The ‘tuna debt scandal’ is interpreted by Whitfield et al. (2015; pp300) as a Guebuza-led strategy to access finance for his holding companies to buy into large-scale extractive investments. With the uncovering of the fraud, that may have closed that opening.

³¹ Most growth has centred around Maputo, with minimal changes to rural livelihood. Poverty level, after declining during the initial years, has remained stagnant and the absolute number of the poor has in fact increased (World Bank, 2017).

Figure 7: Impressive growth since 1992

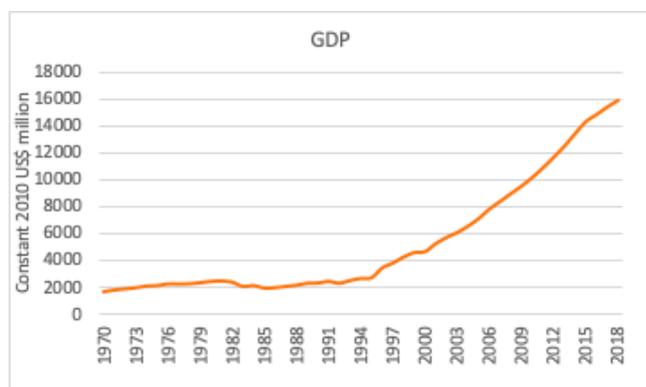
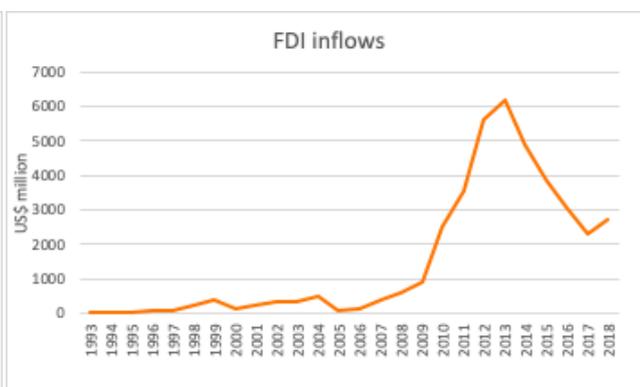


Figure 8: FDI bonanza following the discovery of natural resources



Source: UNCTADstat

FRELIMO's changing business relations

Though rents are heavily centralised by FRELIMO, “FRELIMO is a centralised, but not a monolithic Party” (Orre and Ronning, 2017).³² Rather, it has always been:

“a broad front, with internal divisions along regional, ethnic, and ideological lines. Groups and factions form and shift according to the issue at hand, but differences are largely argued out within the party. There are no expulsions or splits, and all factions remain inside the party. Neither have the highly corrupt been expelled, nor have the outspoken opponents of corruption left the party to set up an alternative political force (Hanlon and De Renzio, 2007).”

Some suggest that FRELIMO is “almost unique in its post-independence ability to stay totally organisationally united and yet remain so diverse on key issues” (Hanlon and Smart, 2008) where internal factions emerge and threaten stability, rather than external opposition parties.³³ This is partly addressed through the regular change of leadership within the party, overseen by a strong Political Commission, making the political time horizon arguably shorter than other dominant party states.³⁴

A change of FRELIMO leadership has yet to have direct negative repercussions for the business interests of predecessors. However, current events suggest a gradual move away from Guebuza-era factions towards Nyusi-related interests. These evolutions are key to understanding the trade and transport context. Whitfield et al. (2015) describe a movement from ‘vulnerable authoritarianism’ up until 2004 under Chissano, “when the distribution of power began moving towards a Strong Dominant Party under Guebuza’s leadership of FRELIMO”. President Guebuza arrived in power in 2005 already wealthy from the privatisation

³² As they point out “even if both Joaquim Chissano and Armando Guebuza tried to stay in power beyond their two periods, the party prevented them from doing so. Thus, unlike many other dominant parties in Africa, FRELIMO is not dependent on an all-powerful leader.” (Orre & Ronning, 2017).

³³ Pitcher (2013) finds that “the ruling party operated in a context where party stability was high and democracy was limited...to facilitate an alliance between party loyalists and emerging capital, to coopt organised labour, and to mute political dissent” and cites electoral irregularities at every election since 1994. Arguably, that situation remains today, with the most recent election falling to FRELIMO, even among accusations of fraud (e.g. [Mozambique Opposition Claims ‘Mega Fraud’ After Election Rout](#), Bloomberg, 21 October 2019).

³⁴ According to Kelsal’s (2013) framework, this would put Mozambique somewhere between an ineffective developmental state, and developmental patrimonialism, the latter being where positive development outcomes are more likely to be found.

process and “one of the wealthiest men in the nomenclatura” (Hanlon, 2008).³⁵ Once in power, his business interests continued to grow to the benefit of the president and close associates (e.g. Africa Confidential or AC, 2011).³⁶ From the mid-2000s to the election of President Nyusi in 2014 was arguably “the first time in the history of the FRELIMO political organisation that party, state, and economic power has been concentrated in one faction” (Whitfield et al., 2015). *Today’s trade and transport context partly stems from what took place during that period.*

This concentration has continued to rise, particularly with the rising importance of and control over natural resources and their expected benefits. This has created a form of ‘pre-resource curse’ that has shaped contestation within and outside FRELIMO (Macuane et al., 2017). Discoveries place Mozambique among the largest gas reserves in the world, potentially making it the third largest exporter of liquefied natural gas (LNG) behind Qatar and Australia (Orre & Ronning, 2017).³⁷ As they put it, “the expectations of windfalls are intensifying the already established features of the distribution of power in society, bringing the settlement close to a breakdown” (Macuane et al., 2017). Though some suggest the oil and gas ventures may loosen FRELIMO’s tight grip since business interests linked to it may not possess the technical capacity to capture these rents (e.g. Whitfield et al., 2015), the various local content requirements, arguably a good idea in theory, provide significant opportunity for elite-related companies to benefit through the provision of services such as construction, catering, transport, security and so on. The question again arises if this will be beneficial for the wider economy.

Questions persist around the degree of central control of rents under President Nyusi though change seems to be underway. Previously Minister of Defence under Guebuza, President Nyusi was elected in 2014 (albeit with a lower 57% share of the vote than Guebuza had managed, amid allegations of fraud by opposition RENAMO). Whether in an attempt to broaden access to rents to reduce vulnerability from opposition parties, or simply contestation among FRELIMO elites, a new faction is now in the lead with changes happening, not least in the Nacala corridor, though Nyusi appears to be distancing himself more than his predecessor from direct business linkages.

Politics and the transport sector

Given the personalised FRELIMO links to business, the importance of rent creation and distribution, it is important to see how these affect trade and transport reforms. Pitcher (2002) discusses Guebuza, at the time the head of FRELIMO parliamentary party, and his links to the transport sector through his holding company Moçambique Gestores, as well as the links of the present and past ministers, their families and the army to large investments (pp.159-161). In 2007, a company called Insitec was created with links to the Guebuza family, with an 18% share in the second largest bank, Banco Comercial e de Investimentos (BCI), and “from then on, whenever a big project surfaced, Insitec was involved” (AC, 2011).³⁸

³⁵ He was nonetheless seen to manage his businesses well and to be less engaged in the “crude rent-seeking of the Chissano clique” (Hanlon and Smart, 2008), involving a bank loan scandal and related coverup assassinations.

³⁶ The “cobweb” of Guebuza’s business interests included the head of the business confederation as part of one of the mobile phone networks in what (Pitcher, 2013) refers to as a “partisan private sector development”.

³⁷ Rising RENAMO attacks as the prospects of future resource rents arose led to increased military needs, that some then connect to the undeclared debts scandal, discussed. “Kroll had investigated the whereabouts of the money that the three state-owned companies EMATUM, MAM and ProIndicus had borrowed at commercial rates; loans mainly from the two banks Credit Suisse and the Russian VTB, but also involving Mozambican banks. When factoring in a loan to the Ministry of Interior, it amounted to about US\$ 2.2 billion. Due to these loans, Mozambique has defaulted on its sovereign commitments on several occasions since 2016. The scandal had led to the suspension of the IMF support programme, as well as its traditional donors withdrawing general budget support.” (Orre & Ronning, 2017). Hanlon controversially suggests that the loans only came about due to conditions created and encouraged by donors themselves (Hanlon, 2016).

³⁸ Other companies cited are SPI-Gestão e Investimentos, an investment holding company controlled indirectly by Frelimo and Inteltec, in which President Guebuza also reportedly has an interest. (AC, 2011). Wikileaks documents state that “The Guebuza family is also widely believed to be a principal shareholder in Insitec, a Mozambican holding

Insitec investments have included the Nacala Corridor Concession. Celso Correia, the owner of Insitec, protégé of Guebuza and current Minister of Agriculture and Rural Development, became the chairman of CDN, the concessionaire of the rail and port development in Mozambique, in 2009 (CIP, 2015). However, CDN's management of the concession left 'much to be desired' in making good on its investment promises (Ibid.). The shareholding structure has changed since (see Figure 10), reflecting a tug of war to gain influence in the lucrative concession. The concession subsequently reverted back to CFM in January 2020, leaving an impression among some that this relates to Nyusi reasserting control, not least given that he forged his own career in CFM before rising to the top of FRELIMO. This is further discussed in the context of the Nacala Corridor below.

Nyusi's government has continued to accommodate these interests, but also appease critics, as can be seen in his choice of ministers after the 2014 election, and to a lesser degree after the 2019 elections. Balancing internal FRELIMO tensions, two Guebuza allies were appointed ministers in 2014: Celso Correia was made Minister of Land, Environment and Rural Development;³⁹ Carlos Mesquita, allegedly Guebuza's godson as well as being Nyusi's school classmate and CFM colleague, became Minister of Transport and Communications. A member of the FRELIMO Central Committee and former Director of CFM in Beira, Mesquita was subsequently head of Cornelder de Moçambique, the company that runs the port of Beira in a concession with CFM and a third party (allegedly partly owned by Guebuza). The family business empire includes Transportes Carlos Mesquita (TCM) among other companies, a major transport company running out of Beira port.⁴⁰

FRELIMO connections in other areas

FRELIMO elites have also successfully won bids to provide services for which their companies do not necessarily possess the requisite expertise. FRELIMO holding company SPI holds shares (35%) in Kudumba which won a controversial contract for 20 years for the management of airport scanners thanks to connections with the political elite (Mosse, 2007). Kudumba did not possess the necessary expertise nor did it present the most competitive bid. A Wikileaks document observes that the company instead has become a rent-seeking organisation through the fees it charges on all cargo^{41 42}. Moreover, the fact that customs officers have discretion to decide which cargo to inspect and which to pass through without inspection means that illicit trade can continue.

The decision to roll out the Single Electronic Window for traders has also come under scrutiny. Despite an international tender, it was awarded to MCNET - a company with state participation (20%), the private sector association CTA⁴³ (20%), and a local company Escopil (60%) acting as the local partner of SGS, an international software company (Nhamire, 2016). There are allegations of irregularities in the tendering process so that only Escopil could submit a bid. SGS was then subcontracted for the technical set up of the project. Not only does it include participation of senior FRELIMO members, but MCNET is also run

company with wide-ranging business interests in Mozambique and throughout Southern Africa." https://wikileaks.org/plusd/cables/09MAPUTO611_a.html

³⁹ *Mozambique: Nyusi names new government – By Joseph Hanlon*, Club of Mozambique, 20 January 2020.

⁴⁰ For more on TCM <http://mesquitagroup.co.mz/empresas/>

⁴¹ *Corruption in Mozambique - Wikileaks*, Politicsweb, 15 August 2012.

⁴² According to unofficial accounts, the company has already covered its capital costs in year one of a 30 year contract. Even if exaggerated, this gives an idea of the levels of rents being generated (Ennis, 2020).

⁴³ Former President of the CTA, Salimo Abdula, was a close associate of Guebuza. *Mozambique: The Business Interests of the Guebuza Family On Extractive Industry*, Verdade, 10 October 2014.

by a former head of customs, with instances of refusal to share information even though MCNET is technically a subcontractor to customs (Ennis, 2020).⁴⁴

The tax authority recently terminated a contract with Intertek⁴⁵, an inspection, product testing and certification company. They had been under contract with the government since 2000 to carry out pre-shipment inspection of imported goods to minimise the risk of tax evasion, counterfeiting and prohibited goods entering the country⁴⁶. This followed pressure both from the private sector as well as development partners to remove this. In June 2019, the AT signed a contract with Mozambique Electronic Cargo Tracking Services (MECTS) to track transit goods in order to improve customs control and boost the payment of tax obligations⁴⁷. It would seem that the powerful general from the North, Alberto Chipande is linked with MECTS⁴⁸, along with SICPA with whom the Mozambican state has a two-year contract for controlling fuel circulating in the national territory⁴⁹. This appears as yet another example of the FRELIMO elite acting as the gatekeeper for foreign companies looking to invest in Mozambique (BTI, 2018).

Both the Beira and Nacala corridor ports, transport linkages and companies operating around them are therefore inherently linked with FRELIMO business interests. Though not necessarily bad for business, as the Beira corridor case in particular seems to suggest, it does mean that efforts to reform the sector must take account of where the business and therefore political interests lie, and the degree to which rents are acceptable or harmful.

3.2. Malawi politics, rents and transport

Malawi's political settlement

Historical and current state-business relations in Malawi also have an influence on trade and transport. Key characteristics here are: the low level of capitalist development; the influence of the Malawian state and political regime under Dr. Banda for the first 30 years of independence; and the manner in which “informal institutions of generalised reciprocity... have contributed to blurring the distinction between the public and the private” (Chingaipe and Leftwich, 2007).

From independence in 1964 to the end of Banda's rule in 1994, Malawi had a dominant party political settlement with heavily centralised rent distribution through Banda himself. This worked through large-scale agriculture investments in sectors like tobacco, tea and sugar where large estate investments were given preferential access to land, investment, and credit.⁵⁰ Today the economy remains heavily dependent on rain-fed agriculture, employing nearly 80% of the population (World Bank, 2019).

⁴⁴ The continued circumvention of the single electronic window is estimated to cost the government valuable resources - an estimated US\$2.5 billion in 2015, more than the estimated budget for health and education together (US\$1.4 billion) (CMI, 2016).

⁴⁵ Interestingly, Intertek was one of the competitors for the bid to provide scanners, which was won by Kudumba (Mosse, 2007).

⁴⁶ [Mozambique's tax authority takes on services provided by Intertek Testing Services](#), Macauhub, 15 January 2020.

⁴⁷ [At introduz selagem de mercadoria em transito para combater o contrabando no pais, Carta de Mozambique](#), 6 June 2019.

⁴⁸ [Chipande, Sicpa: the expanding galaxy of tracking service newcomer Mects, Africa Intelligence](#), 31 March 2020.

⁴⁹ [Inside Africa. Why does Africa's industrialization matter? Challenges and opportunities?](#) Eaglestone, 27 November 2017.

⁵⁰ Banda created a huge business empire in the form of Press Corporation, which operated in tobacco, ranching, property, pharmaceuticals, insurance, banking, oil distribution and transport, eventually accounting for one-third of Malawi's GDP and employing 10% of the wage-earning workforce (Meredith, 2006). Still operational today, and the largest holding company in Malawi, it remains a large company in the tobacco and other sectors though no longer in transport. https://www.presscorp.com/index.php?option=com_content&view=article&id=119&Itemid=69

After 1994 the combination of a multiparty democratic system with the patronage system put in place by Banda led to ‘competitive clientelism’. That is to say, “near-constant politics of re-election, succession, and patronage-seeking continue to take the upper hand over long-term developmental vision” (Said and Singini, 2014). The primacy of politics in this agriculture-based rentier economy has led to a complex web of state-business relations (Ng’oma 2010). Political interests have become heavily entrenched with the ruling elite dependent on the rent generated by the few industries, providing little incentive in moving out and diversifying the economy (Said and Singini, 2014). Lack of competitiveness of the wider private sector in international markets and weak domestic demand have led to an excessive orientation of the private sector to government contracts resulting in collusive behaviour (Tostensen, 2017).

Though policies have varied across presidential terms, they have generally been accompanied by a “systematic failure to distinguish between private sector resources, state resources and the resources of the ruling party” (Booth et al., 2006). Muluzi’s time in office were characterised by collusive state-business relations through “a collection of business tycoons and political foes of Dr. Banda (Chingaipe and Leftwich, 2007); Mutharika’s first term brought growth and economic improvement, heavily underpinned by external assistance, that reached 40% of the national budget (Banik and Chasukwa, 2016) expenditure. After reelection in 2009, Mutharika’s economic policies “ran against neoliberal orthodoxy”, failing to follow “good governance policy prescriptions” with an overvalued currency to allow continuation of the fertilizer subsidy programme, expulsion of foreign businesses and unsustainable subsidies to farmers as he sought “autonomy from the international economy” (Brooks and Loftus, 2016). Accompanied by anti-western rhetoric and increasingly authoritarian, donors began to withhold funds in 2011 until his sudden death of a heart attack in 2012 and replacement by Joyce Banda, his “formerly disenfranchised Vice-President” (Ibid.).

State-business relations

Though not taking the socialist path of Mozambique, Malawi also went through a privatisation programme in the 1990s, leading to clientelism focused on political relationships. While the private sector has been treated by the state with suspicion the private sector has seen the state as a source of patronage and opportunity (Chingaipe and Leftwich, 2007). That has meant a focus among elites on “importation or captive market businesses that combine with government services to provide rents for political elites” (Said and Singini, 2014) - these include sectors like transport and maize input supply, as well as construction, poultry, and finance.⁵¹ Though companies were expected to perform against a contract, it was “in return for a long-term relationship with the president, whom they would bankroll.” (Ibid.). Under Mutharika, support for his re-election campaigns included Chinese mining and infrastructure investors, Paladin Mining, Mulli Brothers, and Mota-Engil “who won most road construction and rehabilitation projects”, and built the Vale-funded railway joining Tete in Mozambique to Nacala port (Ibid.).

The patronage network persisted and expanded under Mutharika’s regime with the Farm Input Subsidy Program (FISP) in particular, an important feature of the government’s support to the country’s agricultural sector. Unlike Mozambique, agriculture has become a salient issue in the political orientation in Malawi. Public expenditures for agriculture have averaged around 20% of total expenditures between 2006 and 2017, while the corresponding proportion in Mozambique stands at less than 10%.⁵² Targeting mainly maize and tobacco farmers, the FISP was introduced by Mutharika after severe food shortages following a famine in 2002, and a drought in 2005 (Chinsinga, 2012), in a context of fierce resistance by donors as well as some local fiscal conservatives. Though it was quickly seen as a success due to the resulting bumper maize harvests (Chinsinga and Poulton, 2014). several experts point out that the

⁵¹ Nevertheless, with liberalisation of the agricultural sector, tobacco production has been opened up to smallholder farmers, who accounted about 70% of the production in 2009.

⁵² [Malawi country profile](#).

FISP has been used as a vehicle to garner rural votes, as well as an instrument for rent distribution in order to strengthen the tight grip of the ruling party (for instance Chinsinga, 2012). The accompanying policies aiming to disconnect from the international economy led to strikes and protests in 2011 and 2012, and angered the donor community, while reportedly strengthening neo-patrimonial and clientelist relationships with the likes of the Mully Brothers, key beneficiaries of government fertiliser contracts (Brooks and Loftus, 2016), and a major import item carried along Mozambican corridors. This led to massive personal financial accumulation on the part of Mutharika, from approximately US\$1 million on his election in 2004 to approximately US\$150 million at his death in 2012 (Said & Singini, 2014).

Although the beginning of Joyce Banda's presidency in 2012 saw a return to more orthodox economic policies and re-establishment of relations with the international community, this did not last long. She removed the fixed exchange rate, saw the return of budget support aid and launched an Economic Recovery Plan. But with elections due in 2014, "her focus soon switched to securing her patronage base, which was necessary for her to survive in a competitive clientelist political settlement", relying like Mutharika on "a very close working relationship with mining concessions, including Chinese explorers, as a key source of rents", that came to dominate the tea and tobacco sectors (Said and Singini, 2014). Joyce Banda subsequently lost the 2014 election to Mutharika's brother, Peter. While this loss might suggest that corruption does not go unpunished, Said and Singini (2014) also report that the state bureaucracy and longstanding patronage systems had maintained their support to Peter Mutharika, giving him leverage over the electoral process. A 2017 report estimated that about 35% of government funds have been stolen over the past decade.⁵³

While the June 2020 elections have ushered in a new President, Lazarus Chakwera defeating incumbent Peter Mutharika in a historic election rerun, wider implications for policy-change are not immediately clear. The new leader will effectively have to bridge the political divide in the country, not to mention address the issue of rampant corruption that has blighted governance in the country.⁵⁴ It also remains unclear what impact this will have on its foreign policy, especially relations with Mozambique, though Chakwera's initial statements nonetheless highlighted the need to promote employment and reduce the cost of fertiliser, where politics and transport are key (Financial Times, 2020).

Enmeshed politics, transport and fertilisers

The major sources of rent include the transport sector. Among key sectors Said and Singini (2014) include transport services, fertilizer imports, and fuel imports, as well as construction, financial services, government services, telecommunications, and some agriculture and manufacturing sectors, with a focus on "government contracts (e.g. construction, fertilizer imports, and finance through government bonds), and on limiting competition and new entrants (e.g. transport, dairy, and finance)". Kelsall (2020) points to a mixture of collusive political-economic relationships and destabilising, cut-throat competition in the trucking industry, while the roads construction industry is also characterised by highly collusive rent-sharing relationships. Further, "tobacco companies, for example, come under pressure to issue contracts to particular hauliers when they visit State House to discuss tobacco prices" (Kelsall, 2020).

Fertilisers and transport seem a particularly rich area of rent control in Malawi through the FISP. Fertilisers are also clearly a major import item, brought by road and thus interesting for looking at corridors. While initially seen as a successful and fairly applied programme, subsequent reforms began to target

⁵³ This was led by the late president Bingu wa Mutharika in 2004 and the scandal unraveled on the watch of Joyce Banda in 2013. [What drives corruption in Malawi and why it won't disappear soon](#), The Conversation, 30 September 2015.

⁵⁴ COVID-19 only compounds the economic malaise in the country. [After historic elections, what next for Malawi?](#), Al Jazeera, 28 June 2020.

specific regions and actors, particularly the election-swinging North, with a focus on political intermediaries such as MPs, Ministers and other senior party functionaries and directly or indirectly to chiefs (Chinsinga and Poulton, 2014). Further, the FISP has also been an area of rent control through government and parastatal contracts for fertilizer distribution and parastatal transport services: these were used as “a means of paying back political debts to those who supported the DPP financially to secure landslide victories at presidential and parliamentary levels” (ibid). In a sign that these continue today, Kelsall (2020) cites a 2018 parliamentary probe revealed that the 32 companies which won contracts were actually owned by five politically connected individuals.

Overall, the inter linkages between politics and large businesses, and the use of government contracts for clientelist purposes in the face of electoral competition, suggest that trade and transport concerns may actually be low in the list of political priorities in Malawi. According to a 2017 IMF report, “while not strictly a fragile state, Malawi displays many of the characteristics of fragile and conflict affected countries” in the way its institutions function. Along with on-going electoral tensions, the domestic political context for reform seems sensitive. Transport rates have significantly declined in recent years, mainly due to intense competition on the corridors to Mozambican ports (Nsomba et al., 2020). Recently a circular was published by the Ministry of Transport and Public Works, recommending minimum haulage rates in order to secure the market share of national transporters. It seems unlikely that the Government will be able to enforce these rates, however it shows that protection of Malawian truckers, more than reduction in prices, seems a concern to the Government.

4. Corridors

Despite numerous formal agreements to kickstart corridor processes, actual coordination and alignment of interests around reducing transport costs so far seem to be missing. Though several technical reports suggest that harmonisation of border procedures including customs will be essential to ensure smooth flow of transit cargo, they also admit to the reluctance on either side of the border towards full cooperation (USAID, 2018b). Similarly, the Joint Ministerial Committee for Nacala Development Corridor met in 1999, but there seems to have been limited progress. Beyond feelings of distrust between Malawi and Mozambique, vested interests on both sides may compete or even clash, at the expense of reducing costs and greater efficiency along the corridors.⁵⁵

This section examines the political economy relations within and between Mozambique and Malawi to discuss the actors and factors that shape what takes place in the two transport corridors linking Malawi to Beira and to Nacala.

4.1. Beira Corridor

In addition to offering port access for trade to Zimbabwe and neighbouring countries, Beira and the centre of Mozambique is traditionally a stronghold of the Mozambican opposition, RENAMO. Whitfield et al. (2015) describe how FRELIMO “slowly asserted its control in RENAMO-sympathetic areas and helped to organise and forge new relationships with formerly ‘hostile’ populations” (pp186) to win over votes and create employment opportunities for lower-level factions of the FRELIMO party. This strategy, working with foreign investors “ensured that RENAMO elites did not benefit or have opportunities to accumulate” (pp17).

⁵⁵ According to the 2012 [SADC Infrastructure Development Master Plan](#), Malawi has a corridor agreement with Tanzania but only a bilateral passenger transport agreement with Mozambique. In turn, Mozambique only has a bilateral road transport agreement with Zimbabwe, perhaps underpinning the greater reliance or focus on Zimbabwean traffic.

Though in fact referring to sugar sector rehabilitation that preceded port concessions, the logic seems to have carried over to port and transport investments in Beira, with foreign involvement and high-level FRELIMO participation.

Politics and the Beira port

The Port of Beira has been operated by Dutch firm Cornelder since winning the concession in 1998. Though volumes have expanded and efficiency improved thanks to USD 500m of investment through more than 70 projects, making Beira one of the most modern port infrastructure in Africa, many observers point to state-business linkages. The concession is in partnership with CFM and Mozambican private sector investors, not least members of the Guebuza family, as well as other government officials, most notably Carlos Mesquita.⁵⁶

Cornelder has invested heavily in Beira port, dredging the access channel, a continuous issue in Beira in contrast to Nacala port, contributing to financing access roads, entrance gates, and new terminal operating systems among others. Vale's switch from exporting coal out of Beira via the existing Sena line to the new Nacala rail line has arguably also encouraged port diversification into handling other cargo bound for or exported from Zimbabwe, Zambia and Malawi.⁵⁷ Interviewees (e.g. PS5; PL2) describe a burgeoning warehouse industry for storage outside the port, whether for incoming fertilizers which can then be distributed as and when orders arise, or outgoing tobacco, which can be treated and stored awaiting export orders (interview, PL2).⁵⁸ Up to 2004, Beira reputedly transported 2.5% of Malawi's tobacco which by 2014 had risen to more than 80%.⁵⁹ The port concession therefore seems to have been successful in increasing efficiency and expanding its appeal in neighbouring countries. Cornelder itself has begun organising a Beira Corridor Community with periodic events in the hinterland to market Beira as a modern, efficient, and competitive port (interview, PO1).

Having won the initial concession under the presidency of Chissano for 25 years, in 2018 this was renewed until 2038 to encourage further investment. However, the renewal came amid accusations of conflicts of interest. The Minister of Transport, Carlos Mesquita, was essentially awarding the concession to his own brother, heading Cornelder in Mozambique after he vacated the post to become Minister.⁶⁰ Nonetheless, proceedings around accusations of violation of the Public Probity Law were closed inconclusively by the Central Office to Combat Corruption, in 2016.⁶¹ A Dutchman, Jan de Vries later took over the helm after the death of Adelino Mesquita in an air crash while Carlos Mesquita was moved from Minister of Transport to Industry and Commerce in the new cabinet of Nyusi after the 2019 elections (AC, 2020).

Despite accusations of conflicts of interest in the Mozambican press, as the discussion on rents above made clear, it is not clear that this has been bad for the broader transport sector. Indeed, interviewees in the transport and warehouse sectors in Beira were fully aware of the FRELIMO links but suggested that it was perhaps advantageous to the sector and the Beira corridor vis-à-vis other corridors,

⁵⁶ "Guebuza's nephew is on CFM's board and the family is a shareholder in Cornelder de Mocambique, which manages Beira port.", see [Analysis - Poor railways, ports put brake on Mozambique's coal rush](#), Reuters, 16 April 2013.

⁵⁷ [Port revolution for Mozambique](#), CLBrief, 11 May 2018. Vale reportedly failed to reach agreement on charges to use the Sena line between Moatize and the port of Beira which is still being used by other coal mines in the Tete province. [Race to the coal](#), Railway Gazette, 1 September 2008.

⁵⁸ A coal terminal is also being built to serve the two mines in Tete owned by Indian companies Jindal and ICVL for exports to India.

⁵⁹ [Beira Calling](#), The business year, 2014.

⁶⁰ [Minister Carlos Mesquita, godson of Guebuza and classmate of Nyusi is violating the Public Honesty Law](#), Verdade, 25 October 2015.

⁶¹ [Profile: Carlos Mesquita, Mozambique's transport minister](#), CLBrief, 13 March 2019.

rather than leading to direct preferential treatment to only Mesquita-connected firms. This can be seen from the significant shift in traffic from Durban to Beira once the improvements in port capacity and functioning were complete by 2012, providing an additional incentive to switch trade given the shorter distance and time - from Beira to takes around two days from the port to Lilongwe, compared with six or seven days from Durban (two of which are typically for completing paperwork and border procedures (Vilakazi and Paelo, 2017)).⁶² The number of port employees has more than doubled to 700 since the start of the concession, while the volume of cargo at the Beira container terminal increased from 32,700 TEU (unit of 20 feet) to 218,8 thousand TEU, the same happening in the general cargo terminal, from 467 thousand TEU to 2.6 million TEU - a rise of 569% and 456%, respectively over 20 years.⁶³ Whether thanks to or in spite of political-business relations, the port improvements seem real - the World Bank's Doing Business In Mozambique 2019 report cites exports through Beira as taking 52 hours in comparison to 140 through Nacala (36 and 48 hours respectively for imports).⁶⁴

Beira road transport

According to data by Cornelder, as of 2018 most exports (about 80%) are containerised. This includes food exports (e.g. tobacco, beans, tea, sugar among others) while mineral resources (especially coal) are exported in bulk or a mix of bulk and container (e.g. chrome and granite from Zimbabwe; copper and manganese from Zambia). Some food like sugar and maize fall in the third category of a mix between bulk and containerised exports. Imports on the other hand, are mostly bulk, including clinker, wheat, fertilizers, palm oil etc.

The general picture of road transport operating from Beira is of a relatively small group of large, professional trucking services essentially dominating the market, though several small subcontractors also exist. This may be to do with economies of scale and ability to sustain frequent accidents and losses, to buy parts in bulk, and to have dedicated road mechanical equipment on standby to assist trailers that breakdown (Pérez-Niño, 2015), but also the growth in trade flows that have allowed trucking companies to grow. Many of today's large fleets were single-truck, family businesses that managed to grow in the post-war boom of the 1990s, where humanitarian assistance contracts provided through Beira provided a regular clientele – “in brief, they created the sector” (Pérez-Niño, 2015). She also points to rising demand relating humanitarian assistance after the floods in 2001/2002, as well as the rehabilitation of two sugar mills, the industrial policy success story described by Whitfield et al. (2015). This has then been added to the relative stabilisation of the Zimbabwean economy, rising tobacco production in Malawi and Mozambique, and now coal exports in Tete from the two other coalfields not run by Vale. Companies such as J&J Transports have also branched out into warehousing, offering a diversification of services, again highlighting the current opportunities offered for private investment due to the high activity around Beira.⁶⁵

It seems likely that size also relates to political influence. At least some of the large transport players in Mozambique are politically connected. They either have the participation of politicians, e.g. TCM or have built connections by making substantial contributions to FRELIMO e.g. Lalg. Only a few companies are able to build longer term relations with clients to secure large contracts and ensure backhauls, for example J&J transport (interview, PL2). Combined with the barriers of financing and maintaining large fleets, this means that only a few companies dominate the road transport sub-sector, and offer more competitive prices to

⁶² According to Vilakazi and Paelo (2017) it took another 2-3 years for the system to be completely operational.

⁶³ [Profile: Carlos Mesquita, Mozambique's transport minister](#), CLBrief, 13 March 2019.

⁶⁴ [E mais facil exportar e importar por ressanano garcia que por via maritima revela banco mundi](#), Carta de Mozambique, 7 June 2019.

⁶⁵ [Grupos norte-americano e sul-africano entram no capital de empresa de transportes de Moçambique](#), MacaHub, 26 January 2014.

traders in Malawi, though there is no evidence of cartelisation and anti-competitive behaviour (Pérez-Niño 2015).⁶⁶

In terms of competition with Malawian truckers, Mozambican truckers have the advantage of being closest to the port and therefore have easier access to loads in transit to Malawi (Vilakazi and Paelo, 2017). Unlike in other regions of Africa, SADC transport rules imply no specific rules for Malawian trucks to carry Malawi-bound goods although Malawi has reportedly tried to impose this. For instance, for wet goods, essentially fuel, there is an allocation of 70-30 for Malawi and Mozambican truckers that is respected “given that fuel is strategic” (interview, GV3). But for other cargo, Mozambican transporters have an advantage, for instance, while Malawi-registered truckers have to pay about \$300 for an import permit to Mozambique, Mozambican truckers transporting goods into Malawi pay only \$100.” (Vilakazi and Paelo, 2017).

Though Murithi et al. (2012) estimates that around 35% of the vehicles using the Beira Corridor used to be overloaded, interviewees report that axle loads are now being applied more rigorously (interview, PE5). Indeed transport association interviewees (e.g. TA1) reported that they themselves lobbied for the stricter enforcement of the rules, suggesting that the business model based on overloading described by Pérez-Niño (2015) has evolved, with transporters now seeing the benefits of growing volumes and wider distribution of freight across transporters.⁶⁷ If this is the case, it suggests that transporters have managed to maintain or even raise their prices to offset carrying lighter loads, something that was implied during interviews (PE5).⁶⁸ Kelsall (2020) also describes how Malawian truckers remove one axle from three axle trucks in order to save on tyres, something which is outright illegal in Mozambique, particularly when also overloaded. It is not clear how this plays out in practice in Mozambique though all SADC countries are now closely harmonised in axle load limits on paper (e.g. Raballand et al, 2008).

More generally, given the rising flows in trade volumes, there is a broad sense among Beira actors that the port and the surrounding investments are well placed to take advantage of these. As discussed below, there is also a sense among interviewees that Nacala will remain more expensive, and essentially serve northern Mozambique and Malawi, while Beira’s proximity to the additional markets of Zimbabwe and Zambia, not to mention DRC, underpin its viability.

Overall, this suggests broad satisfaction with the workings of the Beira corridor, in spite of clear state-business relations around the Beira corridor. One area where concerns were frequently raised related to the customs procedures and borders.

⁶⁶ These large companies after winning contracts normally subcontract to other smaller businesses or even informal transporters in some cases.

⁶⁷ “The 1999 SADC MOU on Vehicle Loading (SADC 1999) requires Member States to ensure the effectiveness of overloading control through harmonised approaches to the development of a regional network of appropriately selected, installed and operated weighing stations. The same MOU encourages exchange of information on weighbridge data by requiring Member States to promote a common understanding of the vehicle loading system and its enforcement in the region through on-going exchange of information and the conducting of public awareness campaigns” . SADC-wide agreements on axle loads have in principle been superseded by the Tripartite [MoU on Vehicle Load Management of 2017](#). SADC-compliant Mozambican regulation from 2008 is [here](#). [A tripartite technical assistance project](#) financed by the EU is currently underway to support issues around transport loads etc.

⁶⁸ Overloading and ageing trucks has been a model in West Africa where rules in place give (some) access to truckers on a first-come, first served basis, giving an incentive for them to carry as much as possible in one journey. Here, the professionalisation of the sector and large fleets would make that model uneconomical, thus leading to aligned interests among the government and transporters about applying the axle load limit.

Beira Corridor Coordination

Further improvements to trade and transport efficiency along the Beira corridor might be brought about by greater corridor coordination. Various attempts have been made, ranging from highly ambitious investment projects to simple coordination, though none appear to have sustainably retained momentum.

Before promoting further coordination, it will be important to learn from the wide range of previous attempts at corridor coordination. The Beira Corridor Authority (BCA) was created by the Mozambican government in 1985 to oversee and promote the rehabilitation of the Beira Corridor as part of the government's economic rehabilitation project. With support from the World Bank it aimed explicitly to "to reduce transport costs and increase efficiency, allowing Beira to compete with Durban (RSA) and provide Zimbabwe with a cheaper transport alternative to the sea." (World Bank, 1989a). However, "civil war and lack of experience with this development concept, made a failure of this adventure" (Meeuws, 2004).

More recently, the Beira Agricultural Growth Corridor (BAGC) concept, launched at the World Economic Forum in 2009 was centred on an 'Investment Blueprint' drawn up by a number of public and private partners.⁶⁹ It comprises an investment blueprint to link transport infrastructures with investments in agricultural production, processing and storage, thereby helping overcome coordination problems that can benefit all concerned. While this might help address the criticism that Beira port primarily operates as a transit port, therefore contributing little to national economic development Yara reportedly quickly shifted tack towards Tanzania and the Southern Agricultural Growth Corridor (SAGCOT) initiative, leaving the BAGC initiative to supporting donors (including DfID, the Netherlands and Norway) and local producers (Kaarhus, 2018). Yara is nonetheless still a major fertilizer importer through the port of Beira (interview, PS5).⁷⁰

Though less ambitious than the original blueprint, the BAGC initiative has been providing catalytic funding to investments along the corridor, with support from several donors, the idea being precisely to broaden the benefits of corridor investments from extractive sector transport to wider spatial development (Kaarhus, 2018). With Yara losing interest and limited uptake from other actors, including the government, "The BAGC partnership never developed into the envisioned coordinating framework for large-scale investments in agricultural development in the Beira Corridor." (Kaarhus, 2018). Kaarhus (2018) also refers to Mozambican officials being more interested in the Nacala corridor, not least due to the better harbour depth.

As mentioned, Cornelder has begun to create a Beira Corridor group, comprising different actors that operate at different stages along the corridor (interview, PO1). For it and the renewed corridor coordination platform to succeed would entail also understanding the stagnation of BAGC but also the failings of the 1996 attempt at launching the 'Beira Development Corridor, itself intended to build on the recently 'wound up' Beira Corridor Authority".⁷¹ Ideally it would also feed into and create demand for government responses around the SADC PIDA Acceleration Programme on Beira and North South Corridors, an MoU signed by three of the Beira corridor states and plans to establish a corridor management body to be hosted by one of the corridor states cited in a SADC Ministers of Transport Communiqué from 2017.⁷² However, no

⁶⁹ See Investment Blueprint [here](#).

⁷⁰ According to Kaarhus (2018), "after the rush to present a ready-made blueprint for the successive launches in early 2010, Yara received studies of soil mechanics and water-logging at the projected construction site for the fertiliser blender. These revealed that the costs of construction on the projected site were much higher than expected". They also bought an existing fertilizer company in 2016 but already closed it down in 2017, opting instead for a fertilizer plant in Cabo Delgado to take advantage of the forthcoming gas." The Cabo Delgado plans seem to remain as plans according to the author.

⁷¹ [Beira Corridor Puts Region On The Road To Prosperity](#), Southern Africa Research and Documentation Centre, 16 December 1996.

⁷² [SADC Ministers responsible for Transport and Meteorology meet in Lilongwe, Malawi](#), Tralac, 6 November 201

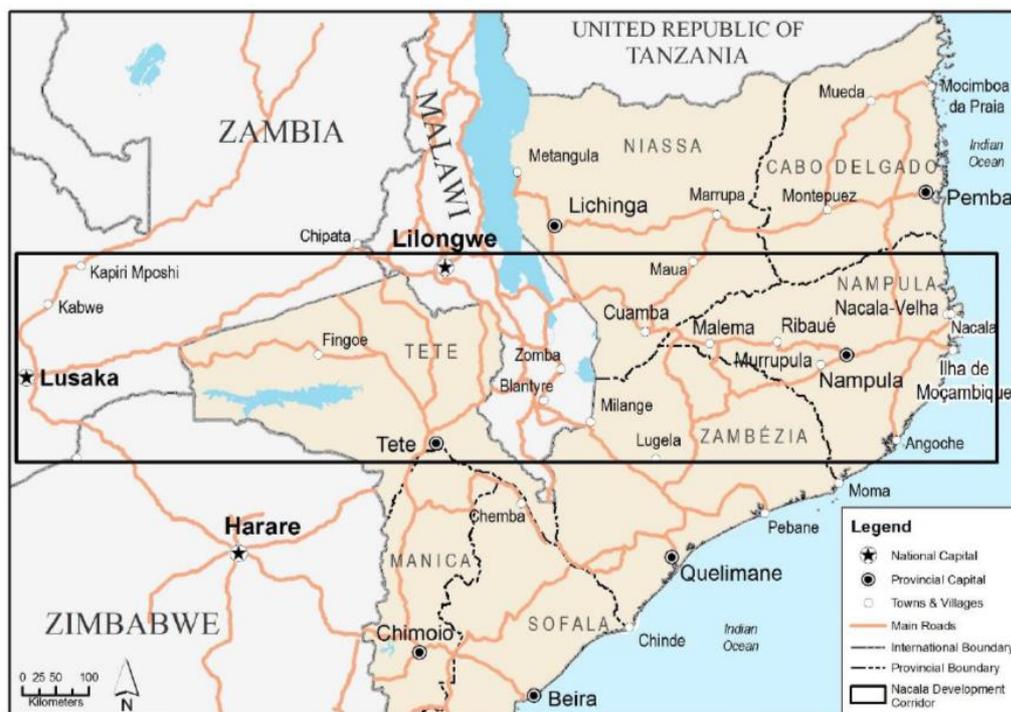
further information has been gleaned on this and it was not mentioned by interviewees, suggesting limited follow up.

In thinking specifically about Malawi, the above discussion and interviews all raise the point that Malawi is only a small part of the business interest for Beira port and transport companies. As such, even in corridor coordination, bilateral tensions may undermine the specific Malawi-Mozambique link when other countries are around the table.

4.2. Nacala Corridor

The Nacala Corridor concept, linking Southern Malawi and, by extension Zambia, to the port of Nacala also emerged on the back of the Maputo Corridor success and a wider SADC and Mozambican corridor approach. In 2000 a Secretariat was reportedly set up in the Malawian Ministry of Transport and Public Works with technical assistance liaising with the Governments of Mozambique and Zambia, with a donor conference held in 2003 (World Bank, 2004). This was to build on the existing but poor rail connection from Malawi to Nacala and again to address the high transport costs faced in Malawi. Indeed, the Memorandum of Understanding signed between Mozambique, Malawi and Zambia went beyond transport to include telecoms and energy, investments in agriculture, fisheries industry, mining and tourism, and promote economic development more broadly.⁷³ While Beira is primarily about road transport to Malawi and the surrounding region, Nacala is very much centred on rail with Malawi, and potentially Zambia (see Figure 9) though sizeable investments have been made in the road connection.⁷⁴

Figure 9: Nacala Development Corridor



Source: Kalina, 2017

⁷³ [Nova parceria para o desenvolvimento regional](#), SADC, 2 June 2006.

⁷⁴ Road connection is excellent thanks to these investments, except some stretches according to several interviewees (PT1, PE1, PE3).

Politics and the Nacala Corridor

Though the Nacala Corridor came into being in 2000 with a public-private concession, little progress was made until at least 2007. Then, the decision by Vale to channel coal exports out of Nacala rather than Beira was “the game changer for the Nacala Corridor.” (USAID, 2018a) which until then had been a corridor idea on paper with questionable viability. Strong interests from top-ranking state and FRELIMO officials, as well as senior members of CFM, resulted in a shareholding structure fraught with conflict of interest (CIP, 2015).⁷⁵ It is speculated that Nacala will most probably be chosen for at least the first shipments of cargo for the oil and gas projects in the North of Mozambique.⁷⁶ The continuing ownership evolutions reflect continuing internal FRELIMO contestation and access to rents.

The Nacala corridor concession and ownership evolutions reflect the complexity of the undertaking - one railway line across two countries, with public and private ownership. While the concession for the railway line is supposed to be continuous across the two countries, in practice, it is divided between Northern Development Corridor (CDN) on the Mozambican side and the Central East African Railway (CEAR) on the Malawian side. In 2005, Corredor de Desenvolvimento de Norte (CDN) won the concession for Nacala port and the railway line without public tender.

On the Malawi side, CEAR won a 20 year concession on Malawi Railways in December 1999. At the time, Malawi was one of the few African countries to have its railway completely under private management, unlike Mozambique where only parts are concessioned (Bullock, 2005). CEAR is effectively part of the same consortium that operates the Nacala railway line (see below). Thus, Vale and MITSUI are its ultimate shareholders⁷⁷.

While the story of the Nacala concession on the Mozambican side is that of rent-seeking and intense competition, the benefits to the Malawian side are not immediately evident. Apart from the developmental impact of a railway connection running through the country, there does not seem to be any immediate stakes for Malawi. No Malawian private companies are invested in CEAR (JICA, 2015b). Even the development impact remains partial at best, with several inefficiencies deterring the increased use of the railway, not to mention inefficiencies at the port.

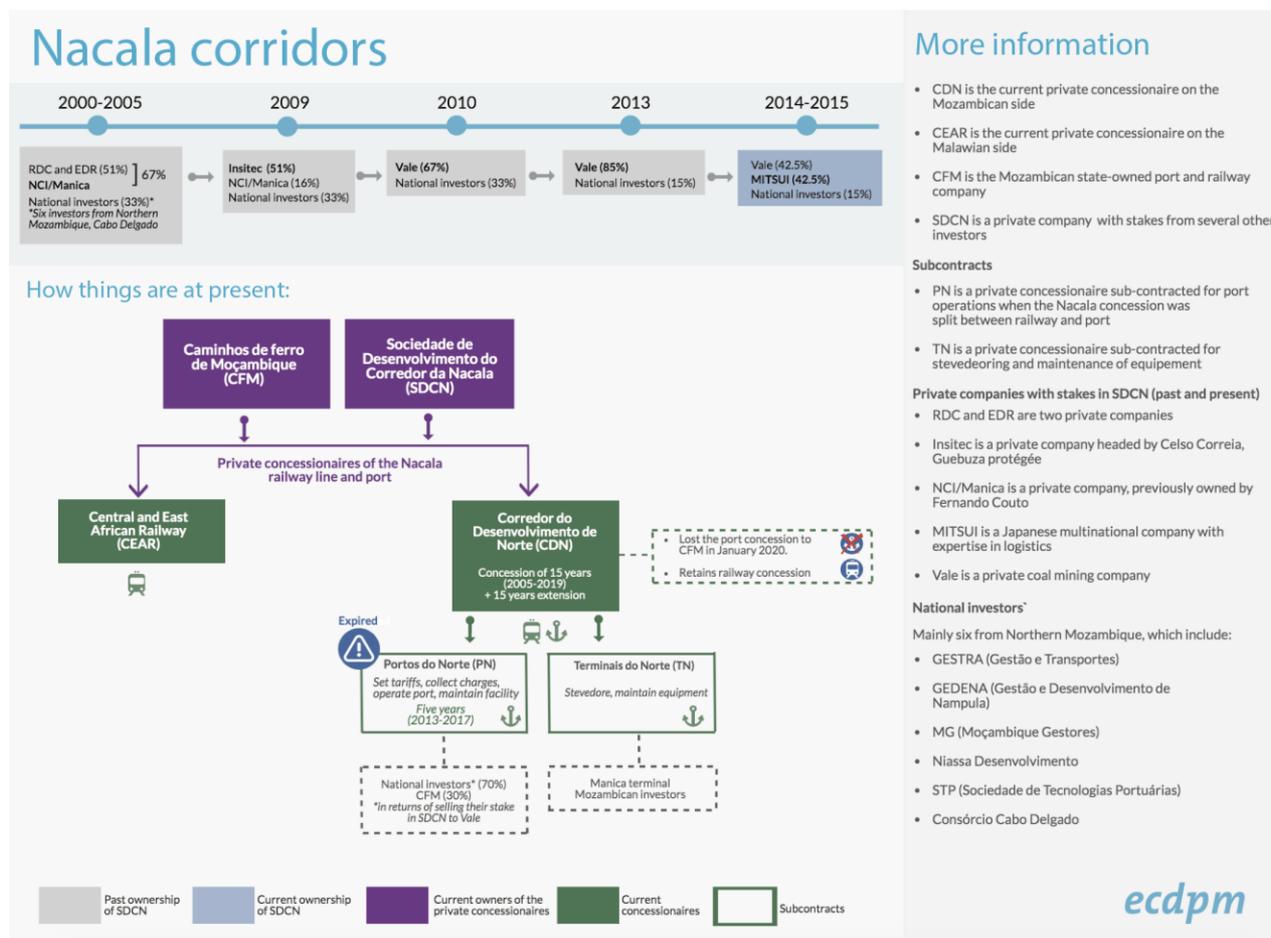
On the Mozambican side, concession holder CDN is 51% held by the Northern Development Corridor Company SDCN, a consortium of investors, while 49% is held by CFM, the Mozambican state rail company. As Figure 10 shows, the shareholding in SDCN has evolved over time. With Insitec buying into the SDCN consortium in 2009, Celso Correia became the chairman of CDN which until then had been held by military general of the North, Alberto Chipande, a close ally of current President Nyusi (CIP, 2015). Between 2005 and 2010 CDN reportedly accumulated significant debt, with an accumulated loss of US\$25.7m to the State by 2010, and failed to abide by the terms of the concession to invest and maintain the railway and port. Given conflicting interests, the government was unable to hold the concessionaire to account. In 2010, Vale entered the scene, buying out Insitec, and other national investors, its share rising from 67 to 85% from 2010 to 2013 (Ibid.).

⁷⁵ CFM is said to have serious reservations for awarding the concession to CDN given their lack of expertise.

⁷⁶ [Mozambique Insight: The new reality of Nacala port](#), Further Africa, 13 August 2019.

⁷⁷ [The CDN \(Northern Development Corridor\) and CEAR \(The Central East African railways Company PLC\)](#).

Figure 10: Evolution of the Nacala port concession



Source: Authors adaptation from CIP (2015) and JICA (2015b)

The CDN concession was then split into separate rail and port concessions in 2013. The port management concession was subcontracted to Portos do Norte (PN) under a multimillion dollar deal to last from 2013 to 2017 including the national investors previously in CDN. CDN, now dominated by Vale, retained the concession for the railway line.⁷⁸ Local investors who agreed to divest their shares in SDCN to Vale, were given 70% shareholding of PN - in what has been called a counter-coup of political interests in Mozambique (AC, 2013a).⁷⁹ In 2014, Vale's shares were split with MITSUI, the largest corporate group in Japan.⁸⁰ In 2015, two more concessionaires were added to the original railway agreement.⁸¹ Portos do Norte subcontracted part of its operations to Terminais do Norte (TN), managed by another FRELIMO connected family member.

⁷⁸ Within two years of the concession to PN, it started paying the state taxes and distributing dividends to its shareholders. PN in turn subcontracted part of its function to Terminais do Norte (TN) where Raime Pachinuapa, Raimundo Pachinuapa's son was manager.

⁷⁹ From Correia the reins would pass to Fernando Couto, previously CEO of Manica (an initial SDCN shareholder) who became the chairman of PN, and is a close ally of Chipande (AC, 2013b). Not only was Correia, who had ousted Chipande, now out of the consortium, the chairman of PN, to whom the concession was passed from CDN is opposed to Guebuza (AC, 2013b).

⁸⁰ MITSUI committed to invest US\$313mn in this company. It also bought 15% of Vale's shares in Moatize coal mine, and committed to invest another US\$450mn (CIP, 2015).

⁸¹ CLN was established as a specialist concessionaire to operate the shipment of tons of coal from the mine in Moatize in Tete Province, Mozambique through Malawi, and down to a new coal terminal at Nacala-a-Velha opposite the existing port of Nacala in Nampula Province, Mozambique, a distance of 912 kilometers. Vale Logistics Limited (VLL) was incorporated in Malawi to oversee the construction of the new greenfield railway of 138.5 kilometers from the Mozambique-Malawi border at Cambulatsissi to the junction at Nkaya. Now that the railway has been completed VLL

These evolutions reflect the poor performance around the rail and port, and a move by Vale to avoid political rent-seeking. While MITSUI's participation can be understood as a way of safeguarding Japanese interests in ProSavana (a Japanese government supported agriculture initiative to accompany the corridor - see below), the arrangements also reflect Vale's concerns about the lack of improvements in the port and railway line, and thus a move towards greater autonomy for their own operations. Though speculative, this can be seen as a way to sidestep the FRELIMO-associated wrangling around the port.

A range of key FRELIMO cadres are involved in the various Nacala concessionaires and the deals that took place to arrive at the present arrangement. Several of its founding members are shareholders in SDCN including President Guebuza and his wife, Prime Minister (at the time) Aires Ali, Chief Justice of the Constitutional council, and several other members of parliament, governors, senior defense figures including Northern generals like Alberto Chipande and Raimundo Pachnuapa (see CIP, 2015).⁸² The shareholding companies in SDCN were not made public, even as shareholders changed with several purchases that ensued in the 20 odd years of existence of SDCN.

At the beginning of 2020, CDN's concession of the port ended and has not been renewed, with CFM now managing the port. While it may signal a potential change in direction of the political winds of change in the country, some interviewees view this as a consolidation only to be reprivatized in a few years' time to those loyal to the current regime (e.g. FF1, PE5).

In addition to the main rail and port concessions, the Special Export Terminal at Nacala (TEEN) has been severely criticised by national businesses who use the port. Concessioned to a company run by a former Minister of Agriculture and financed by other local investors (though not clear who these are)⁸³. Private firms using the terminal have all complained about the unnecessarily high costs this imposes while the manner in which the tender was awarded is also contested (USAID, 2018a). Although the previously 'mandatory' use of TEEN was removed in 2017, the decision by the Ministry of Economy and Finance left room for interpretation, and most businesses are essentially still forced to use TEEN and pay for it (Ibid.). Though this does not affect transit goods, this further feeds the perception of Nacala as a hub of rent-seeking activities.

Beyond rent-seeking in the 'formal' economic realm, Nacala port is used for several illicit activities. Several organised criminal operations are run in the North of the country, by different syndicates to traffic ivory, drugs, ruby, timber and people. Capitalising on, and in turn driving, widespread corruption, these different groups have enjoyed near total impunity (Haysom, 2018). Illicit timber exports are channeled via the Nacala port and are mainly destined to China. Over the years, the government has lost several millions of US\$ in state revenue because of these illicit flows. Haysom (2018) shows links with high ranking FRELIMO members like Jose Pacheco, the former governor of Cabo Delgado province, as well as a former Minister of Agriculture. Similarly, with the drugs trade political connections go as high as the former President Guebuza (Haysom et al. 2018). In fact, according to Hanlon (2018), heroin could be Mozambique's second largest

has ceded operational responsibility to CLN for operating coal trains along this section of railway (USAID, 2018a). See also [Terminal de carvão de Nacala, Moçambique, começa a funcionar em pleno a 12 de Maio](#), MacaHub, 9 May 2017.

⁸² Chipande is a key member of the Nyusi faction of FRELIMO and a powerful actor in the North. Of the Makonde ethnic group, he is credited for firing the first shots during the independence struggle against Portugal in starting September 25, 1964. He is described as the leader of the group of national investors in SDCN. Pachnuapa is another freedom fighter, is a powerful FRELIMO figure who owns a quarter of MRM, a ruby mining company in Cabo Delgado (Valoi in FP, 2016). A network of the business deals can be seen at https://issuu.com/gotael/docs/a_rede_de_neg_cios_da_frelimo_no_norte_de_mo_ambiq

⁸³ [Company of former minister fined for attempted smuggling – AIM report](#), Club of Mozambique, 13 December 2016.

export. This trade has been heavily protected by FRELIMO, though there are signs that new players have entered the market and the ruling elite no longer have a tight grip on the trade. With recent tightening of regulation to tackle illicit timber exports and crackdowns on the rampant heroin smuggling trade (Hanlon, 2018) Nyusi is said to distance himself from these relations.^{84 85}

Nacala rail and port in practice

On the political side, while in principle, a public private concession aims to improve efficiency, there are several issues and disagreements around the Nacala corridor. Despite SDCN holding the continuous concession across both countries, and the trilateral agreement on cross-border operations framework, smooth operations of the railway line between Malawi and Mozambique are affected by customs procedures, and sovereignty and border concerns. The railway crew changes when clearing for customs. Since recently, Mozambique requires drivers to carry a passport instead of a travel document that was until then allowed to cross-borders, thereby causing disruptions (PL1). This hints to the less than cordial relations between the two countries laid out in section 2 of this paper. On the other hand, rules on operation of the railway are much more restrictive on the Malawi side causing delays.

On the economic side, coal remains the main driver of CDN/CEAR operations creating a risk of overdependence. According to the rail sub-sector plan of the Malawi Transport Masterplan, coal represented 96% of the rail traffic tonnage in 2016. Moreover, container traffic through Nacala did not grow between 2010 and 2016.⁸⁶ Consequently there are only a few sizeable users of the Nacala port. These mainly include, apart from Vale, a large agricultural trading company, graphite mining company in Balama and (illegal) timber though this has reduced substantially in recent years (interview, PE8).⁸⁷ Without much agricultural development, and subsequent exports, non-coal exports revenues for the rail operator are low. At the same time, diversification of freight is much needed - at a global level, a general shift away from coal towards greener sources of energy can jeopardise the viability of the railway as revenues for CDN/CEAR may shrink substantially.

Even though the railway via Nacala port is cheaper and closer for Malawian trade, there has not been a substantial shift in goods being carried by the railway line.⁸⁸ This is largely attributed to indirect costs like unreliability, insecurity (theft) and quality losses.⁸⁹ Moreover, efficiencies at the port and limited number of ships calling on Nacala increase the overall costs for using the corridor. For instance, according to USAID (2018a) a major tea exporter from Malawi discontinued sending their product through Nacala, after a trial a few years ago because of theft on the railway, slow offloading at the port and limited storage space. Thus improvements in the port infrastructure could ease some of these challenges, but they also need a concurrent increase in efficiency of the railway to make tea exports through Nacala a viable option.

⁸⁴ The government in 2016 apprehended 1,300 tons of illegal logs that were destined for exports, the largest catch in the country's history. [Moçambique faz maior apreensão de madeira da história do país](#), DW, 7 December 2016.

⁸⁵ Though Hanlon points out that it could also be that the raids are on those shipments that are not controlled by FRELIMO.

⁸⁶ Dry bulk volumes in Nacala registered a growth of 83% in 2010-2016 thanks largely to coal exports, followed by 13% growth in liquid bulk and fuel, and no growth in container volumes (USAID, 2018a)

⁸⁷ A banana producer was one of the largest users but this is no longer the case, though investments are underway and there could be a rise in banana production (interview, PE8).

⁸⁸ Railway fares in 2016 were reduced from 75.52 MT/ton to 47.54 MT/ton after negotiations, which is lower than road haulage rate of 50 MT/ton according to a government [press release](#).

⁸⁹ The theft takes place in different places, from docking stations where the goods are stored (interview, PS4), to onboard the moving trains (according to an interview, PS2, this is especially egregious because insurance in this case doesn't pay since the seal is usually not been tampered with as assailants remove the container door). Some also suggest vandalism by local communities, and targeting of locomotives for the fuel rather than the actual merchandise being transported (PL1, FF1).

One major limitation of Nacala port is the limited storage capacity it offers. Being close to the city, the port does not have enough warehousing. While major works are currently underway to expand the capacity of the port to handle as well as store cargo, with funding from JICA, severe disruptions are expected with delays as well as quality losses to clients as cargo is not smoothly moved (interview PS4, FF1).

That said, some interviewed exporters/importers in Malawi are enthusiastic about the railway line along the Nacala corridor based on memories of the time up until the 1980s when the railway was used much more. While acknowledging that a lot still needs to be done to improve operations, railway operations are viewed positively by the limited number of users with incidents of theft declining in recent years, though quality losses remain a problem.⁹⁰ This is an important consideration for agricultural traders, though less so for transporting extractive resources like coal or timber. Nevertheless, in terms of way forward, they seem to have a prudent “wait-and-see” approach since the choice of moving cargo on the railway is also dependent on efficient handling at the port which could also improve the corridor’s reliability.⁹¹

In Mozambique, the perception of unreliability of the railway line is deemed to be outdated, with significant improvements made by CDN/CEAR in recent years. On the other hand, there was a sense that increased orders could not be met due to inefficiencies in wagon allocation (interview, PS6, FF1). This reflects managerial aspects of the rail operations, to do with efficient allocation of wagons. Further, rail transport is only viable for large traders, especially dealing in bulk, who can afford to have rail sidings and (un)load goods at their facilities. For a smaller user, a mix of railway and road haulage is required which increase the overall costs.⁹² This can tilt the balance towards road transporters given their flexibility and door to door service.⁹³

Nacala road-rail competition?

Although the major political and financial focus has been on rail, the Nacala Malawi road connection has also improved. Rehabilitation and construction of roads is supervised by the individual countries through their respective national road authorities though this has been supported by the African Development Bank (AfDB) in collaboration with SADC.⁹⁴ Apart from rehabilitation of 1,033 km of roads, the project also includes the construction of two one-stop border posts, and institutional improvements to streamline cross-border interactions (AfDB, 2013). Grants for these works have been received from NEPAD, and several development partners like the Japanese International Cooperation Agency, Korea Exim Bank, AfDB, the European Union (EU) and European Investment Bank (EIB) (Ibid.).

The road segment of the corridor seems safer than the railway given that the railway goes through the bush and is unsupervised. Though there have been instances of theft on the road too, these are not as “worrying” as armed attacks along the Beira corridor (interview, PS2, PT1).

⁹⁰ In an interview with the tobacco company (PS1) it was mentioned that while stealing a consignment of tobacco is difficult given heavy bales of 200kg, the company was more concerned about quality losses due to rain water seeping through, or lack of fumigation facilities at the port, which make the railway option not attractive.

⁹¹ A major tobacco exporter currently sends 2% of their production via the Nacala rail line, and would like to increase this proportion to 20% pending improvements. It currently sends 80% of its production via Beira, and some 18% via Durban given excellent connections to China from the port.

⁹² A small company tried to experiment sending goods to Malawi using the railway line but with the forklift and manpower charges, this option was more expensive than sending the goods by road.

⁹³ There was also a suggestion from some interviewees that Nacala’s location and available amenities do not lend itself to attract skilled managers and capable people. Given the severe shortage of education and health services, most employees have their families living in Maputo or Beira. Without other facilities to encourage people to stay longer term in Nacala, it may be difficult to build capabilities at the port.

⁹⁴ From Nacala the road runs westwards through Nampula and Cuamba to Mandimba at the border with Malawi and continues into Malawi through Mangochi, Liwonde, Lilongwe and Mchinji at the border with Zambia to Lusaka through Chipata to be completed in several phases (Kalina, 2017).

Competition on the road link to Nacala seems to be less intense compared to Beira given that the road has only recently been refurbished. Though this is fast changing - 15 large transporters have expanded their operations into Nacala from Beira (interview, TA2) and smaller players who traditionally were the principal operators find themselves crowded out. Transporters on both sides do not perceive an immediate threat from the railway. A reason could be that they realise that demand for their services will not be diminished since clients will still require road haulage from the client to the railway or vice-versa. Moreover, for Malawi transporters this may even reduce the competition from the Mozambican truckers who offer lower rates to carry cargo from the port into Malawi.⁹⁵ Though this could pose a threat to the politicians in Malawi who have been using contracts with Mozambican transporters as a vehicle to get money out of the country.⁹⁶

Nevertheless, transporters in Mozambique consistently complained about overweight trucks that are allowed on the roads thereby deteriorating road quality. This is especially true of the truckers from Malawi trying to make up for the lost time spent at the port waiting for a return load (interview, TA2). Along all the segments of the transport chain, Malawi businesses complain of informal fees and outright corruption to transport their products through Mozambique. While perceptions in Malawi do not seem to confirm more corruption and harassment in Nacala compared to Beira, that is also something that is pointed out on the Mozambican side.

Nacala corridor coordination?

While there are currently a few large-scale Mozambican and Malawian users of the corridor, it is not clear they represent a coalition to push for improving efficiency along the Nacala corridor, especially at the port. While inefficiencies also exist at Beira, they are said to be much less compared to Nacala. Much more than simply building the infrastructure, it would require a great deal of coordination between the various actors and segments of the transport chain, for the cargo to flow seamlessly. The fact that Vale is the majority stakeholder in all segments including terminal operations has ensured oversight and coordination for coal exports, but this is not the case for general cargo. Mozambique did have a nationwide association of freight forwarders and port operators (ASANTROP) which used to meet regularly under CFM's leadership (in 1980s), but over the years the association has lost clout (interview, FF1). Other associations in the corridor look at their own segment e.g. road transporters association but there is no platform where all actors can be involved to coordinate activities.

As the section has highlighted, the Nacala corridor has been subject to multiple sets of private, public, and political interests. In line with the concept of corridors and spatial development initiatives, there have been plans for other initiatives around the corridor, beyond the coal-rail sector. This includes the high-visibility Mozambique-Brazil-Japan cooperation programme ProSavanna launched in 2013 with an aim to promote agricultural development around the Nacala corridor, building on strategies used by the Brazilian government in their dry cerrado region (Gonçalves, 2020). However, protests marred the project leading to significant changes to the design of the project to take into account concerns, including land-grabbing, before it could be implemented (Shakland and Gonçalves, 2016). Several overlapping projects like the World Bank's

⁹⁵ According to Competition and Fair Trading Commission (2016) Malawi transporters offer a rate of approximately US\$75/ton compared to US\$65/ton by Mozambican ones. This has to do with cheaper fuel in Mozambique, and favourable tax rates and levy to maintain vehicles compared to Malawi.

⁹⁶ Since contracts with Mozambican transporters are dollar denominated, politicians are known to overprice contracts and engage in rent-sharing by investing in residences outside Malawi (interview, PT1).

Integrated Growth Poles Project⁹⁷ (2016), the Government's PROIRRI⁹⁸, PROMER⁹⁹, SUSTENTA¹⁰⁰ (2017) have introduced a complex web of projects and initiatives being implemented with interactions with local dynamics both in Nacala as well as Beira corridors (Ibid.). Apart from agricultural projects, other industries like tourism are also a part of the corridor project, catering to attractions in the region like Ilha de Moçambique, Lake Malawi among others.

The Japanese government's ProSavanna involvement arguably also links to MITSUI investment in the rail corridor. However, given the lack of flow of investments and the misunderstanding around "underutilised" land to be converted by Brazilian agribusiness into soybean plantations for cheaper export to China and Japan, ProSavanna has slipped down political priorities.¹⁰¹

Despite elaborate plans to make the corridor a reality, coordination both within and between governments is absent. The Ministry overseeing the Nacala development corridor strategy changed several times Guebuza's term and Nyusi's new government structure. Moreover, the body in charge of executing the strategy (GAZEDA or the Special Economic Zones Office) itself was merged into a larger one. These reshuffles have arguably weakened the sense of ownership in the project (JICA, 2018). Similarly, while both countries have reasonably well functioning National Trade Facilitation Committees, it is unclear how communication between the two countries runs.¹⁰²

Unlike Beira, Nacala has not clearly benefited from a clear political champion bridging the political and private sector realms. According to an interviewee "none of the regulatory bodies in the transport sector is able to fend off political interference" (interview, PE7). Thus, rent-seeking and party power struggles continue to remain a constant feature in this sector. Moreover, unlike Beira which enjoys a relatively strong business association (ACIS), given its historical context, which provides a broader base of interests that can push for greater efficiency, Nacala is a provincial town with the port catering to businesses in Nampula, apart from coal.¹⁰³ In the absence of a clear champion to further this cause in Nacala, slow incremental use of the corridor seems the most plausible way forward as also confirmed by the study by Kelsall (2020). Over time, large businesses may find it in their interest to have independent regulation, and market regulated operations rather than politically negotiated deals but this remains a rather long-term hope (Tollenaere and Sarguene, 2013). Further, increased efficiency and coordination may not immediately result in a transition away from Beira, or Durban, or Dar es Salaam - companies are bound by contracts, which need to run out before they can experiment with the other (less costly and more efficient) options (interview, PL1).

4.3. External factors

An external factor influencing corridor choice is the periodic floods and cyclones that have blocked access to the ports. Though Beira port was shut only for a few days, after Cyclone Idai (Interview, PO1), road access along the corridor was disrupted for longer than that with a 'stop-and-go' on a 30-km stretch, leading to greater uncertainty of the time it would take to reach the port. Malawian interviewees consequently

⁹⁷ To improve rural employment and economies around Zambezi Valley and Nacala Corridor, covering the provinces of Nampula, Niassa, Cabo Delgado, Zambezia, Tete, Manica and Sofala.

⁹⁸ Sustainable Irrigation Development Project.

⁹⁹ Programme for Promotion of Rural Markets.

¹⁰⁰ Integrated and inclusive rural development project with an aim to stimulate the rural economy through sustainable agriculture and forestry value chains in 10 districts in Zambezia and Nampula.

¹⁰¹ [What Happened to the Biggest Land Grab in Africa? Searching for ProSavana in Mozambique](#), Foodtank, 2014.

¹⁰² As mentioned earlier in the report, it was unclear to the Malawian side who exactly their counterpart in Mozambique was (interview, GV1).

¹⁰³ Commercial production around Beira through the setting up of sugar estates as part of a British enclave, along with cotton and rice production date back several years and depended on forced labour (Newitt and Tornimbeni, 2008). This has influenced subsequent industrial and business development.

switched routes temporarily (PS6, PS1). Some companies did face delays as their goods were stuck at the port for a few weeks before they could be shipped onwards. Nevertheless, traffic resumed quickly once operations were up and running.

A potential factor that may come to undermine Beira is the rising insecurity in the centre of the country from 2015-17. Attacks by a breakaway group from RENAMO were all centered around the Beira corridor. This led some to question the security of the Beira corridor route, with threats that Malawians would switch their trade elsewhere, leading the Mozambican government to introduce armed convoys at the time.¹⁰⁴ Armed attacks on cargo trucks and buses seem to have become more sporadic, but continue to this day, led by an offshoot of Renamo, that killed 20 people between August 2019 and March 2020.¹⁰⁵

The growing Islamic insurgency in the North is a more serious threat. While still largely contained in the province of Cabo Delgado, and thus far from the Nacala corridor, there have been isolated attacks in other provinces like Niassa.¹⁰⁶ It threatens to not only disrupt peace and social life in the province of Cabo Delgado, but also jeopardise the state's dream of becoming 'Africa's Qatar' (The Economist, 2020a). It is suggested that the insurgents are aiming to gain control of the corridor connecting the province to the rest of the country.¹⁰⁷ According to a newsletter regularly published by Joseph Hanlon,¹⁰⁸ studies point to several external - Cabo Delgado being a playground for several religious missionaries, global natural resource companies, trade in legal and illegal commodities (smuggling is rampant in the province) - as well as internal factors - growing poverty and inequality, and increasing discontent with the greed and corruption of the officialdom, and political marginalisation - have led to the current situation (Habibe et al., 2019; the Economist 2020b).

Not only do these developments threaten growth and development prospects within the country, but it can also affect regional stability. Hinterland countries like Malawi, Zambia and Zimbabwe heavily depend on Mozambique as a gateway to international markets. Traumatic experience during Mozambique's civil war disrupted the established transport routes through Mozambican ports, forcing these countries to find alternative routes. Trust was being won back from businesses in these countries through the rehabilitation of destroyed infrastructure and reinstating of operational efficiency. However progress may yet again be threatened, this time by the insurgency. These increased concerns are reflected in the SADC's commitment to help Mozambique in the fight against the insurgents.¹⁰⁹ Given the nature of the insurgency based on available analyses, there is a need for long term responses with interventions that include a mix of economic development, social reforms and military force.¹¹⁰

5. Conclusions

The choice of which corridor to use for Malawi trade and transport therefore takes place in a context of multiple, complex, overlapping public and private interests. Both corridors have also been subject to

¹⁰⁴ [Malauí pensa em abandonar a circulação no corredor da Beira](#), Rfi, 15 June 2016.

¹⁰⁵ [Mozambique: Armed attack on truck in central region seriously injures one person](#), Club of Mozambique, 16 March 2020.

¹⁰⁶ [Mozambique Events of 2018](#), World Report 2019, Human Rights Watch.

¹⁰⁷ [Mozambique: War Intensifying Near Mocimboa da Praia and Bilibiza](#), All Africa, 17 March 2020.

¹⁰⁸ [Notes on the evolution of the Cabo Delgado war: Although the global should not be forgotten, the local is most important](#), Mozambique News Reports & Clippings, 27 February 2020.

¹⁰⁹ [Leaders 'commit' SADC to helping Mozambique fight jihadist insurgency](#), Daily Maverick, 20 May 2020.

¹¹⁰ [South Africa's interest in extremist violence in northern Mozambique](#), the Africa Report, 23 June 2020.

multiple projects and financial support over the years, dating at least back to the wave of Mozambican privatisations, building on colonial-era connections to neighbouring countries. Current relations also build on cross-border historical relations as well as today's political and economic interests.

The high prices of transport via Nacala despite the short distance and cheaper mode of transport (i.e. rail) suggest the problem goes beyond direct transport costs. Indirect costs also loom large in terms of reliability, transit times, efficiency, security, access to shipping lines, which can add to the *overall* costs. These then depend to a great extent on economic trends, but also political involvement. When looking at the combination of these considerations, Beira emerges as a clear winner out of the two corridors.

Overall, even as traders choose Beira or Nacala, goods need to be transported to regional hubs, often Durban, before they are shipped to the end destination. As Humphreys et al. (2019) point out "Not every port will have the opportunity to develop as a regional hub." Durban is much more connected than the ports at Beira or Nacala. This is reflected in its higher score in the Liner Shipping Connectivity Index of over 30 compared to 9 in Beira and Nacala. Apart from inefficiencies of the Beira and Nacala port, Durban is among the very few ports in Eastern and Southern Africa that is perfectly located at minimum deviation of large trade routes, has ample container-handling capacity, and is well connected, an advantage not shared by Beira or Nacala. However, while they may not be able to compete, at least in the short term, with Durban on these parameters, Beira and Nacala could serve as the go-to points for traders in Malawi instead of transporting cargo directly to Durban by road which remains expensive.

Looking forward, the following points appear key for future trade and transportation focused initiatives around the Malawi-Mozambique corridors:

- i. **High-level political relations** - relations between Malawian and Mozambican heads of state have blown hot and cold over the years. These have neither bolstered nor completely blocked initiatives to develop the Nacala corridor in particular, where coal investments appear to have tipped the balance, before which little to no progress had been made. Solid relations between country leaders has arguably been a driver in other corridor successes, the Maputo corridor or the Northern Corridor in the East African Community being examples.
- ii. **Political interference** - Although FRELIMO interests are present in both the Beira and Nacala corridors, whether directly through concessions or firms operating around the corridors, the evidence here suggests greater professionalism, efficiency, competition, and competitiveness around the Beira corridor (e.g. interviews PE5, FF1, TA1, PS6). The messy ownership story around the Nacala port and rail concessions seem to reflect a scrambling to protect vested interests, where the key investor has managed to secure their own operations by finally separating themselves from the *melée*.

Given the development of mining and related infrastructure around Nacala, and prominent interests in these projects, there will continue to be heavy political attention and interference in the development of the corridor to satisfy these vested interests. Apart from coal exports, which may run smoothly given Vale's oversight in railway and port terminal operations, greater coordination and demand from the private sector will be needed to increase the efficiency of flows at the port. While vested interests dominate in the two countries, in Malawi the focus on transport infrastructure seems for agricultural goods (tobacco, tea etc. for exports, and fertilizers, wheat etc. for imports), while in Mozambique it is around extractive rents (coal, logging, etc.) which may not require the same kind of "care" to transport.

- iii. **Professionalism and business attitude** - The port operator, an international private company with a business-minded attitude has been crucial in increasing the efficiency of the port. This, however,

is not to say that there is no political involvement. In fact in Beira, political influence however was used to raise the efficiency of the port and champion the port to the wider benefit of Mozambican operators in the sector.

More generally, it was suggested that professionalism on Mozambican ports declines as one goes Northward (interview PE5). This was elaborated further in another interview, where we were told that “corruption and red-tape exist in Beira too but you can see the difference in behaviour of a customs officer when he moves to Nacala from Beira. That professionalism disappears” (interview, FF1).

- iv. **Anchor investments** - while anchor investments have been considered key to corridor development, at least since the Maputo Corridor (see e.g. Byiers and Vanheukelom, 2014), the paradox here is that while Nacala has this, it has ultimately sought to avoid or minimise its wider linkages. Aspirations to leverage the physical infrastructure and mineral extraction to bring smallholder farmers brought closer to the market have yet to be met (Chome et al., 2020). The anchor for the corridor remains coal exports by Vale, and not agriculture. Heavy interests involved Vale to get coal out, by the government to show its power and benevolence, as well as its development partners to get visibility in such a large project could not work in isolation.

Perhaps also paradoxically, and to its advantage, the Beira has no major investment driving port and corridor traffic, leading it to diversify and compete for freight from around the region with continuous investments in port facilities and warehousing, all of which contribute to its success, particularly since 2012.

- v. **Path dependency** - Malawi’s export basket is dominated by high volume but low margin, bulky, non-perishable goods. Even so, they do require additional services. For instance, tobacco requires fumigation given its susceptibility to attack by bugs. Similarly, almost all products need to be protected from damage to quality due to rains. Though costs are an important consideration in making corridor choices, facilities for safe stockage also play a key role, something that has been created in and around Beira port through private investment. For traders to switch from current routes would require some of the existing investments in Beira to be made also in Nacala, going beyond direct port and transport-related investments.
- vi. **Scale of operations** - Beira handles much more freight than Nacala. Current demand from Malawi seems insufficient to make Nacala railway viable though there is interest in attracting cargo from Eastern Zambia, especially copper (Ksoll and Kunaka, 2016). Tobacco being produced in eastern Zambia could provide an impetus for development of the railway track from Mchinji (Malawi) to Chipata (Zambia). Increase in volumes from Zambia can further reduce logistics costs for Malawi. (Ksoll and Kunaka, 2016). Until then cargo handling at the port is dominated by coal (which has its own infrastructure and terminal), and a few politically connected firms that perhaps gain preferential access. There are very few non-connected private enterprises that make substantial use of the port and who can push for greater efficiency. With the project to expand the port, this may become reality, though it is unclear if capacity exists to handle the cargo efficiently seamlessly given the anticipated disruptions until the expansion phase is complete¹¹¹.

Relatedly, access to shipping lines also depends on volumes. Reports from 1996 mention that although it cost more to send cargo to South African ports than to Beira from Zimbabwe, “the faster

¹¹¹ According to one interviewee, warehouses inside the port have been demolished to create space, but moving warehouses to places outside the port seems to be going rather slow and the onus remains on the exporter/importer (FF1).

shipping services at the former more than compensated for the increased costs”.¹¹² The same argument is used today, with actors around Beira port all aware of the rhetoric and investments around Nacala corridor and port, but citing Beira’s much better connection to the hinterland, accompanying private investments around the port, better shipping line access than Nacala, and thus the *overall* lower cost of shipping through Beira (e.g. interview, PL2). According to interviewees (FF1, PO1) volumes are a determinant for shipping lines and timeliness given that the ships normally do round trips and delays disrupt their operations.

Further, though a regularly cited advantage of Nacala port is that it is naturally deep, with no requirement for dredging, a cost factor in Beira (though reportedly subsidised by central government). However, the advantage of a deep-water port in Nacala “is irrelevant as both Nacala and Beira are served by coastal vessels or feeder boats mainly for Durban”, while Nacala is 1000 km further away from Durban, and the trip takes around 4 more days (World Bank, 2004). This again appears to tip the balance in favour of Beira, unless direct routes can be attracted to Nacala by the scale of shipping required.

- vii. **Corridor coordination** - as has been highlighted, both corridors have been subject to numerous attempts to coordinate corridor trade and investments. While there is a need to look at the corridor as a value chain with interlinked segments rather focusing only on one segment alone, highlighting the importance of coordination among the different actors to synchronise their activities, what this paper also highlights is the difficulty of doing so among such highly complex, vested interests. This suggests a need to look at very narrow potential corridor improvements one at a time, and build coordination efforts around each of these, rather than larger over-ambitious initiatives.
- viii. **Donor coordination** - Though only discussed in passing, both Malawi and Mozambique have and continue to receive large shares of donors funding. Both the Beira and Nacala corridors have also been the focus of multiple initiatives and projects, either around transports or growth poles or spatial development initiatives, many of which are still on-going. As well as taking account of politics, clearly any efforts to promote trade facilitation and efficiency along the corridors will benefit from greater coordination with other active donors.

In this light, some challenges to the use and promotion of the Nacala Corridor were already identified in a 2004 World Bank report. That found that “While there is strong government commitment and donor support for the project, the private stakeholders clearly did not consider the corridor as the solution to reduce logistical costs for Malawi” (World Bank, 2004). Though before the discovery of coal in Tete in Mozambique, it was seen as government driven based on “post war politics in Mozambique (Nacala region was pro-government, while the Zambezi valley was a rebel stronghold) and a supply driven approach by some donors”, with businesses expressing a clear preference for investments in Beira (World Bank, 2004). They continued, “While not without merit, the Nacala initiative appears to be supply driven and based on developmental objectives that are not necessarily consistent with trade and transport facilitation benefits. For a number of reasons linked with operational efficiency (railways vs. road rates, and performance of Nacala port), it is not clear that this multimodal route can become attractive for importers and exporters. In fact, reestablishing the historical Sena line from Beira would be a much more credible multimode solution.” Though clearly times have changed since this report, there is a risk that elements continue to be true.

¹¹² [Beira Corridor Puts Region On The Road To Prosperity](#), Southern African Research and Documentation Centre, 16 December 1996.

COVID-19 and relatedly uncertainties

Finally, COVID-19 related developments will further affect Malawi-Mozambique relations with implications for trade facilitation measures. For instance, a state of emergency was declared in both countries in response to the pandemic. Port operations continued in Mozambique although working hours were reduced. There has been a significant decline in activity, with CEAR reporting a 35% decline in traffic as operations in productive sectors.¹¹³ Road transport seems negatively affected, with reports of cross-border drivers in Malawi went on strike demanding personal protective equipment, and threatening to block foreign truckers from entering the country (SADC Secretariat, 2020). Businesses have come forward to fill in some of the gaps by donating protective equipment.^{114 115}

Cross-border coordination seems to be missing too, making the general distrust between the two neighbours is becoming more apparent. Two businessmen were beaten to death as an angry mob suspected them of being COVID 19 transmitters.¹¹⁶ A blanket ban was put in place for Mozambicans seeking hospital care in the border district of Dedza in Malawi.¹¹⁷ Moreover it was also alleged that a Malawi truck driver contracted the virus soon after returning from Beira, leading to an investigation by Mozambican authorities into the matter.¹¹⁸

It also remains unclear whether COVID 19 and varying lockdown and border measures in neighbouring countries will alter the relative costs and hence the choices made by businesses. For instance, South Africa has the convening power and volumes to organise much-needed refrigerated containers for its citrus exports, which Mozambique does not. Could this then alter the choices of exporters in Malawi, especially for fresh agricultural products? It remains too early to analyse this concretely, but COVID-19 certainly adds to the already existing mix of uncertainties.

¹¹³ [Nacala Logistics pumps K398 million in Covid-19 fight](#), Business Malawi, 5 May 2020.

¹¹⁴ [Port of Beira is open for business – and building resilience against Covid-19 | Exclusive interview with Jan de Vries](#), Club of Mozambique, 16 April 2020.

¹¹⁵ [Nacala Logistics pumps K398 million in Covid-19 fight](#), Business Malawi, 5 May 2020.

¹¹⁶ [Two Mozambicans were beaten to death in Malawi, accused of being Covid-19 transmitters – Rádio Moçambique](#), Club of Mozambique, 7 April 2020.

¹¹⁷ [Covid-19: Malawi prohibits hospital services for Mozambicans – report](#), Club of Mozambique, 19 April 2020.

¹¹⁸ [Covid-19: Mozambique investigates infection of Malawi truck driver who was in Beira](#), Club of Mozambique, 11 May 2020.

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Annex 1: List of interviewees

FF - Freight forwarder

GV - Government official

PE - Private expert

PO - Port operator

PS - Private business - exporter/importer

PT - Private transporter

PL - Private logistics service provider

SH - Shipping line

TA - Transport Association

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