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Revitalised Maputo Corridor set to create opportunities and growth in Mpumalanga

With a strong presence in Mozambique, Standard Bank is well-positioned to help South African businesses expand into new markets

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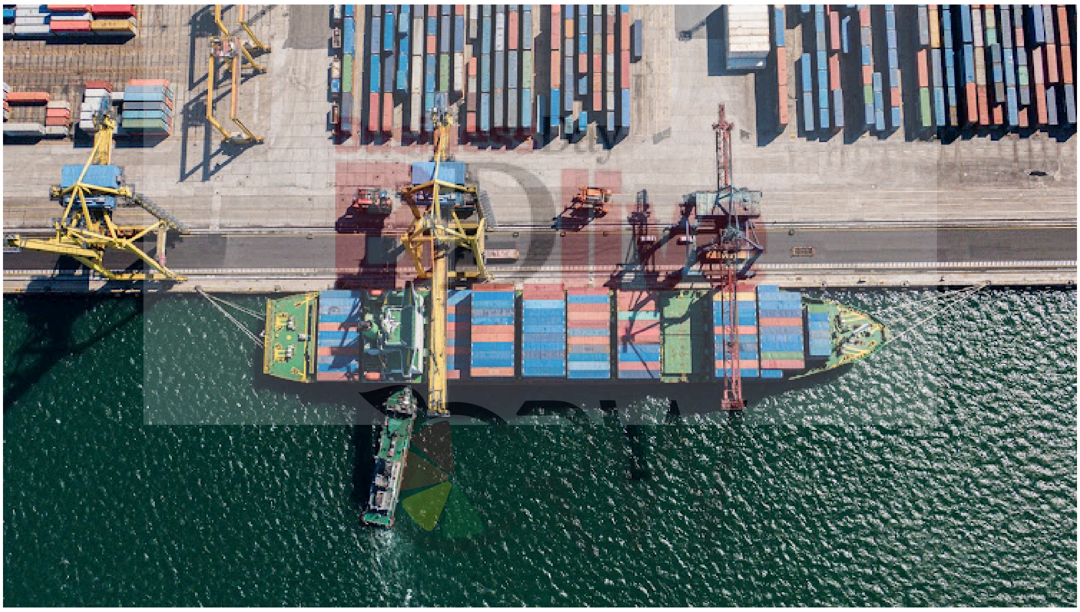

'An ef cient, fast route to the international Maputo port would allow Mpumalanga's coal, timber, and agricultural producers to reach global markets more efficiently'. File photo. Picture: 123RF/suvoroff

Africa’s case for being an attractive investment destination is irrefutable despite its well-documented challenges, which the World Economic Forum says are climate change, energy transition constraints, underdevelopment, the technological divide, an underskilled labour force and, of course, high indebtedness.

Despite these challenges, some African countries are still predicted to be listed among the world’s top-10 fastest-growing economies this year, according to a report by the United Nations. Yet, intra-African trade as a share of global trade continues to be a concern, falling from 14.5% in 2021 to 13.7% in 2022. It goes without saying that strengthening ties across the continent presents great potential for increased trade among African economies.

One example of an area that is ideally placed to play a vital role in fostering economic co-operation and stimulating growth intra-regionally is the Maputo Corridor. Revitalising this strategically positioned trade route offers substantial benefits to both Mozambique and SA, not least of which are stronger investment ties and mutual gain for businesses in both economies.

Comprising roads, railroads, several border posts, ports and terminal facilities, the Maputo Corridor runs through the most highly industrialised and productive regions of Southern Africa, giving access to the landlocked South African regions of Mpumalanga, Gauteng and Limpopo provinces.

Mozambique's attraction

Among Mozambique's attractions for South African businesses looking to access new markets is its growing population of about 33-million people, which is increasing at about 2.7% annually.

Its bustling capital, Maputo, with a population of 2.6-million and a port that handled 30-million tonnes of cargo in 2023, is about to benefit from a $600m investment in the development of its capacity, adding significant cargo-handling opportunities.

Add a primarily agriculture-based economy that uses only 40% of available arable land, a corporate tax rate that has plummeted from 32% to 10%, and a VAT rate that has decreased from 17% to 16%, and it is no wonder that business interest in Mozambique is growing.

SA's attraction

For SA and strategically positioned Mpumalanga in particular, the key to prosperity is the well-maintained highway to Maputo, just 100km from the Komatipoort border post and 270km from Mbombela, Mpumalanga's capital.

Mpumalanga stands to benefit from the prosperity that a fully operational corridor would bring to the region's agricultural, business and manufacturing sectors. Multiple advantages would also flow from an infrastructure that, over time, would grow to meet the demands of increased cross-border import and export volumes.

An efficient, fast route to the international Maputo port would bolster Mpumalanga's economic growth and development and allow the province's coal, timber and agricultural producers to reach global markets more efficiently than through other ports.

Following sizeable investments in the Maputo Corridor, its capacity is expected to ramp up, with increased private sector participation promoting operational integration — and nothing attracts more business than strong demand.

Standard Bank as the enabler of increased intra-African trade

For Standard Bank, the Maputo Corridor presents a pivotal move to enhance economic co-operation between SA and Mozambique. Recently, the bank hosted a Business Connect event in the region, whose aim it was to provide an opportunity for exploring ways in which regional collaborations can drive meaningful economic and social growth.

Standard Bank believes that improved infrastructure would boost Mpumalanga's appeal as a destination for domestic and foreign investment, particularly in mining, agriculture, manufacturing and logistics, for which Mbombela would become a natural hub.

For the region's citizens, increased economic activity, including transportation, logistics, and industrial operations, would mean job creation, reduced unemployment and poverty alleviation. The small, micro and medium enterprises sector would receive a boost from easier access to Mozambican markets.

For those involved in tourism, which is already a significant income stream for Mpumalanga, the Maputo Corridor will improve access for tourists from Mozambique and other regions, further boosting the local tourism industry.

However, with opportunities come challenges. As regional co-operation develops and cross-border activities increase, the traditional problems of expanding across borders, dealing with a new economic environment and facing a raft of regulations and competition will come to the fore.

With a strong presence in Mozambique and across the continent, Standard Bank is well-positioned to help South African businesses expand into new markets. Traditionally, the needs of entrepreneurs growing their businesses across borders have included market entry and expansion support as shown by market research and insights into new growth areas, which help informed decision-making about where and how to expand.

Advisory services are often required to guide businesses through the complexities of entering new markets, meeting regulatory requirements, understanding local business practices, and navigating political and economic risks.

Identifying potential partners and networks is more feasible when a robust and expansive African financial institution such as Standard Bank is available to help connect South African businesses with local partners, suppliers, distributors and government bodies.

Trade finance solutions, such as letters of credit, trade guarantees and export financing, are also required for expansion into new territories. Additionally, access to working capital and project financing for setting up manufacturing plants or infrastructure projects is high on the nice-to-have list when operations are to be moved into a new country.

At a base level, seamless connections and the provision of cross-border banking services for everyday business banking allow businesses to open and manage accounts in local currencies, while enjoying easy access to digital banking solutions, which provide the foundation for a resilient business.

By leveraging these and other services, Standard Bank can be a crucial partner, providing not just financial resources but the expertise and local knowledge needed for success by South African and Mozambican businesses looking to grow into new markets.

• ***About the author:*** *Oscar Siziba is head of Client Coverage for Business Banking at Standard Bank.*

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