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Report

Regional Aid for Trade effectiveness and corridors

Bruce Byiers and Dan Lui

Key messages

- There are potentially large gains from regional integration through economies of scale in production and larger market size.
- Corridor approaches can help reduce transport times and costs, thus addressing a major constraint to regional and international trade.
- Regional AfT faces the same institutional challenges that face regional integration more broadly.
- Regional AfT strategies offer a means to fix regional priorities for donor alignment, but they often duplicate aspects of existing sectoral strategies.
- Some of these challenges can be addressed through a more narrowly focused corridors approach, thereby boosting regional AfT effectiveness.

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Abbreviations

AfDB	African Development Bank
AfT	Aid for Trade
AIDA	Accelerated Industrial Development of Africa
APEI	Accelerated Programme for Economic Integration
ASDP	Agricultural Sector Development Programme
ASP	Agricultural Strategic Plan
AU	African Union
BADEA	Arab Bank for Economic Development in Africa
BAGC	Beira Agricultural Growth Corridor
CAADP	Comprehensive Africa Agriculture Development Programme
COMESA	Common Market for East and Southern Africa
CRS	Creditor Reporting System
DAC	Development Assistance Committee
Danida	Danish International Development Agency
DFID	Department for International Development
DRC	Democratic Republic of Congo
DTIS	Diagnostic Trade Integration Study
EC	European Commission
ECA	European Court of Auditors
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States

EIB	European Investment Bank
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
EU	European Union
FIP	Finance and Investment Protocol
GDP	Gross Domestic Product
GIZ	German International Cooperation
GNI	Gross National Income
IDA	International Development Association
IFFm	International Finance Facility for Immunisation
IFI	International Financial Institution
ILEAP	International Lawyers and Economists Against Poverty
JICA	Japan International Cooperation Agency
KfW	German Development Bank
LAPSSET	Lamu Port and New Transport Corridor Development to Southern Sudan and Ethiopia
LDC	Least Developed Country
M&E	Monitoring and Evaluation
MDC	Maputo Development Corridor
MDG	Millennium Development Goal
MRGP	Mozambique Regional Gateway Programme
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OSBP	One-Stop Border Post
PIDA	Programme for Infrastructure Development in Africa
REC	Regional Economic Community
RISDP	Regional Indicative Sustainable Development Programme
RTFP	Regional Trade Facilitation Programme

SADC	Southern African Development Community
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SATH	Southern Africa Trade Hub
SDI	Spatial Development Initiative
SMART	Specific, Measurable, Achievable, Relevant and Time-Bound
TAFSIP	Tanzania Agricultural Food Security Investment Plan
TMEA	TradeMark East Africa
TMSA	TradeMark Southern Africa
TPR	Trade Policy and Regulations
UEMOA	West African Economic and Monetary Union
UN	United Nations
UNDP	UN Development Programme
UNECA	UN Economic Commission for Africa
UK	United Kingdom
US	United States
USAID	US Agency for International Development
WATH	West Africa Trade Hub
WEF	World Economic Forum
WTO	World Trade Organization

Executive summary

After emerging at the World Trade Organization (WTO) Hong Kong Ministerial Meeting in 2005, the Aid for Trade (AfT) initiative is now a mainstreamed *credo* of the international trading system. Although there has been some scepticism about its ‘added value’, there is now broad acceptance of the need to assist developing countries to build their capacity to benefit from trade. Moreover, evidence suggests that the AfT initiative has succeeded in mobilising donor resources for a range of trade-related activities while generally improving the quality of aid in terms of the ownership and design of programmes and policies (OECD-WTO, 2009). Overall, AfT accounts for more than one-third of all official development assistance (ODA) delivered by traditional donors.

But, as with aid more generally, it has been difficult to gauge the effectiveness of AfT. This relates in part to the wide range of areas covered by AfT, from network infrastructure and sector-level programmes (e.g. in agriculture, tourism or microfinance), to support for regional integration and policy reforms. Projects also vary widely in size, delivery and implementation mechanisms. This makes it difficult to explain and assess AfT as a coherent category of aid, requiring a range of approaches, from cross-country statistical comparisons to project-level case study assessments. It also means that AfT data are weak, further hindering in-depth analysis.

Based on what evidence there is, AfT appears to work best when targeted at regional trade-related constraints (Basnett et al., 2012). While donors have traditionally focused their development cooperation at the country level, regional trade-related projects have increased in recent years. The key driver at present is the desire in Sub-Saharan African countries to pursue a deeper level of regional integration as a step towards integrating into the global economy. Arguably, negotiations on economic partnership agreements (EPAs) between the European Union (EU) and various regional groupings have also played a role, while the stalled WTO Doha Round also underlined regionalism as an attractive alternative.

In particular, the ‘corridors approach’ has emerged as a popular approach to link and promote regional supply chains, particularly in Africa, with AfT playing a supporting role. This approach emphasises tackling regional barriers to trade in an integrated and coherent manner, complementing liberalisation commitments with a combination of physical and ‘soft’ infrastructure investments.¹ Increasingly, this approach goes beyond infrastructure to address productive capacity constraints and promote investment and clustering in sectors such as agriculture, offering a useful target for AfT.

This study discusses the opportunities and challenges of improving the effectiveness of AfT through a regional approach and focusing on Africa. It comprises i) an analysis of available AfT data; ii) a discussion of regional approaches and challenges to coordinating and implementing AfT projects in institutional terms; and iii) closer examination of the

¹ ‘Soft’ infrastructure refers to the regulatory, business and institutional environment (such as financial systems, standards, harmonisation in policies, commercial services and skills), as opposed to ‘hard’ infrastructure, which refers to physical networks such as transport or energy.

opportunities offered by a corridors approach to overcome some of these challenges. In doing so, the study employs the key concepts of the ‘aid effectiveness’ agenda, while also focusing on the specific problems of improving regional AfT, and in particular how AfT can be deployed more efficiently and effectively to overcome long-standing difficulties around the implementation of regional agendas.

Regional Aid for Trade effectiveness: concepts and issues

Given the broad scope of AfT, ‘regional AfT’ itself is not well defined. The distinction between national and regional AfT can be blurred, since nationally implemented AfT projects can have regional impacts. Similarly, regionally focused projects (including, for example, the construction of connecting roads) are commonly implemented by national authorities, since this is where capacity, responsibilities and legal mandates lie. As a result, there is a tension between where financing is channelled and how and by whom AfT projects are implemented.

This problem carries over to the data on regional AfT, including Organisation for Economic Co-operation and Development (OECD) data on overall levels of regional AfT. These are unable to distinguish between national projects that are a part of a broader regional package or even AfT provided to a regional economic grouping, making assessments of regional AfT flows difficult to assess, never mind their impacts.

In this context, and given the challenge of defining ‘aid effectiveness’, how does one define the effectiveness of AfT at a regional level? And from whose perspective should one measure its effectiveness? While donors are under increasing pressure to show AfT effectiveness through evaluations and impact measurement, regional programmes suffer from the same limitations as national projects but with additional complications. But, perhaps more importantly, AfT effectiveness depends on its ability to support regionally owned integration efforts and adhere to the underlying principles and rationale of the AfT initiative, as well as the international dialogue on how to improve aid effectiveness as a whole. This is the approach taken in this paper.

Main findings

The descriptive analysis presented in this report suggests the following conclusions.

AfT flows

The data on AfT are not designed or suited to analysing regional AfT flows. As the discussion below makes clear, the OECD Development Assistance Committee (DAC) Creditor Reporting System (CRS) database on AfT flows only provides aggregate data on Africa, therefore not allowing any analysis or comparison of AfT flows at the level where regional integration is taking place. As such, while serving as a donor database, it is of limited use for analysing impact or for policymaking and only allows broad conclusions to be drawn.

From what the data do say, AfT remains an important and growing category of donor support to developing countries, particularly in Sub-Saharan Africa. According to the same data and caveats, regional AfT represents a small share of overall AfT disbursements, suggesting the continuing dominance of national over regional AfT. This nonetheless includes projects that are regional in nature, again underlining the need to improve data collection and reporting with regard to projects with a regional objective if this aspect of AfT is to be given the analytical attention it deserves.

The data problem leads to a broader tension between AfT as a ‘donor’ agenda, and AfT as a support mechanism for regionally owned strategies. While AfT has helped focus donors and the aid discussion on promoting productive capacity, it is at base focused on aid inputs rather than outcomes. This is in contrast to the broader aid agenda. A key

concern therefore is not simply to mobilise additional aid, but also to foster better approaches to regional development and ultimately to promote greater capacity for the private sector to produce and trade within and across regions. Numerous regional economic communities (RECs) are increasingly designing AfT strategies to potentially address this.

Institutions

While regional AfT strategies offer a means to fix regional priorities for donor alignment, strategies often duplicate aspects of existing sectoral strategies. This suggests a need to move away from a focus on aid mobilisation for AfT strategies, to garnering support for existing regional development strategies. This would be in line with the declining importance of donor aid and the growing importance of private sector finance and investment and other approaches to address development problems.

Regional AfT faces the same institutional challenges that face regional integration more broadly. These stem from the broader range of stakeholders in regional initiatives; the often limited implementation capacity, legitimacy and mandate of RECs; and the greater distance between aid decision makers, implementers and final beneficiaries on the ground. The political economy of national–regional relations often leads to grand aspirations with large ‘implementation deficits’, pointing to the importance of finding a regional–national balance in responsibilities for implementing strategies related to AfT.

Some of these challenges can be addressed through a more narrowly focused corridors approach, thereby boosting regional AfT effectiveness. Through a holistic approach focused on a limited geographical area, this combines attention to improve hard infrastructure and soft accompanying measures with private sector engagement and clustering. As such, the corridors approach represents a form of compromise between the tensions that arise in formulating and implementing region-wide strategies. Although also facing some challenges, such as the broader business environment, this may also serve as a model for broader reforms to promote greater effectiveness of AfT at a regional level, and to further regional integration itself.

Productive capacities

The small size of developing country economies suggests potentially large gains from regional integration through economies of scale in production and larger market size. In this regard, AfT targeted at regional initiatives makes sense, both helping promote regional linkages between firms and producers in regional value chains, and linking their combined production into wider international markets.

While corridor approaches can help reduce transport times and costs, thus addressing a major constraint to regional and international trade, recent examples have yet to prove their broader impact at the local or regional level. While road improvements and improved borders do cut processing and transport times, these do not necessarily translate into lower prices and knock-on effects. The fact that corridors are increasingly driven by international investors also leads sceptics to question the likely development impact in the face of commercial interest. Nonetheless, the private sector need for regional markets for commercial viability may also bring needed momentum to reforms, further underlining the importance of a regional approach and the potential for channelling these efforts through a corridors approach.

Overall, while a regional approach seems appropriate to improving AfT effectiveness, the practicalities of regional coordination, prioritisation and implementation mean major challenges remain. A corridors approach may be one way of narrowing the focus and gathering more limited stakeholders around identifiable constraints, potentially offering a means to maximise AfT effectiveness while promoting regional goals and aspirations.

1 Introduction

After emerging at the World Trade Organization (WTO) Hong Kong Ministerial Meeting in 2005, the Aid for Trade (AfT) initiative is now a *credo* of the international trading system. Although there has been some scepticism about its ‘added value’, there is now broad acceptance of the need to assist developing countries to build their capacity to benefit from trade. Moreover, the AfT initiative has mobilised donor resources for a range of trade-related activities while improving the quality of aid in terms of the ownership and design of programmes and policies (OECD-WTO, 2009). Overall, AfT now accounts for more than one-third of all official development assistance (ODA) delivered by traditional donors.

The limited evidence there is suggests AfT works best when targeted at regional trade-related constraints, among other factors (Basnett et al., 2012). While donors have traditionally focused their development cooperation at the country level, regional trade-related projects have increased in recent years. One key driver is the desire in many developing countries to pursue a deeper level of regional integration as a step towards integrating into the global economy. Arguably, negotiations on economic partnership agreements (EPAs) between the European Union (EU) and various regional groupings have also played a role, while the stalled WTO Doha Round also underlined the regionalism as an attractive alternative.

Within this context, the ‘corridors approach’ has emerged gained prominence as a way to link countries and create regional supply chains, particularly in Sub-Saharan Africa, with AfT playing an important role. This approach emphasises tackling regional barriers to trade in an integrated and coherent manner, complementing liberalisation commitments with a combination of physical and ‘soft’ infrastructure investments to lower the costs of trading across borders. Increasingly, this approach also goes beyond infrastructure to promote investment and clustering in sectors such as agriculture to boost productive capacity.

This report discusses the opportunities and challenges of improving the effectiveness of AfT through a regional approach by examining these issues. The focus is Sub-Saharan Africa, given the large share of AfT it receives and the particular focus there on corridor approaches. The study comprises i) an analysis of available AfT data and a discussion of impact analyses, where they exist; ii) a discussion of regional approaches and challenges to coordinating and implementing AfT projects in institutional terms; and iii) closer examination of the opportunities offered by a corridors approach to overcome some of these challenges.

Overall, while AfT at the regional level appears well suited to improving AfT effectiveness, the practicalities of regional coordination, prioritisation and implementation mean that major challenges remain. A corridors approach offers one way of narrowing the focus and gathering stakeholders around identifiable constraints. This potentially offers a means to maximise AfT effectiveness while promoting regional goals and aspirations. The discussion here also highlights the role of the private sector in

achieving corridor objectives beyond donor roles, something that also stands for the AfT agenda more broadly.

The remainder of the study is organised as follows. Section 2 gives an overview of Organisation for Economic Co-operation and Development (OECD) data and what they contain on regional AfT flows, including some of the necessary caveats for interpreting these data; it also summarises the little analysis that exists on regional AfT effectiveness. Section 3 looks at the institutional opportunities and challenges in making regional AfT more effective. Section 4 discusses the growth corridors approach as a mechanism for increasing AfT effectiveness, focusing specifically on Sub-Saharan Africa and drawing on lessons from some specific corridors in the region. Section 5 concludes.

2 Regional AfT flows in Sub-Saharan Africa

2.1 The rationale for regional Aid for Trade

The rationale for a regional approach to AfT is relatively clear in Sub-Saharan Africa. Since AfT relates to international trade, the regional or cross-border dimension has been recognised from the very outset of the initiative (Dalleau and van Hove, 2012). Some of the constraints facing developing countries are regional, sub-regional or cross-border in nature. These needs should be identified and properly addressed. Regional organisations, including regional banks, regional integration organisations and regional economic communities (RECs), may play a role in assisting countries to identify such needs (WTO, 2006).

The need to address cross-border issues is further underlined by the small size of the economies. Pooling resources and opportunities by creating effective regional markets may be decisive in stimulating production capacities and trade and investment flows (Mackie et al., 2010). Nevertheless, integration in Africa remains limited: more than 20 years after the adoption of the Abuja Treaty, calling for the establishment of a common market and further economic and political integration in Africa, the level of intra-African trade is still considerably lower than in other parts of the world, representing only 10% of total African trade (AU, 2011).

Nonetheless, regions across Sub-Saharan Africa have taken important steps towards liberalising trade within and among themselves. Several regional blocs have now implemented regional trade agreements that dismantle tariffs either partially or completely. Three overlapping regions in Eastern and Southern Africa have also gone a step further in deciding to create a 'Tripartite Free Trade Area' that will cover half the continent. The most recent new initiatives include policy processes and instruments adopted by the African Union (AU), such as the 2012 Action Plan for Boosting Intra-Africa Trade, which includes a plan for continent-wide free trade by the 'indicative date' of 2017.

Regional AfT can play an important role in supporting such initiatives while also assisting countries to enact complementary sector-specific policy reforms. Continent-wide programmes include the Comprehensive Africa Agriculture Development Programme (CAADP), the Programme for Infrastructure Development in Africa (PIDA) and the Accelerated Industrial Development of Africa (AIDA), which focus on how to better promote greater regional integration and development, addressing food security challenges, infrastructure deficits and production capacity constraints, respectively. Ideally, regional AfT can support these initiatives without duplication of systems or strategies.

2.2 Regional Aid for Trade data

While the logic is clear, the evidence on regional AfT effectiveness is limited to qualitative assessments and surveys, with few quantitative analyses. This owes to a number of factors, including the broad scope of AfT interventions, the multitude of delivery mechanisms and the difficulty of attributing outcomes to aid or policy prescriptions more generally. This study starts by looking at the flows of AfT at the regional level before discussing anecdotal evidence on the effectiveness of operating at the regional level.

Before looking at regional AfT flows, it is important to discuss the data and the poor basis these provide for analysis. The main source of data on AfT is the OECD's Creditor Reporting System (CRS), which provides data on regional AfT from 2002 to 2010. However, these data are available only at the aggregate level and are subject to numerous methodological, definitional and reporting concerns that hinder detailed analysis.

A first problem for regional AfT data is its definition. The WTO defines five categories of AfT: i) trade infrastructure; ii) building productive capacity; iii) trade development; iv) trade policy and regulations; and v) trade-related assistance. Defining *regional* AfT brings an additional dimension to each of these, with International Lawyers and Economists Against Poverty (ILEAP) (2007) defining AfT as regional 'where either implementation is taking place involving more than one country, or where it is being coordinated at the regional level'.

Identifying regional AfT is therefore straightforward where it is delivered and implemented entirely through a regional agency. However, as the above definition suggests, 'regional' projects are implemented through national governments. Further, the OECD's CRS relies on self-reporting by donors, with regional programmes reported as such if they cover two or more countries. But reporting practices vary by donor and project design: some report all forms of AfT delivered for regional or cross-border projects, including when this aid is programmed and channelled through partner countries; others may adopt a different definition.

Any definition of regional AfT will almost certainly omit projects implemented at the national level even if these have regional impacts, intended or otherwise. Such 'spillover effects' may be significant: for a national AfT project to upgrade Mombasa Port could have beneficial impacts for all of East Africa.

But beyond issues of definitions, OECD figures for regional AfT are highly aggregated with no breakdowns of regional trading blocs. For example, regional AfT to Africa is divided only between North and Sub-Saharan Africa so one cannot see the trends and shares of AfT at the individual level of regions, where most interesting insights are likely to be.

While donor reporting on AfT as a whole is improving, this may also distort the data. Although data show both overall and regional AfT have grown, some of this may relate merely to better accounting: donors have made efforts since 2005 to better identify, monitor and report on their AfT contributions (ILEAP, 2007; OECD-WTO, 2011).

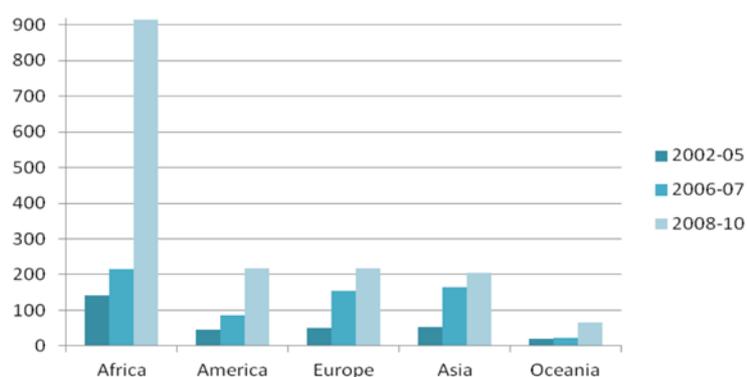
Finally, the CRS covers mainly donors that are members of the OECD's Development Assistance Committee (DAC) and international organisations. Non-DAC donors report on a voluntary basis only. This limits the coverage of non-DAC donors, neglecting important providers of aid (for trade) such as the Gulf countries, China and India. This means reporting to the OECD/DAC on AfT categories underestimates the volume of assistance available in overall terms.

Overall, measuring the effectiveness of regional AfT is hindered not only by the breadth of the initiative but also by the way data are gathered.

2.3 Regional Aid for Trade trends

Despite these caveats, this section uses the available data to examine the trends, sources and distribution of regional AfT. Despite the weaknesses of the data, broad trends tell us something about the growing role of regional AfT.

Figure 1: Regional AfT at the continental level



Source: OECD CRS

AfT levels have grown steadily since the initiative began, from \$20 billion of reported disbursements in 2006 to \$32 billion in 2010.² Within this growth, regional disbursements have grown faster than total AfT, contributing disproportionately to this overall rise. As illustrated in Figure 1, this growth in regional AfT allocations has occurred across all regions, in some cases by more than 20% per year. As such, AfT delivered at the regional level increased from an annual average of around \$300 million during 2002-2005 to around \$1.6 billion per year in the 2008-2010 period, equivalent to a rise from 1.9% to 5.9% of overall allocations. Even given the caveats above, the regional level is gaining in importance for AfT delivery.

While regional AfT flows have increased, the extent to which projects are delivered regionally still varies widely by continent. As shown in Table 1, the proportion of AfT attributed to the regional level ranges from less than 2% in Asia and its sub-regions, to 3.2% in the North of Sahara region, 4.4% in South America, 7.1% in Sub-Saharan Africa, 9.2% in North and Central America and 11.7% in Europe. The sub-region with the highest reported proportion of projects delivered through regional institutions is Oceania, with 19.1%, potentially reflecting the dispersed donor presence across the region's small island states.

Table 1: Total and regional AfT in selected sub-regions (constant 2010 US\$)

	2002-2005 (average)			2006-2007 (average)			2008-2010 (average)		
	Total AfT	Regional AfT	Share	Total AfT	Regional AfT	Share	Total AfT	Regional AfT	Share
Africa, North of Sahara	882.0	20.8	2.4%	1,273.2	79.2	6.2%	1,928.8	61.3	3.2%
Africa,	4,408.6	215.	4.9%	5,403.9	252.	4.7%	7,549.4	532.	7.1%

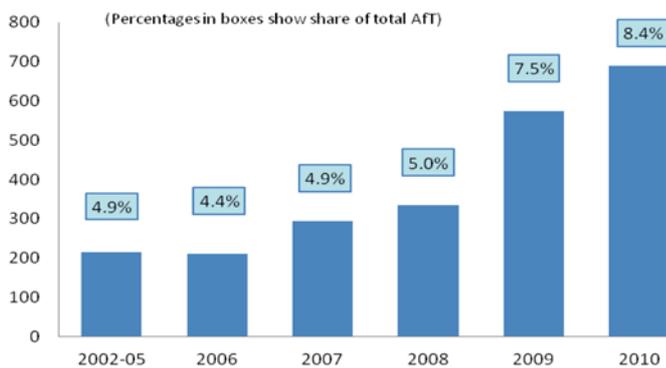
² All data are for disbursements in constant 2010 US\$.

South of Sahara		8			7			9	
Europe	768.6	50.0	6.5%	1,170.2	154.6	13.2%	1,853.5	217.2	11.7%
North and Central America	470.6	39.7	8.4%	607.7	72.3	11.9%	1,170.7	107.2	9.2%
South America	550.8	16.1	2.9%	776.2	53.7	6.9%	1,119.3	49.3	4.4%
Far East Asia	3,077.4	18.5	0.6%	4,152.3	59.4	1.4%	4,342.2	16.9	0.4%
Middle East	1,398.4	14.0	1.0%	2,599.6	40.0	1.5%	1,290.9	12.3	1.0%
South and Central Asia	3,360.3	31.0	0.9%	3,667.1	9.6	0.3%	5,934.5	5.3	0.1%
Oceania	217.1	19.6	9.0%	230.4	21.2	9.2%	342.6	65.4	19.1%

Source: OECD CRS

For Sub-Saharan Africa, total reported AfT disbursed at the regional level increased roughly threefold. It grew from around \$215 million in the baseline period of 2002-2005 to approximately \$690 million in 2010, growing as a share of total AfT from 4.9% to 8.4%. Again, given the data caveats, this is likely to be an underestimate of overall AfT with a regional impact, indicating its importance in Sub-Saharan Africa.

Figure 2: Regional AfT to Sub-Saharan Africa, US\$ million



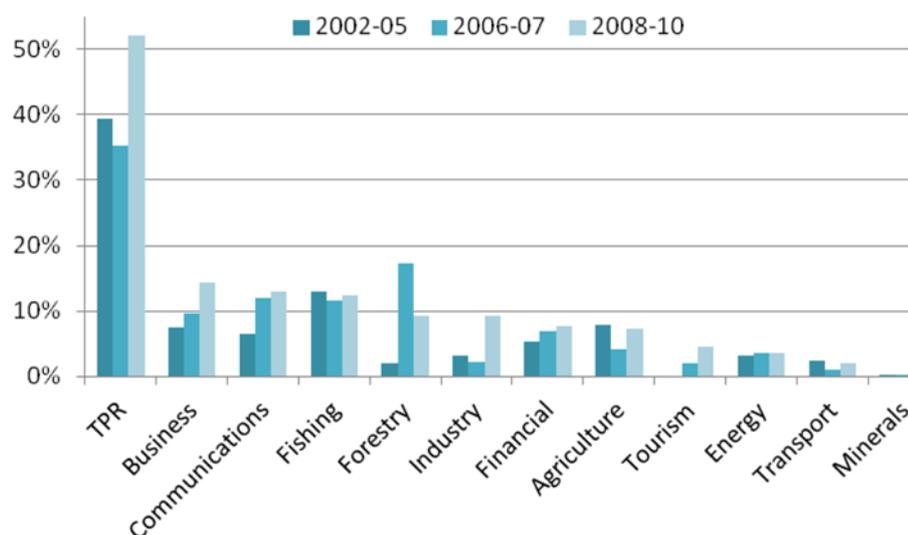
Source: OECD CRS

The OECD reported data also give a breakdown of the sector distribution of regional AfT. As Figure 3 shows, ‘Trade Policy and Regulations’ (TPR) is relatively overrepresented in regional allocations compared with overall AfT. While TPR accounts for only a small proportion of AfT provided to Sub-Saharan Africa (3.3% in 2008-2010), it accounts for almost a quarter of all regional AfT. In the last three years of data available, more than half of all aid provided by donors to the area of TPR was delivered at the regional level. At first sight this is surprising, given that ‘transport’ involves large capital investments while TPR is generally related to technical assistance and ‘soft’ investment. However, infrastructure projects are generally carried out at the national level where the legal contractual framework exists.

As such, TPR projects may be more suited to regional than national delivery since they often address ‘generic’ needs. These include legislation, training or participation in trade negotiations. In contrast, regional bodies often lack the authority, mandate or capacity

to implement (more expensive) infrastructure projects independently, thus representing an area of regional AfT that goes under-reflected in the data.³

Figure 3: Proportion of sector AfT delivered in Sub-Saharan Africa at regional level



Source: OECD CRS

Agriculture also features strongly in regional AfT in Sub-Saharan Africa, as highlighted in Table 2. This reflects the high level of AfT support to agriculture more generally, but also recent initiatives to boost investment in the sector and regional approaches to agriculture under CAADP. Box 1 provides some further examples of regional AfT programmes.

³ As noted above, however, there may also be definitional problems in identifying ‘regional’ projects, since large infrastructure projects such as roads are primarily national in nature yet still have benefits for intra-regional trade. Box 1 provides a snapshot of some examples of regional AfT projects.

Table 2: Total and regional AfT to Sub-Saharan Africa by broad AfT sub-sector (constant 2010 US\$)

OECD broad AfT category	2002-2005 (average)				2006-2007 (average)				2008-2010 (average)			
	Total AfT	% of total AfT	Regional AfT	% of regional AfT	Total AfT	% of total AfT	Regional AfT	% of regional AfT	Total AfT	% of total AfT	Regional AfT	% of regional AfT
II.1. Transport	1,589.6	36.1%	37.9	17.6%	1,966.4	36.4%	21.2	8.4%	2,355.9	31.2%	48.0	9.0%
II.2. Communications	89.7	2.0%	5.8	2.7%	91.7	1.7%	10.9	4.3%	112.0	1.5%	14.5	2.7%
II.3. Energy	455.6	10.3%	14.8	6.9%	631.3	11.7%	22.8	9.0%	1,145.2	15.2%	41.5	7.8%
II.4. Financial Services	327.1	7.4%	17.8	8.2%	346.1	6.4%	24.0	9.5%	646.6	8.6%	49.3	9.3%
II.5. Business	170.7	3.9%	12.7	5.9%	268.9	5.0%	26.0	10.3%	343.1	4.5%	49.2	9.2%
III.1.a. Agriculture	1,070.7	24.3%	84.6	39.2%	1,417.0	26.2%	60.2	23.8%	2,060.5	27.3%	150.5	28.2%
III.1.b. Forestry	98.9	2.2%	1.9	0.9%	106.8	2.0%	18.5	7.3%	129.0	1.7%	12.0	2.2%
III.1.c. Fishing	100.0	2.3%	12.9	6.0%	86.7	1.6%	10.1	4.0%	102.4	1.4%	12.7	2.4%
III.2.a. Industry	256.3	5.8%	8.2	3.8%	227.9	4.2%	5.0	2.0%	267.1	3.5%	24.7	4.6%
III.2.b. Mineral	191.6	4.3%	0.4	0.2%	95.9	1.8%	0.0	0.0%	125.4	1.7%	0.2	0.0%
III.3.a. Trade Policy	47.6	1.1%	18.8	8.7%	152.6	2.8%	53.8	21.3%	248.9	3.3%	129.6	24.3%
III.3.b. Tourism	11.0	0.2%	0.0	0.0%	12.5	0.2%	0.2	0.1%	13.4	0.2%	0.6	0.1%
Total	4,408.6	100.0%	215.8	100.0%	5,403.9	100.0%	252.7	100.0%	7,549.4	100.0%	532.9	100.0%

Note: Figures in roman numerals refer to OECD broad AfT sector codes within the database.

Source: OECD CRS

Box 1: Regional AfT in practice – examples from the AU and COMESA

Given the broad scope of AfT, with thousands of projects across diverse areas related to trade, it is difficult to comprehensively list key AfT programmes being implemented across Sub-Saharan Africa. Nonetheless, some flagship regional policies and programmes illustrate the range of different regional AfT activities that in theory guide and generate demand for increased regional AfT.

For example, the rollout of CAADP highlights the value of a coherent regional approach. This explicitly links agriculture and trade under the pillar devoted to improving market access and enhancing value chains. Initiatives such as PIDA also play an increasingly prominent role – alongside various trade corridor programmes discussed in more detail below – in identifying priority cross-border infrastructure priorities. The World Bank also has several major regional programmes in the area of Transport and Trade Facilitation.

In supporting Trade Policy and Regulations, a specific area of support has been to improve negotiating capacity in multilateral or North–South trade agreements. For the most part, regional AfT strategies also focus heavily on the regional integration agenda: for example, one of the main programmes covered under the Common Market for East and Southern Africa (COMESA) AfT strategy is a regional fiscal adjustment programme to support member states as they face tariff revenue losses as a result of implementing the COMESA free trade agreement.

As is the case at the national level, there is likely to be a significant lack of knowledge even among programme implementers about AfT. For example an analysis of COMESA's existing regional programmes in 2011 (see Table 3) showed that – unbeknown to a number of officials who worked on these programmes on a day-to-day basis – much of these programmes are classified as AfT. This highlights the scope and ambition of the AfT initiative but also the interconnectedness of different sectors and the complexity involved in any attempt to gather data to gauge AfT effectiveness.

To the extent they are captured, OECD data also provide information on the development partners supporting regional AfT. Grouping donors according to their average annual AfT programme, there is an apparent preference among small to medium-sized donors towards regional AfT. Those having total Sub-Saharan African AfT allocations of between \$10 million and \$150 million provide around twice as much on average through regional institutions as larger donors. This may be important for AfT effectiveness inasmuch as it reflects donor willingness to coordinate support to broader AfT programmes. The largest AfT donors to Sub-Saharan Africa in recent years are the EU, the African Development Bank (AfDB), Japan and the US followed by individual larger EU countries.⁴

Table 3: Donors grouped by size of programme and regional AfT

Total AfT allocation to Sub-Saharan Africa	Donors	% delivered as regional AfT (unweighted average)
< \$10 million	New Zealand, Greece, Australia, Luxembourg	1.3%
\$10-50 million	Austria, Finland, Korea, Switzerland, Ireland, Italy, Portugal	14.1%
\$50-150 million	Netherlands, Sweden, Spain, Arab Fund, Belgium	16.2%
\$150-350 million	Norway, Denmark, Canada, France, Germany, UK	7.5%
> \$350 million	Japan, US, African Development Fund, EU institutions	8.0%

Source: Authors' calculations from OECD CRS

Box 2: Contribution of IFIs and multilateral donors to regional AfT

In 2009, AfT commitments were equally attributable to DAC countries and multilateral donors. However, according to available figures, 97% of multilateral flows were committed by the African Development Fund, the concessional window of AfDB. Given the methodological concerns discussed above, this should not be taken to mean that other multilateral donors do not support trade-related regional integration programmes and projects: the international financial institutions (IFIs) and other multilateral donors may be active in regional AfT without this being reflected in these statistics.

Most multilateral partners, primarily the World Bank and regional development banks, have indeed given strong support to regional approaches to AfT, as reflected in their respective regional integration assistance strategies (Mackie et al., 2010; OECD-WTO, 2011: 34). This said, while IFIs, notably the World Bank, have funding available for regional issues, it is also worth noting that multi-country programmes have for a long time constituted only a small proportion of their portfolio (ILEAP, 2007: 9).

Moreover, even in the case of regional or cross-border projects, aid from multilateral donors continues to be programmed and channelled predominantly through partner countries, not least because of technical constraints. The lack of regional *grant* facilities allowing development partners to deliver and channel these types of resources to regional bodies on the one hand and the difficulties for these regional organisations to borrow even on concessional terms on the other are two issues that may have limited the financial capacity of regional bodies to implement ambitious programmes. Admittedly, some progress has been made on this front in recent years. However, the need to improve the availability of instruments to address cross-border/regional projects might still be a relevant issue for consideration.

Source: Adapted from Dalleau and van Hove (2012)

Beyond the DAC donors captured above, it is worth noting the prominent role non-traditional emerging countries play in some AfT sectors. OECD (2011), for example, notes that China 'has outpaced the World Bank as the leading funder of Africa's infrastructure',

⁴ Highlighting again the methodological concerns in the reporting of AfT statistics, data for 2009 appear to have been influenced by a large increase in AfT reported by AfDB (see Box 2), which is understood to have undergone a change in its reporting of AfT at the time. The increase in regional AfT was not repeated to the same extent in 2010.

committing some \$9 billion in in 2010. Arab countries also spent \$3.3 billion, mostly in Arabic-speaking African countries.⁵

In terms of future flows of regional AfT, the ongoing financial crisis in the developed world suggests there is no guarantee that AfT levels will continue (OECD-WTO, 2011). Regional AfT is also under specific threat from a reallocation of funds by the European Commission (EC), currently the biggest contributor of regional-level aid, based to some degree on frustrations with the level of implementation of programmes and budget execution at a regional level, an area we discuss in more detail below (Box 3). This is important, given that instability and unpredictability of resources is cited as one reason why RECs had a limited capacity in playing a leading role in successful regional cooperation and integration (Dalleau and van Hove, 2012).

Box 3: EC support to regional institutions

The EC has until now been probably the largest provider of regional AfT, but reports suggest it will cut its development support to African regions in the context of its mid-term review of the European Development Fund. Although this is accompanied by an affirmation of 'unfailing' commitment to supporting crucial regional integration projects, funds for the East and Southern African region have been halved, while for West Africa they have been cut by a third. The main argument to justify these cuts is the lack of capacity of the African RECs to spend the funds in an effective way. While alternatives may emerge through using national envelopes to implement cross-border and regional projects, issues of coherence and coordination are key for ensuring AfT effectiveness.

⁵ These figures are not directly comparable with AfT commitments by traditional donors, as they include a variety of non-concessional instruments (and seemingly also private investments in sectors such as telecoms). It is also unlikely to be 'regional' as defined in the terms set out above, even if projects may contribute to regional trade. As such, more readily identifiable forms of regional assistance – including support channelled through RECs – are still likely to be dominated by the EU and its member states. Nevertheless, the figures from the emerging countries give an indication at least of the importance of newer donors such as China.

3 Evaluations of regional AfT effectiveness

Beyond the broad descriptive data discussed above, specific analyses of regional AfT effectiveness are scarce. Nonetheless, some sources provide some form of evaluation or analysis of the effectiveness of regional AfT programmes. Here we discuss the following: WTO/OECD self-assessment questionnaires on AfT conducted by the OECD as part of the Global AfT Review process; policy documents and evaluations of donors and REC AfT programmes; and micro-level evaluations on regional programmes and projects.

3.1 Evidence from WTO/OECD self-assessment questionnaires

Despite their own limitations, survey data collected from donors and recipients by the OECD illustrate stakeholder perceptions on regional AfT, including from RECs. While survey questions are subjective and very few allow for easy cross-country comparisons (Basnett et al., 2012), the third Global AfT Review (OECD-WTO, 2011) shows that over half of bilateral donors report an increase in demand for regional programmes, across the five categories of AfT.

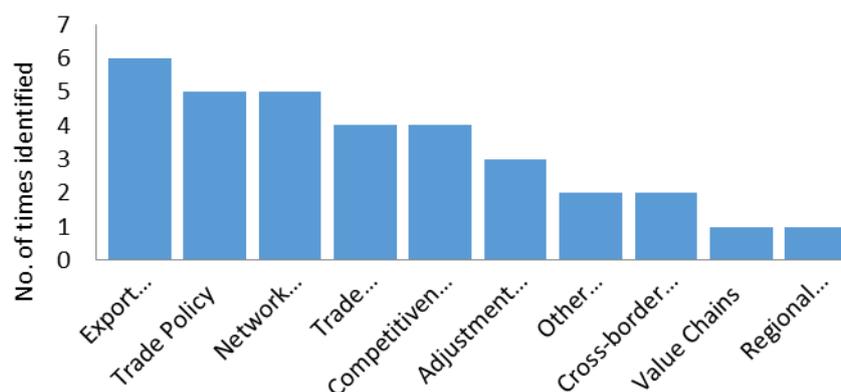
In 2011, nine out of ten responding bilateral donors considered regional integration an important consideration for their respective strategy. Further, all multilateral donors cited regional integration as an important aspect of their strategy, if not the most important one (OECD-WTO, 2011). The EU in particular has led the way in recognising the importance of regional integration, with its 2007 AfT Strategy making explicit the need to improve not only the quantity but also the quality of AfT that is provided at the regional level, ‘with specific programmes, notably on trade facilitation and connectivity’ (EC, 2007).

Nonetheless, on the recipient side, regional AfT may not be fully appreciated or owned by Sub-Saharan African states. For example, a review of Southern African Development Community (SADC) member states shows that only 7 of 11 countries saw positive benefits from regional programmes, with the remainder reporting either that they do not benefit or that they do not know if they benefit from regional AfT programmes. In terms of the key AfT needs and interests that were identified by the same group (Figure 5), few mentioned regional integration specifically, in contrast to the priorities of donors.

Although this kind of evidence is inconclusive about the effectiveness of regional AfT, it points to potential challenges for ensuring effective regional AfT programmes. Discrepancies between donor and country knowledge and enthusiasm for regional AfT may reflect a lack of ownership of regional processes more generally, regardless of AfT. It may also reflect the tension between AfT as a donor agenda and reporting mechanism and the more strategic view of AfT simply as one source of finance among others in implementing country and regional projects, whether defined as AfT or not.

While the OECD-WTO questionnaires illustrate perceptions on the benefits from regional AfT, they do not address whether regional AfT actually succeeds in meeting its objectives. This requires answering two key questions: i) whether regional AfT has any impact on actual trade outcomes; and ii) whether regional AfT and regional approaches offer a more effective way of providing assistance, *vis-à-vis* national-level approaches.

Figure 4: National priorities Identified by SADC member states



Source: Authors' calculations from individual WTO-OECD country questionnaires

3.2 Broader evaluations of regional AfT

As others have pointed out, evidence on the impacts of AfT on trade performance of recipient countries is still scant (e.g. Basnett et al., 2012). The difficulty of carrying out more informative evaluations relates partly to data problems referred to above, but also to the problem of attributing effects to interventions – it is difficult to attribute increases in production and trade to specific AfT projects. Further, while this is difficult at a national level, even the limited quantitative empirical assessments and cross-sample comparisons that have been produced for AfT are unlikely to be replicated for regional AfT.⁶

Given these constraints, evaluations and case studies of support programmes and specific projects offer one of very few channels to assess the impact of regional AfT on trade outcomes. One can distinguish between meso-level evaluations carried out by donors on their support to regional integration (a significant proportion of which might be classified as regional AfT) or on their overall AfT programmes (some of which may be delivered through regional programmes), and micro-level assessments on specific AfT projects.

3.2.1 Meso-level evaluations

What we class as meso-level evaluations are generally carried out as donor-financed policy evaluations. One early study on Trade-Related Assistance delivered by the EC between 1996 and 2000 (ADE, 2004) concludes that private sector support programmes had a positive impact on expanding beneficiaries' export capacities. However Saana Consulting (2012a) points out that it was not possible to quantify these effects. Similarly, projects to improve the regulatory environment were given a positive evaluation although it was not possible to examine the impact on economic operators affected.

Other examples include a major evaluation of US assistance for export promotion. Conducted in 2010, this highlights the contribution of the US Trade Hubs programme to the facilitation of exports from Sub-Saharan Africa (USAID, 2010). It states that 'documentary

⁶ See, for example, Cali and te Velde (2011) and UNECA (2009).

information on exports from [US Agency for International Development] USAID-supported trade hubs show that USAID trade hubs facilitate significant levels of export shipments: as of the end of 2009, USAID's West Africa Trade Hub (WATH) reported that it has facilitated over \$11 million in exports to the U.S., \$1.3 million in intra-regional trade, and \$3.6 million in investment, for a total of \$15.9 million. In East Africa, USAID's trade hub reported facilitating exports valued at \$28 million, of which \$8 million were delivered in the first nine months of FY 2007/2008. USAID's trade hub in Southern Africa reported facilitating more than \$47 million in new and pending export deals.' While these figures present a positive picture, the detail of the channels through which this support worked, and therefore the direct impact of US assistance, remains difficult to detect.

Even with the difficulties of attributing effects, these basic monitoring exercises can provide critical conclusions about how programmes are run. An evaluation conducted by the European Court of Auditors (ECA) on 'The EU's Support to Regional Integration and East and West Africa' in 2010 found that, in overall terms, 'project effectiveness was difficult to assess, but in most cases limited'. Of 18 individual projects evaluated, the court was unable to assess 5 owing to a lack of information, caused by objectives being too vague or inadequate collection of information. Of the remainder, six were assessed to have proved 'unsatisfactory' while seven were said to have achieved 'partially satisfactory' progress.

Box 4: ECA evaluation of EU support to regional integration in East and West Africa

Examples of unsatisfactory progress

'The court found that the regional integration support project in East Africa, which is scheduled to be completed by mid-2010, had by the end of 2008 accomplished only three out of the seven intermediate targets proposed in the contribution agreement. In particular the lack of relevant results regarding the adoption of regional policies by the national authorities is putting at risk the project's overall effectiveness.

'In West Africa, the transport facility project (€64m) aims to improve regional transport services, in particular by establishing joint border posts along the main regional transport corridors. The project has experienced significant delays during its start-up phase and after three years of implementation the main achievement has been the completion of a detailed study concerning the intended functioning of these border posts. Even with the two years' extension obtained, the two regional organisations ECOWAS [Economic Community of West African States] and UEMOA [West African Economic and Monetary Union] are still facing a difficult task to complete the construction works and to establish detailed and harmonised arrangements between the countries concerned to operate the border posts efficiently.'

Examples of partially achieved results

'In West Africa the PARI project [...] aimed to support UEMOA and its member states in improving the legal and administrative framework, in establishing a regional market and in consolidating the macro-economic framework. Although these project objectives and related indicators were formulated in very general terms, the final evaluation of the project found improvements in the regional integration process. Specifically, the legislation regarding the customs union and the liberalisation of intra-community trade, produced by UEMOA, was of good quality and was introduced into the legal systems of the various member states. However, the free circulation of goods, persons, services and capital as well as the right of establishment were still far from being achieved. Similarly, the functioning of the multilateral macro-economic surveillance mechanism of UEMOA had improved, but this had not yet resulted in a better convergence of the UEMOA-zone economies, which was the main objective. The same areas are again being addressed under the ongoing Economic integration and trade project.'

Source: ECA (2010)

These examples reflect some of the broader challenges of analysing regional AfT effectiveness, and the limitations of the conclusions one can draw. A meta analysis of 162 AfT evaluations points to the lack of rigorous analysis, finding that 'most evaluations evoked the impact of operations on poverty reduction, the environment, social and gender

issues as well as private sector participation. However, they did so in loose terms.’ Further, ‘most evaluations assessed whether project implementation deadlines were met, whether budgets were disbursed and respected as well as whether operations were in line with government’s broader objectives and strategies. However, medium- to long-term impacts were often not investigated for particularly important factors such as an operation’s return on investment’ (Delpeuch and Messerlin, 2011).

As such, this more limited approach to assessment can only provide limited insights. Most evaluations do not go so far as to make the link to broader long-term goals such as the impact on trade, but focus instead on programme or project goals and objectives (or more commonly on evaluating only assistance procedures). Nevertheless, the limited evidence is mixed.

3.2.2 Micro-level evaluations and case studies

In principle, micro-level evaluations should allow more detailed analyses of AfT impacts. However, while the significant stock of assessments that have been made on individual regional programmes and projects could in theory provide insight into whether regional AfT contributes to trade outcomes, these again focus on project goals rather than broader measures of impact.

Rather than rigorously scientific approaches, most micro-level assessments have taken the form of descriptive case studies. Although case studies of regional programmes are relatively rare, the 2009 OECD-WTO *Aid for Trade at a Glance* Report highlights the role of regional AfT projects with three case studies of trade corridor approaches from Africa, Central America and Asia. As part of its subsequent 2011 report, the OECD compiled a collection of around 300 AfT case studies to showcase ‘success stories’ covering the range of AfT support areas. A very modest number of these assessed specific regional projects in Sub-Saharan Africa by RECs, multilateral institutions or bilateral donors. These ranged from improving agricultural standards in the EAC to revamping railways in Southern Africa to export promotion in West Africa, with most pointing generally to the positive results of the projects. As Saana Consulting (2012a) notes, however, most of the case stories again ‘focused on process and sometimes outputs, rather than actual outcomes and impact’.

AfT supporting a corridors approach appears to be based around achieving concrete results, thus allowing clearer assessments of impact. A widely cited and potentially instructive example has been the North–South Corridor, a ‘pilot AfT project’ of the COMESA-EAC-SADC Tripartite Initiative. Based on a robust *ex-ante* evaluation of the barriers to trade and key bottlenecks, an early project was the establishment of a one-stop border post (OSBP) between Zambia and Zimbabwe at Chirundu. This is said to have cut average truck processing times from three days to three hours, saving an estimated \$500 million over a year in efficiency cost gains (TMSA, 2011a).

Not only does the North–South Corridor analysis suggest that regional AfT projects can have an important impact, it also suggests it is possible to design AfT projects to achieve clear results. Further evidence of the value of this approach is provided by a recent AfDB evaluation that provides three case studies of cross-border infrastructure investments that have achieved a positive, quantified impact (see Box 5). Indicators such as those provided on trade barriers by the World Bank’s *Doing Business Indicators* dataset also make such approaches increasingly feasible. This in turn should make it possible for AfT to shift away from a largely input-based monitoring system at present, towards one that increasingly encourages a results-based approach.

Box 5: Evidence from AfDB on regional projects

- The Arusha–Namanga–Athi River Road Project responded to the needs of both Kenya and Tanzania to improve road transport infrastructure and increase linkages between their economies. Civil servants from local governments, representatives of local communities and private sector

stakeholders all identified poor infrastructure (especially transport and energy) as bottlenecks to regional development, together with regulatory issues (customs, common standards), political instability, security and lack of skilled labour. It is estimated that the reconstruction of two road sections, from Arusha to Namanga in Tanzania and from Namanga to Athi River (near Nairobi) in Kenya, has cut travel time almost in half, and has reduced the travel time for trucks from four days to one. A rough estimate provided by respondents indicates a decrease of vehicle operating costs of about 20-30% (Vehicle operating costs considered here do not include fuel consumption, since this is related mainly to traffic congestion and not to road conditions.)

- The Manantali Energy Project was conceived to address the needs of Senegal, Mali and Mauritania for reliable, low-cost power supply and increased electricity access in urban and rural areas. The project also laid down foundations for establishing a sub-regional energy market in ECOWAS. The electricity generated at Manantali has been providing a lower-cost alternative to thermal-based power generation with better service quality and limited greenhouse emissions. In Mauritania, the electricity produced by Manantali is being used by the Cooperative Union at a cost 38% lower (2010/11) than the cost of thermal energy. In Senegal, between 2005 and 2015, the estimated average electricity production cost from Manantali was 33.5 FCFA/kWh, whereas the average production cost of electricity generated in thermal plants was 47 FCFA/kWh.
- The Sasol Natural Gas Project was in response to a business opportunity and corresponded to a convergence of objectives and priorities for Mozambique and South Africa. In South Africa, Sasol was interested in gas as an alternative to coal as feedstock for its petrochemical plants, and also as a source of energy for domestic and industrial use. At the same time, the government of Mozambique was looking for a way to monetise its untapped natural gas resources, discovered in the 1960s but not yet exploited owing to their location in a remote area without basic infrastructure or market access, as well as lack of technical skills. Sasol, by providing the extraction, refinement and distribution technology and equipment, could help meet all these objectives and priorities. The Sasol Project has performed better than expected. Compared with the target of shipping 120 MGJ/year, the project is currently shipping about 150 MGJ/year, and up to 180 MGJ/year is expected. The project has fulfilled its corporate social responsibilities. Clinics, schools, sink boreholes for drinking water and other facilities have been constructed for local communities. More than 150 projects, accounting for \$11.5 million (compared with \$6 million planned), were implemented in three provinces between 2001 and 2011.

Source: AfDB (2012)

3.3 General lessons

While evaluations have revealed little in terms of the actual impact of regional AfT, they have said more about the complicated aid management issues that affect regional AfT programmes. In general, there tends to be a level of consensus on why regional projects do not fulfil their objectives or, conversely, the circumstances in which regional aid (and AfT) works best. A synthesis reading of OECD-WTO (2009; 2011), ECA (2009), World Bank (2007a; 2009) and AfDB (2012) reveals the following factors as key:

- *Strong country commitment and ownership*, seen by most reviews as a prerequisite for achieving project goals, but often not achieved. In addition, most donors prioritise greater alignment between their own regional and country programmes.
- *Scope matched to national and regional capacities*, including the need for capacities in regional planning and coordination, accountability arrangements and national-level implementation. The World Bank (2009) points out, for example, that, while several donors have programmes to support RECs, ‘the

current approach lacks strategic coherence and leads to duplication of effort and under-funding of some key priorities. In addition, it introduces a high degree of uncertainty for annual funding commitments, creates high transaction costs for recipients confronted with different donors' rules and processes, and undermines monitoring of results. The key challenge is to increase harmonization for regional capacity building within the framework of integrated strategy.'

- *Delineation and coordination of responsibilities*, and most notably supporting and building linking between activities at the regional and national levels. ECA (2009) for example makes the recommendation that 'the EC should increase its efforts to help regional organisations in: (i) improving coordination between themselves and between them and their member states, and (ii) establishing monitoring systems which will support implementation of programmes and provide comprehensive information on the progress of the overall regional integration process, including progress in individual countries.'
- *Accountable governance arrangements*, also including formulating project objectives that are SMART (specific, measurable, achievable, relevant and time-bound). ECA (2009) emphasises the need to build internal capacity within the EC to manage regional projects, while the World Bank (2009) also highlights the need to strengthen management oversight of regional projects.
- *Conducive policy environment for sustainability*: here, for example, the World Bank (2007a) highlights inadequate attention in its programmes to putting in place the appropriate policies to ensure regional programmes are sustainable. Although this finding may be more relevant to the provision of regional public goods such as basin management, it may apply to, for example, the enactment of regional trade commitments.

At the micro level, most studies tend to examine overall project success without necessarily addressing measures to improve the effectiveness of AfT. However, the Overseas Development Institute (ODI) (2009) provides some analysis from the project level on the factors behind the success of the 2003-2008 COMESA Regional Trade Facilitation Programme (RTFP):

It appears that RTFP's demand-driven, pragmatic approach has been very effective. By responding to the demands of regional stakeholders, it has ensured that its initiatives are fully owned by the participating national governments and enjoy high-level political backing [...] The synergies resulting from the regional approach to trade facilitation championed by RTFP are also very apparent. The simultaneous removal of infrastructure and regulatory bottlenecks at regional level should greatly enhance the impact of each individual intervention. RTFP also sheds light on how a regional Aid for Trade agenda can be developed. As RTFP phases out in November 2009, steps should be taken to ensure its lessons are systematically captured and shared.

An important point that is often missed in such evaluations is the political economy of regional aid, even if this may be key to understanding why a project is implemented successfully or not. The World Bank (2007a) does note that the need to reconcile the regional projects 'affect[s] political relations between countries' and that the 'effectiveness of programmes has depended on [...] reconciliation of countries' differing interests'. Issues such as these are then important for improving AfT effectiveness, particularly at the regional level.

4 Institutional approaches to improving regional AfT effectiveness

Despite the lack of clear-cut evidence, in theory regional AfT allows partners to pool resources and coordinate activities, leading to a rationalisation of implementation mechanisms and reduced transaction costs. Regional projects can therefore benefit from the ability to replicate best practice and the economies of scale that come from working in several countries. Most crucially, there is a strong overarching rationale for regional-level responses where there is a need for harmonising policies and ‘unlocking’ key cross-border bottlenecks that would otherwise persist in preventing opportunities for trade.

At the same time, working at the regional level adds a new layer of complexity in the delivery of assistance compared with national programmes. In addition to the need for systems to design, manage and execute aid programmes, there is also a need to ensure effective input and ownership among member states that may differ widely in terms of characteristics and needs. Implementation also becomes more complex. Taking these points into account, the reasoning behind a more narrowly focused approach on corridors becomes clearer.

4.1 The policy context for regional AfT: principles and policy responses

4.1.1 Applying aid effectiveness principles to regional Aid for Trade

In the absence of concrete evidence on regional AfT impacts, efforts to improve the effectiveness of regional AfT can draw on the stated objectives of AfT as well as the principles of aid effectiveness. Although looking at AfT through an aid effectiveness lens implies a focus on aid and therefore on *inputs*, rather than *outcomes*, the principles nonetheless provide insights on the challenges to regional AfT.

As Lui et al. (2012) highlight, the ‘Aid for Trade’ and ‘Aid Effectiveness’ agendas are closely aligned:

The AfT agenda emerged not long after the Paris Declaration on Aid Effectiveness, which defined a set of principles for improving aid, including increased ownership and transparency, and a better coordination and division of responsibilities amongst donors. As such, AfT could be seen as an

important 'test case' for donors – including the EU and its member states, with their multiplicity of donor institutions, instruments, procedures and aid regulations – to demonstrate the credibility of their commitments to the Paris Declaration and subsequent Accra Agenda for Action, by confronting challenges in the planning, coordination and delivery of their aid programmes. It has also given an opportunity for developing countries to make progress on fulfilling their own goals with respect to aid effectiveness – most notably in taking greater responsibility for the design, management, oversight, implementation and monitoring of aid projects. In this context, a great deal of emphasis has been given to improving not just the quantity of AfT, but also its quality.

The emphasis on regional aid effectiveness was arguably strengthened at the more recent Busan High-Level Forum on Aid Effectiveness. The Busan outcome document expanded on the need to 'reduce fragmentation' and improve coordination in the field, while recognising the special role regional organisations can play in supporting the implementation of aid effectiveness commitments.

It has proven more difficult to apply broader aid effectiveness principles at the regional than at the national level in Africa. Aside from *ownership*, other key concepts from the aid effectiveness principles including *coordination*, *subsidiarity*, *coherence*, *harmonisation*, *capacity* and *results-based management* bring additional challenges for regional AfT level.

In addressing 'ownership', regional AfT is not only about how well donors align their programmes to regional priorities, but also about how well national and regional policies align. Regional ownership requires not just a signing off by the REC on a project, but also involvement at all stages of implementation by member states (and beyond them regional civil society organisations). One of the key questions for regional AfT concerns *subsidiarity*: what is the appropriate level at which to implement regional projects? As well as questions over mandate and authority, this in turn depends partly on the *capacity* of regional agencies to implement complex projects: in recent years and despite the opportunities for more efficient aid, most stakeholders would agree that regional programmes have not yielded the best results in terms of implementation.

'Mutual accountability' is subject to a similar extension of the principle: effectiveness is no longer dependent just on strong and equal accountability relationships between donors and regional organisations, but also a robust set of accountability relations between the RECs and their member states.

The concepts of donor coherence and coordination take on a special meaning at the regional level. In the area of donor coordination, joint programming and delivery of support by donors continues to be limited, despite a few achievements such as the EU–Africa Infrastructure Trust Fund.⁷ In practice, development partners are often better structured and equipped to deal with national partners than regional ones. While RECs can receive grants, financial instruments do not always allow loans to RECs or groups of countries.⁸ Moreover, where development partners feel pressure to disburse, the perception that supporting regional projects is slower owing to complicated procedures can be a disincentive (Mackie et al., 2010). With regard to different regional AfT modalities, general budget support can enhance donor alignment, yet this is still an unusual practice at the regional level (ibid.). Direct budgetary contributions from bilateral donors to RECs have also proven unpredictable (AU-UNECA, 2006).

⁷ For a case study in this regard of EU AfT and COMESA, see Makhan (2011).

⁸ For example, until 2009, the World Bank was not able to supply RECs with grants. RECs could not borrow from the International Development Association (IDA) as they had no revenue-raising power and were therefore seen as too high risk for lending. Member states were usually not willing to borrow for a regional rather than a national programme. Introduction of recent instruments may help address this situation.

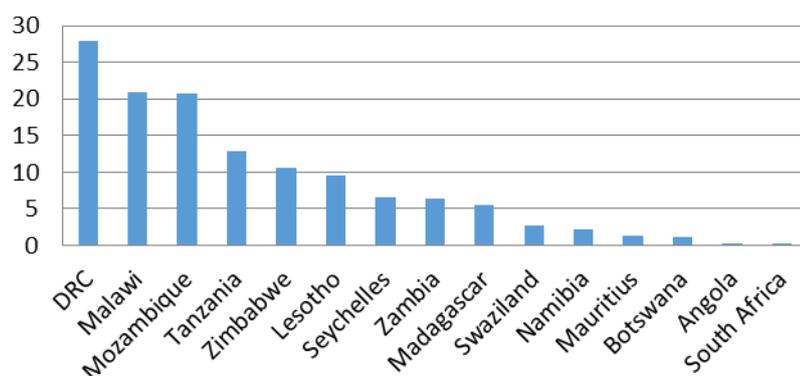
Successful examples of joint programming at the national level suggest regional AfT strategies might play a useful similar role at the regional level. For their part, donors emphasise that they can only respond to coherent requests coming from regions themselves. This also implies the need for improved fora for coordinating regional aid, such as the multi-partner dialogues that are more common at national level. Here, however, it is notable that mobilisation of funding for corridor approaches has typically been sought through specific high-level lobbying efforts to present coherent regional packages to donors at ‘pledging’ conferences.

4.1.2 Regional Aid for Trade strategies in Sub-Saharan Africa

In response to the growing emphasis on regional integration and regional AfT, many national and regional bodies in Sub-Saharan Africa are developing ‘regional AfT strategies’. To some extent, this process simply mirrors the AfT strategies of donor countries – such as the EU’s 2007 AfT Strategy. In other cases, efforts were prompted by the need to define AfT funding priorities within trade negotiations, such as those for the EPAs. To underline this, some countries have reportedly changed their AfT priorities to match donors’ interest.⁹ In most cases, however, the regional AfT strategy documents have evolved beyond the issue of mobilising additional AfT resources to address a wider set of policy questions and challenges around how best to deliver AfT at the regional level, especially in terms of fostering greater ownership and encouraging coherent and coordinated approaches. Table 4 provides a summary of existing AfT strategies across Africa and elsewhere.

The extent to which regional AfT strategies can be an effective tool for boosting trade and investment depends on their alignment with a genuine regional vision of integration. Such a common vision is difficult to achieve in regions comprising countries of very different size, geography, population and level of economic development. SADC, for example, counts among its members both the Seychelles (an island state with a population of 86,000 and gross national income (GNI) per capita of \$11,000) and the Democratic Republic of Congo (DRC) (the largest African state by area with a population of 67.7 million and GNI per capita of \$190).¹⁰ In economic terms, South Africa is the dominant player, accounting for 63% of combined regional economic output on its own; resource-rich Angola represents another 15%, with a total of 13 SADC member states accounting for the remaining 22% of combined regional gross domestic product (GDP). Further, Figure 5 shows that SADC countries also vary significantly in terms of the external donor assistance they receive in support of their development priorities.

Figure 5: Aid dependency ratios, selected SADC member states



Source: World Bank databank

⁹ The OECD-WTO’s *Aid for Trade at a Glance* report (2011: 32) notes for instance that Kenya has recently prioritised infrastructure in its demands for AfT ‘because OECD countries want to give more aid to infrastructure’.

¹⁰ http://data.worldbank.org/country/seychelles#cp_wdi and <http://data.worldbank.org/country/congo-dem-rep>

This diversity presents challenges to the design, prioritisation and implementation of regional Aft strategies. Compared with national programmes and projects, regional Aft involves more actors, each with their specific set of incentives and interests, and more complex accountability relationships, particularly given the overlapping memberships of some countries in more than one regional group. Decision making is often slow at the regional level, and either protocol or political positioning dictates, for example, that members are given equal treatment, preventing RECs from being more pragmatic in their approaches and differentiating or prioritising on the basis of need.

One example of such pragmatism might be to assist RECs to work more closely with member states to ensure commitments are accompanied by specific Aft support programmes to ensure compliance and implementation. Here, a useful model may be a recent regional programme to assist SADC member states to monitor and implement the SADC Finance and Investment Protocol (FIP), including the provision of technical assistance in five countries (see Box 6).

Box 6: Implementing the SADC FIP

With Aft support from development partners, the Trade, Industry, Finance and Investment Division of the SADC Secretariat has over the last two years developed a methodology to monitor progress towards the implementation of a key protocol, the SADC FIP and to identify gaps at the national level that require additional action or support. The FIP came into force in April 2010 when it was ratified by two-thirds of 14 SADC member state signatories.

Currently, member states are at the initial stages of ‘domesticating’ the FIP, which centres on measures to improve the investment climate and enhance cooperation, coordination and cooperation of domestic financial sectors in the region. In 2011, the SADC Secretariat commissioned a baseline study to document the status of implementation of the FIP, design a measurement framework with indicators and identify strategic country- and regional-level interventions that will catalyse implementation of the FIP. The result was to create a clear set of indicators that can be monitored over time (including a ‘Ministers Dashboard’ of key indicators) and a measure of overall progress in each country, as well as set of actions to follow to improve implementation that were agreed on at a validation workshop.

One of the most interesting features of the programme was the extension and continuation of the exercise through the provision of in-the-field technical assistance to five SADC member states. This provided participating countries with an expert who could conduct hands-on follow-up on implementation issues and provide a linkage between the national and regional level.

The FIP exercise also demonstrated the role the SADC Secretariat can have. While the SADC has limited capacity to implement projects itself, it has a clear role to play in commissioning and taking part in such diagnostic and monitoring work, in close collaboration with member states.

Source: SADC et al. (2011)

Despite this example, an important constraint is that regional priorities have been identified less systematically than at the national level. For instance, for least developed countries (LDCs), the Diagnostic Trade Integration Studies (DTISs) and related ‘action matrices’ in the context of the Enhanced Integrated Framework (EIF)¹¹ provide a thorough analysis of the bottlenecks in a country’s integration into the world economy. This suggests priorities for technical assistance, serving as a reference document for discussions between country governments, donors and private sector stakeholders.¹² No such tool exists at the regional level.

¹¹ The EIF is a multi-donor programme aimed at helping LDCs address supply-side constraints to trade to integrate into the global economy. It is supported by the EIF Trust Fund – a multi-donor fund to which more than 20 donors are currently contributing (<http://www.enhancedif.org/>).

¹² <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:20615178~menuPK:1574524~pagePK:148956~piPK:216618~theSitePK:239071,00.html>

But, even with better identification of constraints, regional AfT strategies must add value to existing regional policy frameworks and programmes. While regional plans are often detailed in terms of the objectives and goals for their respective sectors or areas, they do not often address important cross-cutting concerns – for example linking regional agricultural development to planned infrastructure investments – while also lacking clear linkages between objectives and the (AfT) resources that need to be mobilised to fund them (see Boxes 7 and 8).

Box 7: Achieving greater horizontal coherence in West Africa

In order for regional AfT to add value and be effective for regional processes, there needs to be strong coherence between regional AfT policies and other regional integration and development plans, policies and strategies and programmes.

Taking West Africa as an illustration, the current absence of a single strategic document focusing specifically on AfT for the whole-of-ECOWAS region (in contrast to the UEMOA sub-region) renders difficult the alignment of donors on the priorities defined by the region. While the ECOWAS' Vision 2020 might be considered the primary reference when it comes to identifying trade and development priorities for the ECOWAS region, it is not an operational document, but rather a broad outline of goals, aspirations and targets. The Regional Poverty Strategy Paper (whose scope goes far beyond trade and economic cooperation to encompass human capital, peace and security, access to land, access to education and health) is the only document of the region that encompasses the priorities of the two commissions ECOWAS and UEMOA, but this does not act as the kind of federative document that would allow greater alignment and coordination of donors when it comes to AfT priorities (Ponty, 2009). The EPA Development Programme could potentially be conceived as such a federative instrument for effective AfT in the region. But so might the Community Development Programme of ECOWAS and the ECOWAS' AfT strategy – both currently under definition. The question clearly arises regarding how to prioritise among 'competing' plans.

Nonetheless, some regional AfT strategies have managed to represent genuine regional priorities, with corridors as a key feature. In their recent review of the COMESA AfT strategy, Lui and van Seters (2012) highlight the contrast between the broad scope of AfT and the strategy's focus on two specific, cross-cutting regional problems not being addressed elsewhere: the high cost of doing business across borders, and trade adjustment as a result of regional liberalisation. For both of these areas, the strategy advocates clear approaches: investing in more strategic 'corridor' approaches to solving high business costs, and a donor-funded fiscal compensation programme to deal with adjustment costs. Implementation of the strategy is helped by investment in capacity within the COMESA Secretariat in the form of a regional AfT unit. This focused yet pragmatic approach has led to success in meeting some of its key strategy goals, summarised in Table 5.

Box 8: 'Vertical coherence' in AfT

In addition to 'horizontal' coherence between programmes at the regional level, there is a need for processes that promote 'vertical' coherence between regional and national-level strategies (or at least minimal inconsistencies). While most regional AfT strategies recognise the need to build on and complement existing national AfT strategies, this is not straightforward. Stakeholders often feel that regional frameworks do not build on country strategies enough or that country strategies are sufficiently developed within the regional frameworks (Mackie et al., 2010).¹³ Moreover, and despite some efforts on the side of African stakeholders to address this problem, there is often a gap between the commitments taken at the regional level and the translation of these into action at the national level. This lack of transposition can be explained by capacity and budgetary constraints, but also by a lack of political support for regional programmes and strategies, particularly if regional strategies do not consider national priorities (AU-UNECA, 2006).

¹³ At the same time, it should also be recognised that there are limits to how far one should seek this coherence given that coherence is not an end in itself. Further, it is important to recognise that vertical coherence between district, province, line ministry and national annual plans and budgets within one country is rarely achieved yet national budgets are the most effective government planning and implementation tool.

In terms of subsidiarity and complementarity, regional AfT programmes and projects ought only to be defined when the goals and objectives to be achieved can be best fulfilled at the regional level. Without this there is a risk of encouraging unhealthy competition over resources, vertical incoherencies and duplication of efforts.

Table 4: Regional AfT strategies in Sub-Saharan Africa

Region	Regional AfT strategy progress and key features
COMESA	The COMESA AfT strategy was developed in September 2008 and adopted by the region in 2009, with a revised version adopted in late 2012. It outlines an approach to AfT detailing objectives, key results, interventions and activities. According to a review by the European Centre for Development Policy Management (ECDPM), the main value-added of the document lies in its regionally endorsed commitment to an approach to AfT along with the limited set of specific, achievable goals it outlines. It is intended to facilitate coordination at various levels – between COMESA-level programmes, between the COMESA Secretariat and its member states and with development partners. According to the review, there has been progress on some of the goals, most notably in developing integrated packages of AfT support (for example along the North–South Corridor) and in mainstreaming the ‘corridor approach’, as well as in creating programmes to assist countries to adjust to trade liberalisation. Development partners also appear to see value in the strategy to guide their approach.
UEMOA	The UEMOA AfT strategy is based on priorities outlined in the Regional Economic Plan along with other programmes such as the EIF, and was developed through a thorough consultative process. The general objective is to help UEMOA member states increase their exports of goods and services; there is also a logical framework, which identifies specific actions, objectives, results and projects and categorises programmes against AfT categories. There are a number of institutional coordination mechanisms to implement and oversee the strategy, including national trade committees (usually based in ministries of trade) with sector focal points.
ECOWAS	ECOWAS is in the latter stages of developing a regional AfT strategy, and is currently assessing different options. It seems likely that any strategy will seek to serve a number of purposes including to provide a common framework for the ECOWAS Commission, the member states and its institutions as well as external partners to cooperate around AfT issues and enable a more focused approach towards the formulation and implementation of AfT projects and programmes across partners; to serve as a tool for decision making and resource allocation; and to contribute to increasing knowledge on AfT and raising awareness of AfT priorities of the region. The strategy will provide an approach to AfT priorities affirming the Commission’s goals on AfT. It should focus on key areas of AfT where a regional approach is expected to bring value, added to the ongoing initiatives at the national level – for instance, where a regional approach to AfT design, implementation and monitoring and evaluation (M&E) are expected to complement national approaches.
SADC	SADC are currently in the process of developing a regional AfT strategy, with a draft version due soon. A high emphasis is placed on seeking value-added for coherent regional approaches to AfT-related investment, while also ensuring coherence with existing regional policy frameworks such as the Regional Indicative Sustainable Development Programme (RISDP) and the SADC Resource Mobilisation Strategy, as well as the Tripartite process. Any draft strategy will need to be submitted to consultations with member states before being adopted by the SADC Council.
Central Africa	Central Africa is understood to be looking at this stage to develop some form of regional AfT strategy or project identification document, potentially along the same lines as the ECOWAS EPADP.

Source: Lui and van Seters (2012); Saana Consulting (2012b)

Table 5: Summary of the COMESA AfT Strategy objectives and expected results framework

Overall Objective	Within the overall framework of the COMESA-EAC-SADC Tripartite, to contribute to the impact, efficiency and effectiveness of COMESA member states' trade reforms and regional integration initiatives so that they can fully benefit from regional and international trade opportunities to reduce poverty and to achieve their (Millennium Development Goal (MDG)) development objectives
Specific Objective 1: The private sector of the COMESA member states reduces regional costs of doing business with and within the COMESA region through coherent packages of inter-related investments in trade related infrastructure, trade development and trade facilitation instruments, and trade regulatory measures	Result 1.1: Processes and instruments are operational for coherence and complementarity between national and regional policies that mainstream trade as tool for development
	Result 1.2: COMESA trade facilitation and trade regulatory instruments are enhanced and harmonised with SADC and the EAC to more benefit private sector stakeholders
	Result 1.3: Processes and instruments are operational for strategic and long-term linkages between public sector and private sector, donors and investors in identifying, planning and costing packages of well-defined COMESA AfT projects and programmes along selected trade corridors
	Result 1.4: Regionally owned instruments are operational to mobilise and implement support for the 'software' components of holistic projects and programmes along selected trade corridors: trade facilitation and regulatory measures
	Result 1.5: Regionally owned instruments are operational to mobilise and implement support for the hardware components of holistic projects and programmes along selected trade corridors: infrastructure projects (transport, energy, telecoms)
Specific Objective 2: COMESA member states have access to mechanisms to address social and economic costs of trade and integration related adjustments	Result 2.1: Frameworks and capacities exist to assess the impact of trade and integration policies and the resulting adjustment needs
	Result 2.2: Regionally and nationally owned instruments are operational to mobilise and deliver predictable, additional and accessible adjustment resources

Source: COMESA AfT Strategy 2009-2010, cited in Lui and van Seters (2012)

4.2 Key challenges to regional Aid for Trade implementation

Regardless of the quality of planning and donor alignment, RECs often find it difficult to drive regional initiatives. Despite being the natural focal points for such activities, and although there are a number of reasons for the lack of progress, it is possible to identify at least three constraints faced by RECs in fulfilling their duties:

1. Weaknesses in financial, institutional and technical capacities;
2. A lack of sufficient political legitimacy, mandate and authority to do so;
3. Poor linkages between regional and national-level policies and priorities, as well as between the respective implementing authorities at different levels.

4.2.1 Resource mobilisation and new sources of development finance

While the data show that AfT has grown in recent years, concern about resources will continue, for various reasons. Since the beginning, there has been controversy on whether AfT represents 'additional' resources, or if it is simply an *ex-post* donor 'accounting exercise' to attribute donor spending to AfT categories. However, as the above discussion of data suggests, it is very difficult to demonstrate whether or not 'new' resources have materialised compared with a pre-AfT baseline, and as time goes by the debate becomes less relevant to current policy.

Despite the increase in donor-reported AfT discussed above, the development challenges for Africa and financing gaps remain substantial. While AfT for

infrastructure has seen the largest growth over the past few years to around \$10 billion per year to the African continent, the benchmark Africa Infrastructure Country Diagnostic study has estimated that the needs amount to \$93 billion on an annual basis.

At the same time, development stakeholders are paying increasing attention to so-called ‘innovative financing’. This is as a catch-all term for ‘non-ODA’, encompassing a range of approaches to financing development that have until recently not been considered. The Leading Group on Innovative Financing for Development categorises the following list of innovative financing mechanisms: advance market mechanisms, climate finance, education, fighting tax evasion (i.e. capital flight), the International Finance Facility for Immunisation (IFFIm), financial transactions tax, airline solidarity levies, migrant remittances and voluntary solidarity contributions.^{14/15} The recent Busan Declaration emphasises other sources of financing, including ‘taxation and domestic resource mobilisation, private investment, aid for trade, philanthropy, non-concessional public funding and climate change finance. At the same time, new financial instruments, investment options, technology and knowledge sharing, and public-private partnerships are called for’ (Busan Partnership for Effective Development Cooperation, 2011).

It is likely that AfT will represent a declining share in relation to these other sources in the future, while there may be significant potential for AfT to be used as a ‘catalyst’ to ‘leverage’ other sources of finance. This seems particularly so for projects such as regional infrastructure projects and trade and development corridors, where there are already, for example, strong linkages to private sector interests. Lui et al. (2012) recently assessed the implications of the shift and the need to ‘rethink’ aid for trade in the new context, and in particular the policy issues around the greater use of AfT to leverage other resources, while still producing pro-development outcomes.

The increasing importance of China, India, Brazil and other ‘emerging players’ is also likely to alter donor–recipient relations. This is particularly so given the interest in supporting and investing in AfT areas such as infrastructure, creating new policy management challenges alongside opportunities for developing countries.

4.2.2 Legitimacy, capacity and the political economy of integration

Regional groupings in Sub-Saharan Africa and their respective secretariats differ widely in terms of original mandate and scope of operations, and their subsequent legitimacy and ability to act as implementing agencies or authorities. While COMESA is focused on the goal of establishing a single market in East and Southern Africa, the foundations of SADC are as a political grouping, while ECOWAS has a stronger focus and mandate than other organisations in the area of maintaining peace and security. As such, many groupings were not designed as implementing agencies, or otherwise were not given the *de facto* authority to carry out the functions prescribed to them in their founding treaties. To the extent that there now exists the political will to agree policies or carry out some functions at the regional level, RECs are in many cases still going through the process of establishing or starting to exercise their mandates in different areas.

However, beyond issues of mandates and national–regional vision, AfT project implementation requires that RECs have the capacity to do this. Indeed, even more than at the national level, capacity to implement or even coordinate and monitor programmes is often a genuine constraint for regional AfT. Box 9 provides the example of how ‘implementation deficits’ are being overcome in the COMESA region through what some would consider parallel delivery mechanisms.

¹⁴ <http://leadinggroup.org/rubrique172.html>. Switzerland is not mentioned as a member.

¹⁵ An informal overview of many of the main issues can also be found here: <http://devpolicy.org/innovative-sources-of-development-finance/>

Box 9: COMESA AfT and TradeMark Southern Africa

To build technical capacity to implement regional AfT, COMESA decided establish a specialised regional AfT unit at the Secretariat to manage regional AfT projects. At the same time, COMESA recognised together with SADC and the EAC that there remained a lack of capacity to conduct many of the technical functions necessary to implement the North–South Corridor initiative and prepare projects sufficiently to bring them to a ‘bankable’ stage. This led to the establishment, with support from the UK Department for International Development (DFID), of TradeMark Southern Africa (TMSA) as a technical support unit for the Tripartite process. On the one hand, the work of TMSA is highly valued by the region and COMESA Secretariat, and they have established good working relationships. On the other hand, TMSA only has a limited lifespan, and the tendency for much of the technical work for Tripartite activities to be ‘outsourced’ by the RECs raises questions about the political ownership and drive for the Tripartite process (Lui and van Seters, 2012).

While all of these aspects are important, arguably the main challenge is the need to strengthen the regional–national connection. As the data analysis showed, national AfT flows remain larger than regional flows, and ultimately most regional projects are delivered and implemented at a national level. This is to say, while there is a strong coordinating and prioritising role for the regional level, this cannot suffice for implementing AfT projects of a regional nature. This implies a need for a more political understanding of the drivers and constraints to regional integration if one is to better ensure effective regional AfT.

The political economy of regional aid (and regional integration more generally) is seldom explored in conventional evaluations and assessments. These tend to treat regional organisations as quasi-independent, interest-neutral, fully legitimate and accountable actors. In practice, this assumption may be far from the reality, and the allocation of regional funds is one aspect in a broader political economy of regional integration.

Regional integration remains complex, involving trade-offs, conflicts of interest and hence power struggles. The lack of guarantees about the benefits to individual states – for example in terms of greater market access – may weaken the appetite to implement regional commitments or commit funds and contributions to its achievement. Even where governments recognise regional integration as an overall goal, the frictional costs of integration (including adjustment costs) borne by some stakeholders at the national level and a fear of competition or revenue loss, for example, may hold back implementation of regional agreements and protocols. The differences in relative economic and political power across regions – with many regional groupings being dominated by a single economy – have the potential to cause tensions. Aid resources are scarce, and the discussion of the EC’s reallocation of funds above demonstrates how there is competition between regional and national funds. Such dynamics need to be understood in the design and delivery of AfT.

It is in this context that corridors once again emerge as potential instruments to overcome such hurdles. As the following section discusses, the narrower focus of corridors allows much clearer conception of projects, clearer identifiable outcomes and a narrower group of interlocutors. This is not to say that corridors are free of challenges or power struggles, but they may offer an easier route to addressing such challenges, thus explaining their growing popularity among governments and donors alike.

5 Corridors and regional AfT effectiveness

The corridor approach appears to offer a number of advantages to broader regional AfT strategies in terms of increasing intra-regional and export trade, but also addressing some of the key institutional challenges referred to above. Incoming SADC Chair, President Guebuza, recently highlighted corridors as ‘vehicles for SADC Regional Integration that need to be harnessed due to the role they play in consolidating social dimensions of development and the regional integration process’ (SADC, 2012). Financiers of corridor project elements include the World Bank, AfDB, the Japan International Cooperation Agency (JICA), EU, the German Development Bank (KfW), Kuwait, national governments, the Danish International Development Agency (Danida) and the Arab Bank for Economic Development in Africa (BADEA).¹⁶

Narrowing the focus of regional strategies on particular key trade corridors facilitates prioritisation for regional aid and investment strategies, allows a national translation of regional goals and ensures greater local ownership. The simultaneous commitment by governments to both a reform path to tackle barriers and a specific package of investments along a corridor also creates strong incentives for donors to align their funding plans. More importantly, the commitment of both donors and governments to a corridor project also provides an important signalling and marketing tool to private sector operators whose investment risk is thereby to some degree mitigated.

All of these issues are discussed in greater detail in this section.

5.1 Corridors overview

With 16 landlocked countries, the corridor approach is being hailed with increasing enthusiasm in Sub-Saharan Africa. The basis for this lies partly in African geography, colonial remnants and resource extraction from hinterlands to ports. But it is also because regional trade is low, transport costs are high and private sector employment consists predominantly of informal enterprises and smallholder farmers. Addressing these issues holistically through a corridors approach offers an effective use of AfT to boost private sector performance and exchange, particularly along historically important trade routes.

The corridors approach essentially aims at providing coordinated investments in ‘hard’ and ‘soft’ infrastructure. Transport corridors aim at providing good transport connections and border facilities to ease the flow of goods and services along major transport routes. This can include road, rail, pipeline and other modes of connection, particularly for the benefit of landlocked countries and regions, but also for coastal

¹⁶ JICA Corridor Project Dataset: <http://corridormap.jica.go.jp/Corridor-Project-Information-Data-Set.pdf>

countries to connect with markets in their hinterland. The need to combine hard and soft investments is based on the premise that investments in roads and other ‘hard infrastructure’ are less effective if not combined with investments to improve border procedures and behind-the-border constraints.

Investments in soft infrastructures include initiatives like the construction of ‘one-atop border posts’ at key border crossings. These have been recognised as an important step in cutting time spent by trucks and the associated costs, as discussed above. National single window technology has also been advanced as a technological solution to streamlining the import and export clearance process, which can often involve multiple agencies at the border, each with their individual bureaucratic requirements. At the same time there is widespread recognition now that investments in cross-border cooperation and technological systems cannot succeed without accompanying efforts in the area of policy reform to streamline import and export procedures in the first place.¹⁷

Corridor approaches increasingly go beyond transport connections and trade facilitation agenda towards more ambitious ‘spatial development initiatives’ (SDIs). The idea behind coherent regional packages is that, while investments in each area – better roads, efficient borders, more productive sectors – are all necessary, they are not sufficient for trade to flourish, and it is only through combined investment that broad-based growth in trade can occur. The corridor linking, for example, Gauteng region in South Africa to Maputo Port into has been designated the Maputo Development Corridor (MDC); others focus specifically on linking agricultural producers with relevant markets, in terms of both inputs and outputs, such as the Beira Agricultural Growth Corridor (BAGC) in Mozambique and the Southern Agricultural Growth Corridor of Tanzania (SAGCOT). This then seems an important angle for improving regional AfT effectiveness.

These recent corridor initiatives are being driven to an important extent by the international private sector and commercial interests, taking the discussion beyond donors to engaging with the private sector. While critics fear that commercial interest will undermine development concerns, commercial interests may also provide the additional momentum required to see such initiatives through, thus also boosting the potential effectiveness of any regional AfT component. Nonetheless, the continuing link between corridors and extracting mineral production to the sea raises the challenge of ensuring such corridors can genuinely work with small-scale producers. This underlines the need for balance between commercial interest and ensuring development impact in applying AfT to such initiatives.

This section considers the role of regional AfT support to corridors in general, with more in-depth discussion of the North–South Corridor, SAGCOT and MDC.

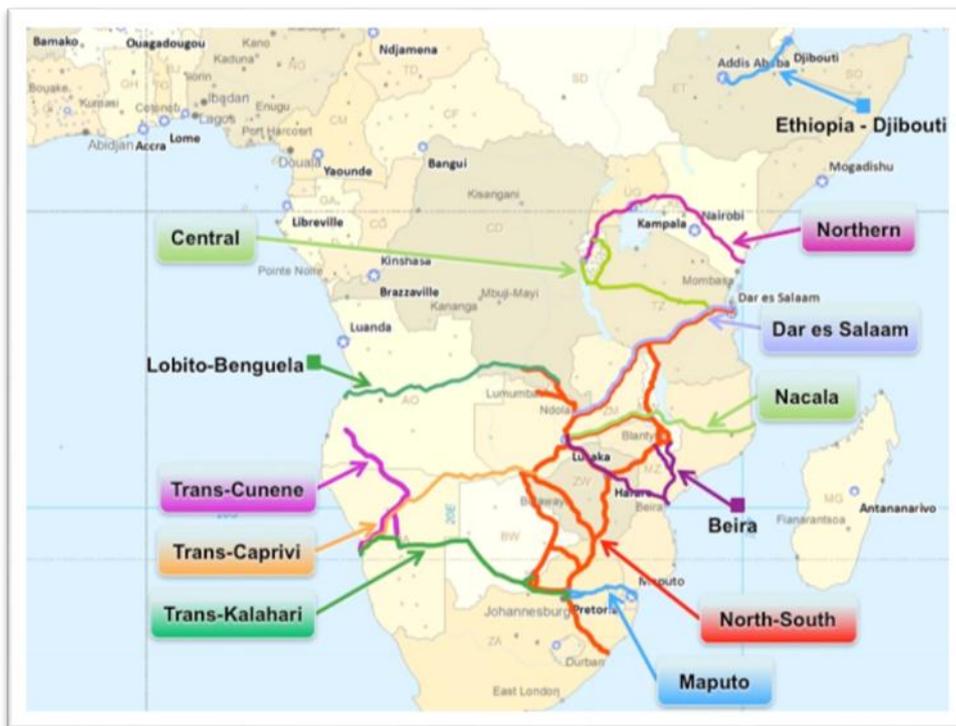
5.2 Corridors in policy

The COMESA North–South Corridor, discussed above, has become emblematic of the potential for a regional AfT approach to promoting corridors. By providing a concrete output for stakeholders to support, the corridors approach also serves as a marketing device for national leaders to promote economic development along trade routes. This is most evident in BAGC and SAGCOT, where ‘investment blueprints’ were promoted at events such as the World Economic Forum (WEF) by the respective presidents of Mozambique and Tanzania, while the North–South Corridor has also received high-level support and promotion by Presidents Zuma and Museveni of South Africa and Uganda, respectively.

¹⁷ Although the focus here is on Sub-Saharan Africa, the corridor approach is not limited to that region. Other major corridors link Bangladesh and India (the Dhaka–Chittagong–Northwest transport corridor), while the Mekong region in South-East Asia contains a range of corridors being developed to connect Cambodia, China’s Yunnan province and Guangxi Zhuang autonomous region, Lao People’s Democratic Republic, Myanmar, Thailand and Viet Nam.

There are 21 major corridor projects either in the pipeline or ongoing in Africa, with 16 at least currently under active work.¹⁸ Figure 6 shows the principal corridors in Southern and East Africa, to which can be added the Lamu Port and New Transport Corridor Development to Southern Sudan and Ethiopia (LAPSSET)¹⁹ as well as the Mtwara Development Corridor, an SDI ‘comprising southern Tanzania, northern Mozambique, northern and central Malawi, and eastern and northern Zambia’.²⁰ Figure 7 similarly traces the major corridors connecting the West African region.

Figure 6: Major corridors in Southern and East Africa



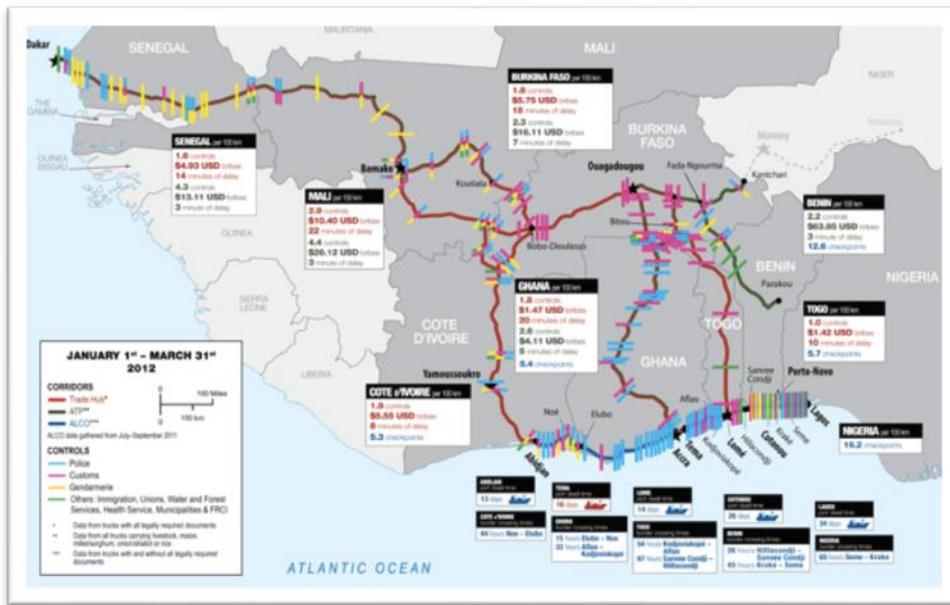
Source: http://www.trademarksa.org/our_work/corridors_infrastructure/multi_modal_corridors#

¹⁸ These figures come from the JICA Corridor Project Information Dataset: <http://corridormap.jica.go.jp/Corridor-Project-Information-Data-Set.pdf>

¹⁹ http://www.vision2030.go.ke/index.php/pillars/project/macro_enablers/181

²⁰ <http://www.aurecongroup.com/Projects/Transport/Mtwara-Development-Corridor-Project>

Figure 7: Major corridors in West Africa (with road controls)



Source: <http://www.borderlesswa.com/resources/19th-usaid-uemoa-road-governance-map>

One of the key features of the corridor approach is the linkage it instills between regional trade policy, investments in infrastructure, AfT and policies to work with the private sector for development. The North–South Corridor seeks to reduce cross-border trade costs and waiting times along the major trading routes in the East and Southern Africa region, linking the copper belts in Zambia and the DRC, via Botswana, Zimbabwe and Malawi, with ports in Mozambique, Tanzania and South Africa. Based on a two-pronged approach, the corridor seeks to achieve both physical infrastructure improvements in roads, railways and energy supply as well as streamlining and harmonisation of the regulatory environment through trade facilitation measures at the various borders.

While the North–South Corridor is one of numerous initiatives towards a Tripartite free trade area, links between regional trade policy and corridors are also apparent in other initiatives. In September 2012, the Accelerated Programme for Economic Integration (APEI) was launched by the five COMESA and SADC countries of Malawi, Mauritius, Mozambique, the Seychelles and Zambia. They all agreed to speed up economic integration by i) improving the business regulatory environment; ii) eliminating barriers to trade in goods; iii) promoting trade in services; and iv) capacity building through peer-to-peer learning. Malawi, Mozambique and Zambia are also physically connected by the BAGC and Nacala Corridor initiatives, the target of the Mozambique Regional Gateway Programme (MRGP).²¹ As such, although the APEI has not been explicitly linked to corridors, by aligning accelerated integration with physical transport and development corridors the connections are apparent.

The Tanzanian SAGCOT initiative is also seen as a ‘showcase for public-private partnership in agricultural growth’ as well as regional trade. SAGCOT corresponds to the stretch of the North–South Corridor from Dar-es-Salaam to Zambia and the DRC. Launched at the WEF in May 2010 in Dar-es-Salaam, SAGCOT aims to be an international public–private partnership focusing along major transport routes to Zambia to catalyse ‘large volumes of responsible private investment [...] to deliver rapid and sustainable

²¹ This DFID-led initiative aims to promote better private and public-sector investment, develop better transport and cleaner energy infrastructure for more equitable use and at reduced costs, promote links with agricultural value chains, and catalyse integrated regional development in and around the Gateway corridors (including in Zimbabwe, Malawi, and Zambia).

agricultural growth, with major benefits for food security, poverty reduction and reduced vulnerability to climate change' (SAGCOT, 2011). The goals of SAGCOT are considerably more ambitious than those of facilitating trade, with \$2.1 billion of potential investments hoped for over a 20-year period, with public sector grants and loans of \$1.3 billion, and a forecast increase in land under profitable production of 350,000 hectares.

More than the North–South Corridor, SAGCOT involves partnership with major international companies such as Yara, Monsanto, DuPont and Unilever, with the aim of ensuring 'equitable and sustainable partnerships with smallholder producers' (SAGCOT, 2011). The SAGCOT investment blueprint promotes production clusters along the corridor through public financing of a catalytic fund of \$50 million for start-up agribusinesses incorporating smallholders; 'patient capital' to finance the cost of 'last mile infrastructures' such as farm roads and irrigation connections; and loan guarantees and currency risk instruments to leverage capital from the banking sector.²² These clusters are intended to involve a nucleus farm and out-grower schemes, (cold) storage facilities, infrastructure access, inputs and finance as well as access to research. This then shows AfT in action for regional integration, whether or not donors classify it as regional.

In addition to their ambitious objectives, corridor initiatives sit at the nexus of an array of policy initiatives that further underline the linkages between AfT and sectoral approaches. For SAGCOT, these include Grow Africa and the G8 New Alliance, the Tanzania CAADP Compact and the Tanzania Agricultural Food Security Investment Plan (TAFSIP). It is also underpinned by the Agricultural Sector Development Programme (ASDP) and Agricultural Strategic Plan (ASP), both aimed at increasing agricultural productivity and profitability, generating employment in rural areas and ensuring national and household food security. It follows and builds on the Kilimo Kwanza, or 'Agriculture First' programme, initiated by the Tanzanian National Business Council and adopted by government in 2009 with a view to modernising and commercialising agriculture in Tanzania through a focus on the private sector.

At a policy level, the corridor approach represents a far more outcome-oriented and private sector-driven approach to trade policy and regional AfT. It also highlights the catalytic role it can play, not just in financing initiatives but also in helping translate the many overlapping policies relating to trade and productive capacity into a more coherent and concrete plan.

5.3 Corridors in practice: success and ongoing challenges

As well as their importance in policy terms, the practical benefits also address a number of the constraints to regional AfT discussed above. The corridor approach not only helped in providing a regional focus but also in pressuring for prioritisation among related regional needs, and in catalysing additional resources.

While still a work in progress, the North–South Corridor approach can illustrate some aspects of this. Efforts to mobilise resources for the corridor met with considerable success, with a 2009 High-Level Conference generating some \$1.2 billion in pledges from multilateral and bilateral donors. A Tripartite Trust Account to leverage funds from commercial and quasi-commercial sources has so far granted €67 million.²³

In terms of results, the North–South Corridor project has reduced transport costs and times in a measurable way in contrast to those AfT interventions discussed above. A total of 8,599 km of North–South Corridor roads have been refurbished or are planned to be renewed within the foreseeable future, again something which can be measured, and from which impacts can potentially also be determined. The quality and conditions of the routes

²² 'Patient capital' is defined as long-term, low-cost subordinated capital provided by donors and invested in the early stages of private sector agricultural ventures (SAGCOT, 2011).

²³ This section draws on TMSA (2011a; 2011b), ODI (2009) and Lui and van Seters (2011).

along the NSC are now surveyed and presented online for interested stakeholders while a Non-Trade Barriers Reporting, Monitoring and Elimination Mechanism has been digitised and is now available online. Further, as a part of the North–South Corridor, the first Sub-Saharan OSBP was established in Chirundu in 2009 and, despite some major initial challenges, this has substantially reduced transit time and is now replicated elsewhere along the North–South Corridor route.

Challenges nevertheless remain in implementing the North–South Corridor, underlining that corridors are not immune to the challenges discussed above. These relate particularly to the fact that the North–South Corridor is regional, while many decisions and actions related to it are taken at the national level. This was one of the issues common to regional AfT more broadly in the discussion above. Stakeholders highlight challenges of coordination, information sharing and incompatible procedures, perhaps understandably, given the multi-country nature of the project, despite its narrower focus on a limited number of main arteries. Gaps in the technical capacities in member states and REC secretariats also lead to delays in project design and implementation.

Other examples of corridors that might be considered regional AfT successes include MDC. The Witbank to Maputo road was rehabilitated as a 30-year concession and the first public–private partnership in Southern Africa (Soderbaum and Taylor, 2008). A cited benefit of MDC is the Mozal smelter plant, for which roads, ports, power generation, telecommunications, water supply, and drainage systems were built or upgraded with a mixture of African and European public and private finance. According to some estimates the MDC attracted \$5 billion of private funding between 1996 and 2005 (Office of the Premier, 2008). A range of border improvements have also taken place, with investments to improve border processing times for freight traffic through separating freight and passenger channels, extended border opening times and initiation of the process towards an OSBP (Bowland and Otto, 2012; TMSA, 2011b). Private sector operators are generally upbeat about the improvements in using MDC although critics suggest that poorer households and small businesses and farmers have benefited little.

Tanzania’s SAGCOT is at an earlier stage so understandably has less successes to offer. While it is clear that this kind of multi-stakeholder partnership is time-consuming to establish, there are also criticisms of the limited investments that can be attributed to SAGCOT beyond Yara’s investment in its fertiliser terminal, while the business environment remains challenging for prospective investors (UNDP, 2012). This is not to mention concerns around access to land for any future agri-investments. However, given that Yara reportedly needs to sell 200,000 tonnes per year of fertiliser to pass through the port to make it profitable, thus relying on Zimbabwe, Malawi and Zambia’s markets, its own vulnerability to movement along the corridor but also its broader development also suggest that in practice the commercial motive is likely to keep the initiative moving.

5.3.1 Project preparation as a key ongoing challenge

While the above represent implementation successes, preparing projects to reach the ‘bankable’ stage at which funds can be committed represents a major hurdle. This is understandable, given that bringing a project to a bankable stage has been estimated to represent a 10% sunk cost even before construction begins. Leigland and Roberts (2007) have highlighted the different steps that need to be taken to bring an infrastructure project to bankable stage (Table 6).

This suggests that a priority for AfT might be project preparation and then financing projects, potentially through regional project preparation units. The creation of the SADC project preparation unit offers one such example. This is only one of a recent proliferation of project preparation units and similar organisations – such as those of the Development Bank of Southern Africa, AfDB, TMSA and the World Bank’s Public–Private Infrastructure Advisory Database in Nairobi. However, such units also face continued challenges in terms of lack of capacity on both a human and a financial level and

assume some form of process of priority setting and project selection at least at the cross-border level.

Table 6: Phases in infrastructure project development

Phase	Actions
1. Enabling environment	<ul style="list-style-type: none"> • Designing enabling legislation • Designing regulatory approaches • Reforming project-relevant institutions • Reforming policy • Building capacity to support project • Building consensus around project
2. Project definition	<ul style="list-style-type: none"> • Identifying desired outputs • Determining priority of project relative to others • Identifying project champions • Preparing action plans (including terms of reference) • Conducting prefeasibility studies
3. Project feasibility	<ul style="list-style-type: none"> • Performing financial modeling • Conducting economic, social, technical and environmental studies
4. Project structuring	<ul style="list-style-type: none"> • Assessing public and private options • Structuring project finance • Designing legal entities
5. Transaction support	<ul style="list-style-type: none"> • Designing and conducting bid process and drafting contracts • Negotiating financial and legal terms
6. Post-signing support	<ul style="list-style-type: none"> • Finalising post-signing financial arrangements • Conducting scheduled tariff reviews • Renegotiating or refinancing project

Source: Leigland and Roberts (2007)

5.3.2 Modalities for donor corridor support

One key donor mechanism for supporting corridors has been the EU–Africa Infrastructure Trust Fund. This was established in 2007 to facilitate support for infrastructure projects with a cross-border or regional impact in Sub-Saharan Africa. Approved grants can support interventions in the energy, transport, water and telecommunications sectors through four mechanisms: interest rate subsidies; technical assistance/feasibility studies; one-off grants for social or environmental components of projects; and grants covering early-stage premiums on risk mitigation insurance. The fund is managed and supported technically by the European Investment Bank (EIB) and encourages coordination, co-financing and ‘blending’ between European grant providers such as the EC and EU member states, and the EIB and other EU development banks such as those of France, Germany, Spain and Luxembourg.

Aside from the hardware aspects of corridor construction, donors have also grouped together to provide technical assistance for the implementation of regional programmes. The TMSA and TradeMark East Africa (TMEA) programmes focus on three main components, namely, infrastructure development, trade policy capacity development and trade facilitation within East and Southern Africa and the EAC, respectively. Other donors have subsequently added their support to the initiative, including Sweden, Denmark, Belgium and the Netherlands. Some contributions come in at the regional level (headquarters) and others at country level (field offices), illustrating the coordinating role this initiative can play, while a Partnership Fund has been set up to fund capacity building activities.

Similar initiatives are underway with USAID support the aforementioned regional West Africa and Southern Africa Trade Hubs (WATH and SATH) with the goals of increasing international competitiveness, intra-regional trade and food security. As well as targeted interventions to promote specific private sector value chains, a major focus

of SATH's work is to reduce the time and costs of transporting goods across borders through tools such as coordinated border management, customs connectivity and national single windows along key regional transport corridors.

While generally seen as successes, criticisms of support through this type of project management unit relate to the parallel structures outside the formal regional organisation. Such structures violate the Paris Declaration principles, notably ownership and alignment.²⁴ At the same time, their effectiveness in moving forward initiatives relating to the North–South and other corridors has been lauded, suggesting this is a useful model.

In the case of SAGCOT, while support is received from a number of initiatives such as TMSA and SATH, the coordinating institution is the SAGCOT Centre. The SAGCOT Centre is intended to 'coordinate investment and action by a range of players to address a range of opportunities and needs at once – thus kick-starting environmentally sustainable and socially beneficial commercial agricultural development in the Corridor' (Jenkins, 2012). This is an important role with a range of functions. While the initiative is in its early stages, after a year of functioning the centre had neither the staff nor the budget to carry out the designated tasks. The centre receives few dedicated government resources and there is an apparent reluctance among donors to fund it, partly because of the implicit availability of private sector funds for this.

Rather than seeking direct implementation support, therefore, the SAGCOT investment blueprint encourages donor support and contributions to a catalytic 'patient capital fund'. At present, the only 'money on the table' is \$50 million for the fund, contributed by the World Bank, DFID and USAID. Although these three main donors are willing to support the effort, the institutional design of the catalytic fund had been overlooked by the SAGCOT initiators, leaving this as a key task being undertaken at present. Indeed, some suggest that focusing on the fund distracts from the core work of stimulating investment from SAGCOT signatories and potential investors. Some \$20 billion of investment is envisaged in the SAGCOT blueprint, while, apart from Yara's port investment, none of the international investors has yet to come forward with any new investments.

Donors supporting agricultural development in Tanzania are also conscious that SDIs such as this raise issues of prioritisation and the dangers of 'orphan' areas. One donor representative even suggested that his agency was focusing attention *away* from the key target areas of the SAGCOT plan. This again raises issues of coordination and a potential need for this to take place at the national level, but also underlines the potential downside to a more geographically focused approach to using regional AfT.

5.3.3 Corridors and the domestic private sector

In terms of improving the effectiveness of regional AfT, corridors provide a targeted and coordinated approach for donors, the private sector and regional and government actors to combine forces in the prioritisation and design of approaches. At the same time, it is important to look beyond the policy rhetoric, to realities on the ground. At least one recent in-depth analysis of MDC and SAGCOT raises questions about the degree to which the corridors contribute to the broader objectives of AfT, in terms of promoting productive capacities as well as regional integration (Byiers and Rampa, forthcoming).

One concern is the role that national businesses play in the corridors approach and the degree to which they benefit. Key industry segments in SAGCOT include agro-dealers, food processors, supermarkets, support service institutions and financing companies (UNDP, 2012). As such, national businesses are expected to benefit from corridors: not just

²⁴ TMEA mirrors the EAC and member states' structures and tries to reinforce them, and, although the agency recently signed a Memorandum of Understanding with the EAC Secretariat, at present the initiative remains a parallel organisation, and stakeholders acknowledge that strengthening the Secretariat is a long-term process.

from supporting investments, but also from improved infrastructure, border procedures, deeper markets and greater access to credit. However, an overall sense is that, despite having more to offer than international companies, domestic private companies are not being included in ongoing initiatives. Many existing companies operating in the SAGCOT area and working with smallholders were not aware of the SAGCOT initiative; civil society was similarly uninformed (ibid.). Such sentiments can also be found around MDC. This lack of deeper engagement may have negative impacts in terms of the sustainability of the growth corridors initiative.

Perhaps more fundamentally, for any of the corridor initiatives to fully function, the underlying business environment remains key. In Tanzania, electricity supply is cited by 73% of interviewed firms as their biggest obstacle to doing business (World Bank, 2006), while the biggest obstacles in Mozambique include access to finance and informal competition, although electricity is also a constraint (World Bank, 2007). This highlights the basic constraints that firms face at ground level in achieving the broad ambitions sought in corridor initiatives and underlines that, while corridors form an attractive way to overcome an array of challenges to AfT effectiveness, they cannot ignore the broader constraints. The SAGCOT investment blueprint states that a conducive environment in areas ranging from ‘land legislation, agricultural taxes and tariffs, import and export restrictions’ to ‘access to utility services’ as being ‘fundamental to SAGCOT’s future success’ (SAGCOT, 2011). A key question remains the degree to which corridor initiatives rely on these supporting reforms, and the degree to which AfT can therefore help in driving them.

6 Conclusions

This report has sought to analyse and discuss AfT and the challenges in improving its effectiveness through a regional setting.

Given the enormous scope covered by AfT interventions and the types of instruments employed, measuring regional AfT effectiveness is not easy in any rigorous way. While this is similar to the problems faced at a national level, this report looks at AfT data, AfT recorded flows and the institutional issues and challenges to implementing effective AfT programmes at the regional level, and focuses on corridors as an approach to overcoming some of these challenges.

6.1 AfT data and flows

In seeking to examine regional AfT flows, this study finds that the data on AfT are essentially suited only for recording but not for analysing regional AfT flows. As the discussion above makes clear, the OECD-DAC CRS database on AfT flows only provides aggregate data on broad regions, therefore not allowing any analysis or comparison of AfT flows at the level where regional integration is taking place. As such, while serving as a donor database, it is of limited use for analysing impact or for policymaking, and only allows broad conclusions to be drawn.

According to the available data and subject to numerous caveats, regional AfT flows have apparently been increasing over recent years, particularly in Africa. While the increased flows to regions can be interpreted as a positive development, given the potential for regional strategies to maximise opportunities for regional and international trade, financial flows themselves clearly do not imply that this is being used effectively. Indeed, there are indications that some donors intend to reduce the level of funding channelled through regional institutions, highlighting the need to continue looking into ‘new’ partnerships and financing mechanisms, in particular in conjunction with the private sector.

The data problem gives lie to a broader tension between AfT as a ‘donor’ agenda, and AfT as a support mechanism for regionally owned strategies. While AfT has helped focus donors and the aid discussion on promoting productive capacity, it is at base focused on aid inputs rather than outcomes. This is in contrast to the broader aid agenda. A key concern, therefore, is not simply to mobilise additional aid, but also to foster better approaches to regional development and ultimately to promote greater capacity for the private sector to produce and trade within and across regions. Numerous RECs are increasingly designing AfT strategies to potentially address this, but face institutional challenges in planning and implementing these, as well as in garnering donor support.

6.2 Institutions

At the level of regional institutions, the AfT initiative has led to an institutional focus on preparing regional strategies. While these potentially offer benefits by providing a coordinated, coherent approach and an opportunity for the regional prioritisation of needs, the fact that they are based on aid inputs ultimately makes the exercise donor driven, while ideally donors would be willing and able to align their financing with existing regional strategies. Putting this aside, regional institutions face a range of challenges in implementing their strategies, relating to financial and human capacity, but also the mandate to take projects forward at the regional level. As such, it is not clear that in practice regional AfT manages to ensure ‘effective’ aid delivery towards the trade and productive sectors.

Regional integration involves overcoming particular challenges, such as regional member state ownership and support for regional programmes. Only then can there be expectations that member states will implement them systematically, in a coherent and complementary manner to their domestic agenda. While funding for regional integration has focussed mainly on infrastructure and capacity building, insufficient attention is paid to policy reform and the implementation of regional commitments by countries to help them achieve the regional dimension of their development objectives. AfT programmes could better integrate national and regional dimensions, taking into account member countries’ disparities, notably in terms of capacities, hard as well as soft infrastructure and economic and social conditions.

In this respect, coherence and coordination between national and regional AfT programmes should become a higher priority on the agenda of donors as well as developing countries and regions. For their part, donors could better align their regional programmes with their national ones, and better coordinate their regional programmes and initiatives with one another as they have begun to do at the national level. Because AfT delivery is currently somewhat fragmented, it is quite likely that there are gaps and incoherencies between AfT programmes delivered at the national level and regional integration goals.

An additional challenge is to find a balance between a broad set of needs for regional integration, combining regional coherence and national ownership, with a narrower agenda that can be effectively articulated and managed from a regional perspective. To do so, priorities must be clearly identified, timeframes adopted and operational plans articulated, taking into account other regional programmes and national priority actions.

An understanding of the political economy of regional integration may be fundamental to improving regional AfT effectiveness. The political dimension of regional integration and therefore of the impact specific projects will have on power and economic relations is seldom considered, potentially undermining the chances of project success from the start.

The corridors approach may offer opportunities for overcoming some of these aspects. While not free from challenges, some of the coordination, prioritisation and implementation problems might be overcome through the narrower focus provided by corridors, an approach being undertaken in a number of regions with some degree of success.

6.3 Corridors as a tool for more effective AfT?

Corridors provide a narrower focus for AfT in terms of geographical areas within countries and smaller sub-groups within regions, and more focus in terms of concrete hard and soft infrastructure needs and regulatory reforms. This facilitates coordination and sequencing, as well as bringing constraints to light that can then be the target of additional project efforts. While corridors began as being about roads and border crossings, the concept has developed with the inclusion of large multinational private sector actors, offering opportunities for greater effectiveness through the commercial motivation and the

access to new forms of finance, knowledge and ideas that private sector operations bring, while in some cases a commercial approach may be the defining factor in making AfT sustainable, and therefore more effective in that sense.

Nonetheless, this approach still needs to be better understood in terms of ensuring low-income households and local producers benefit. There is a need to find a balance between private interests and development priorities to ensure AfT meets its ultimate objective.

Overall, while AfT at the regional level appears well suited to improving AfT effectiveness on paper, the corridors approach represent a useful way of focusing efforts to overcome some of the problems associated with broader regional programmes. Further, in the context of the declining importance of aid, an approach that works with the private sector not only for increasing financial resources but also in aligning interests appears to be a useful one to maximise the effectiveness of AfT as a catalyst for broader public and private investment. This is not to say that AfT should focus only on corridors, but the lessons from such an approach may nonetheless be useful for improving the effectiveness of regional AfT.

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Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ
Tel +44 (0)20 7922 0300
Fax +44 (0)20 7922 0399

