

## A regional approach to Aid for Trade: The Regional Trade Facilitation Programme (RTFP)<sup>1</sup>

**Project/programme:** Regional Trade Facilitation Programme

**Aid for Trade categories:** Trade policy and regulations; trade development; trade-related infrastructure; building productive capacity; trade related adjustment

**Donors:** DFID

**Programme dates:** November 2003 to November 2009

**Funding:** £16.16 million

**Summary:**

The vision of RTFP is 'making it easier and quicker for businesses to trade between countries in Southern and Eastern Africa so that economies in the region become more competitive and people benefit through job creation and increased wealth' ([www.rtfp.org/](http://www.rtfp.org/)). It has components that can be described as innovative Aid for Trade programmes, which have engaged in responsive and pioneering work to develop and implement a regional approach to trade-related assistance, in terms of both infrastructure and trade facilitation.

The North–South Corridor has become a flagship initiative of RTFP. Support to the regional organisations of SADC, EAC and COMESA in preparing Aid for Trade strategies, although at different stages, is also an important component.

**Key lessons for Aid for Trade programming:**

- **Significant synergies result from taking a regional approach to trade facilitation.** The simultaneous removal of infrastructure and regulatory bottlenecks should reduce the time taken in transport, therefore reducing the costs of doing business in the region and making producers more competitive.
- **Removing key trade constraints** in Southern and Eastern Africa will increase trade and export potential across trading groups, including big business, SMEs, informal traders and female traders. There are **compelling economic and equity arguments** for ensuring that typically poorer traders – such as women and informal business – benefit from regional integration initiatives.
- To maximise inclusive growth and poverty reduction impact, programmatic design and implementation should be informed by **ex ante analysis and stakeholder engagement** that explores the range of trade-related constraints and opportunities facing different trading groups. This may be conducted at the national level and fed into regional level dialogue and processes. It may be 'built in' to the development of specific initiatives. What matters is that the mechanisms are in place to integrate these concerns.
- **Linking national trade strategies to the regional Aid for Trade strategy is key.** At the national level, strong links to poverty reduction processes, and analysis of pro-poor export sectors, should inform trade strategy development.

<sup>1</sup> Please cite this case study as ODI (2009).

# 1. Introduction

## 1.1 Overview

This case study reviews the Regional Trade Facilitation Programme (RTFP) from an inclusive growth and poverty reduction perspective.<sup>2</sup> It contributes to a programme of work titled 'Aid for Trade: Promoting Inclusive Growth and Poverty Reduction', co-funded by the UK Department for International Development (DFID) and the Swedish Ministry for Foreign Affairs and commissioned on behalf of European Union (EU) Member States to strengthen the quality and poverty focus of EU Aid for Trade Strategy implementation.

The case study is structured as follows. The introductory section sets the trade, growth and poverty, as well as the regional integration, context of Southern and Eastern Africa. It then briefly outlines the Aid for Trade agenda. Section 2 provides an overview of RTFP. Section 3 discusses two critical components on RTFP: the North–South Corridor and regional Aid for Trade strategies. Section 4 presents RTFP support provided to least developed countries in the WTO to negotiate collectively in international trade negotiations. Section 5 outlines aspects of RTFP that are specifically pro-poor in focus and Section 6 concludes, drawing out lessons for Aid for Trade programming.

This case study was conducted as a desk review. It is based solely on key informant interviews, available published literature and programme and project documentation.

## 1.2 Trade, growth and poverty in Southern and Eastern Africa

Southern and East Africa are two key regions of the African continent. Clustered together through the Southern African Development Community (SADC),<sup>3</sup> the East African Community (EAC)<sup>4</sup> and the Common Market for Eastern and Southern Africa (COMESA),<sup>5</sup> countries in these regions are increasingly applying a regional approach to their development challenges.

The regions span vast geographic areas and house large populations, as Table 1 indicates. They also face considerable development challenges, as illustrated through the Human Development Index (HDI) in Table 2.

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2 The RTFP was launched in 2003, before Aid for Trade was discussed in the international arena and before it was a part of the World Trade Organization (WTO) agenda. RTFP has gone through a number of changes in terms of implementation modalities and adopted an Aid for Trade approach only after 2005 (i.e. after the WTO Hong Kong Ministerial), with the North–South Corridor being the first major Aid for Trade programme.

3 Current Member States of the SADC are: Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

4 Current Member States of the EAC are: Burundi, Kenya, Rwanda, Tanzania and Uganda.

5 Current Member States of COMESA are: Burundi, Comoros, DRC, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

**Table 1: SADC, EAC and COMESA: Characteristics**

<b>Bloc</b>	<b>Area (km<sup>2</sup>)</b>	<b>Population</b>	<b>GDP (PPP) (US\$) (in millions)</b>	<b>GDP (PPP) (US\$) (per capita)</b>	<b>No. of member states</b>
SADC	9,882,959	233,944,179	737,335	3152	15
EAC	1,817,945	124,858,568	104,239	1065	5
<b>Bloc</b>	<b>Area (km<sup>2</sup>)</b>	<b>Population</b>	<b>GDP (current 2007 prices) (US\$) (in millions)</b>		<b>No. of member states</b>
COMESA	12,602,951	416, 000	342, 182		19

Sources: SADC and EAC - Wikipedia; COMESA - COMESA website

**Table 2: HDI for countries of SADC, EAC and COMESA (2006)**

<b>HDI rank</b>	<b>Country</b>	<b>HDI</b>	<b>HDI rank</b>	<b>Country</b>	<b>HDI</b>
52	Libyan Arab Jamahiriya	0.840	152	Tanzania (United Republic of)	0.503
54	Seychelles	0.836	155	Lesotho	0.496
74	Mauritius	0.802	156	Uganda	0.493
116	Egypt	0.716	157	Angola	0.484
125	South Africa	0.670	158	Timor-Leste	0.483
126	Botswana	0.664	159	Togo	0.479
129	Namibia	0.634	164	Eritrea	0.442
137	Comoros	0.572	165	Rwanda	0.435
141	Swaziland	0.542	169	Ethiopia	0.389
143	Madagascar	0.533	172	Burundi	0.382
144	Kenya	0.532	175	Mozambique	0.366
146	Sudan	0.526	177	Congo (Democratic Republic of the)	0.361
151	Djibouti	0.513	n/a	Zimbabwe	n/a

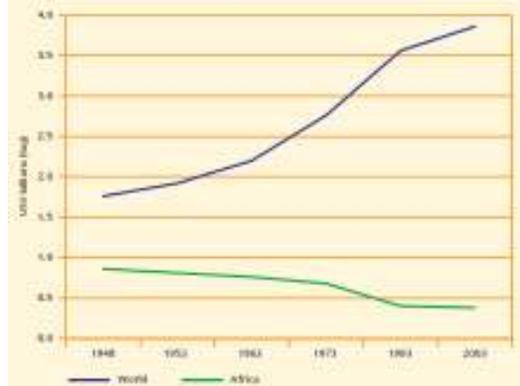
Source: UNDP (2008) Human Development Indices: A statistical update<sup>6</sup>

In contrast with the rapid expansion of trade among developed countries over the past 50 years, and the expansion of trade by China, India and other developing countries over the

<sup>6</sup> <http://hdr.undp.org>

past 20 years, Africa's share of world trade has dropped (see Figure 1). While at an aggregate level the share of developing countries in world trade has risen strongly, with the share in manufacturing trade rising from 17% in 1990 to 27% in 2000, the composition of Africa's exports has remained largely unchanged, which has contributed to a collapse in Africa's share of world trade from around 6% in 1980 to 2% in 2002 (Commission for Africa, 2005).

**Figure 1: World and African exports, 1948-2003**



Source: Commission for Africa (2005).

The Commission for Africa (2005) argues that Africa's weak trade record can be explained by two factors. First is Africa's low capacity to produce and trade, and to do this competitively. This is the result of 'supply-side' constraints, as well as the protectionism facing it in the markets of the developed world. Second is the progress other developing countries have made in establishing strong competitive advantages, thus making it difficult for African countries to break into world markets.

### 1.3 Regional integration in Southern and Eastern Africa

Countries and institutions in Southern and Eastern Africa have recognised the importance of regional integration for their development. According to the African Development Bank (AfDB), 'economic cooperation and regional integration are crucial if Africa is to overcome trade and other barriers and take its rightful place in the global market'<sup>7</sup>. As such, a number of steps have been taken to support regional integration. For example, in October 2008, heads of state and government, representing the 26 Member States of COMESA, EAC and SADC, met in Kampala, Uganda, and agreed to the creation of a free trade area between them.

The regional trade challenges in Africa are compelling. The costs and difficulty of moving goods in and out, and across and between, African countries are higher than in richer countries: transport costs in Southern Africa are on average 73% higher than in the US or Europe (Commission for Africa, 2005; DFID, 2008). Sub-Saharan Africa suffers from the highest average customs delays in the world – 12.1 days compared with 7.2 days in Latin America, 5.5 days in Asia and 3.9 days in Western Europe. Intraregional trade is low, at approximately 5% of cross-border trade (Commission for Africa, 2005). An acknowledgement of the trade-related benefits regional integration could bring has encouraged efforts to improve regional integration in Southern and Eastern Africa, some of which are being supported by the Aid for Trade agenda.

<sup>7</sup> See AfDB website: <http://www.afdb.org/en/topics-sectors/topics/regional-integration/>

## 1.4 Aid for Trade: A brief introduction

### 1.4.1 *The origin and evolution of Aid for Trade*

The origins of the Aid for Trade agenda lie in World Trade Organization (WTO) negotiations and can be traced back to developing country concerns over the limited benefits reaped from increased market access to date and those likely to accrue to them from the Doha Development Round unless their supply-side capacity constraints were addressed, and they were compensated for adjustment costs associated with multilateral trade liberalisation, notably preference erosion and reduced trade-related fiscal revenue (IMF and World Bank, 2005).

In response to these concerns, the WTO Ministerial Meeting in Hong Kong in December 2005 called on donors to increase Aid for Trade resources in order to 'help developing countries, (especially LDCs), build the supply side capacity and trade related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade' (WTO, 2005). This led to a number of multilateral and bilateral development agencies committing substantial funds under the Aid for Trade rubric.<sup>8</sup> The Hong Kong Ministerial Meeting also established an Aid for Trade Task Force to develop recommendations on how to make Aid for Trade operational and contribute to the development dimensions of the Doha Development Agenda (OECD, 2007). This Task Force identified five priority Aid for Trade activities: trade policy and regulations; trade development; trade-related infrastructure; building productive capacity; and trade-related adjustment. In October 2007, EU Member States adopted a joint Aid for Trade strategy to implement the WTO Aid for Trade Task Force Recommendations, supporting 'developing countries, particularly LDCs, to better integrate into the rules-based world trading system and to use trade more effectively in promoting the overarching objective of eradicating poverty in the context of sustainable development' (EU, 2007).

### 1.4.2 *Aid for Trade, inclusive growth and poverty reduction*

Without trade and growth, prospects for households, communities, countries and regions to reduce poverty and achieve the Millennium Development Goals (MDGs) are low. Indeed, some 80% of poverty reduction around the world since 1980 has been a result of economic growth, lifting as many as half a billion people out of poverty (DFID, 2008). Trade supports growth by enhancing a country's access to a wider range of goods and services, knowledge and technologies. It stimulates entrepreneurship in the private sector. It attracts private capital, creates jobs and increases foreign exchange earnings. By doing this, it generates resources for development (WTO, 2008). While there is some difference of opinion on the direct causal relationship between trade, growth and poverty, we do know that countries that make trade a part of their development process have tended to grow, and reduce poverty, faster than those that have not (OECD, 2008; Prowse, 2009). Developing countries have almost doubled their share of non-oil world exports over the past 30 years and this has been accompanied by strong economic growth. More recently, developing countries have made important progress in accessing the markets of the industrialised world through trade rounds (DFID, 2008).

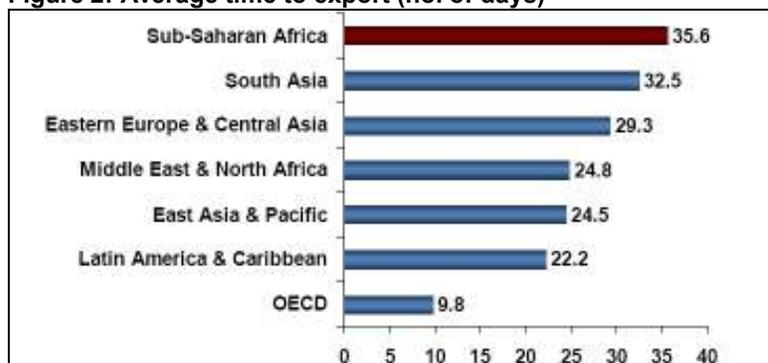
But the gains from this have been unevenly spread, with the poorest countries being increasingly marginalised. For example, sub-Saharan Africa's share of world exports fell from 3.9% in 1980 to 1.9% in 2006 (OECD, 2008). In addition, there are signs that trade liberalisation in developing countries, while increasing aggregate growth, can contribute to higher levels of inequality. So even where trade and growth are increasing, poor and marginalised groups may not be reaping the benefits of growth, or may be benefiting far less than other groups (DFID, 2008).

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<sup>8</sup> For instance, the 2005 financial commitment by the EU entails €2 billion per year (€1 billion per year each for the European Commission (EC) and the Member States) of trade-related assistance (TRA) to partner countries by 2010.

Developing countries have not been able to fully capture the benefits of trade for a number of reasons. Although market access is still an issue in some areas, for instance, around agriculture, there are other 'behind the border' constraints. These include high transport costs, absent or unsupportive policies and regulations, cumbersome and slow export processing procedures, inadequate export and trade negotiating skills, poor product standards, low productivity and competitiveness, lack of export diversification and low added value production chains. Broader economic infrastructure issues also pose significant challenges: less developed countries are often poorly resourced in terms of energy, communications and transport infrastructure. These constraints lead to stifled global competitiveness (see Figure 2).

**Figure 2: Average time to export (no. of days)**



Source: World Bank (2008).

Aid for Trade can support developing countries to maximise the growth and poverty reduction potential of trade. For example, Aid for Trade can promote an inclusive investment climate, enhancing the opportunities for a range of trading groups – including big business, small and medium enterprises (SMEs), entrepreneurs and informal traders – to participate in and benefit from trade. It can help these trading groups overcome infrastructural barriers to benefiting from trade, by reducing the time and cost associated with transportation and border crossings. It can build productive capacity, which enables households and traders across the income distribution to participate in and benefit from tradable sectors, and it can support the diversification of these sectors into higher value added products. Where necessary, it can support policies and programmes to mitigate the adverse impacts of trade-related adjustment, by supporting regional-level adjustment facilities as well as social protection initiatives (Bird and Vandemoortele, 2009). In essence, Aid for Trade can help build the export potential of developing countries that are struggling to reap the benefits of global trade. It can support market access, enterprise development and employment creation. It also presents an opportunity to use aid to improve how poorer traders – women, informal traders or small enterprises – engage with and benefit from trade. Through this, Aid for Trade has the potential to contribute simultaneously to trade expansion and poverty reduction efforts through job creation and income generation.

## 2. The Regional Trade Facilitation Programme: Overview

The vision of RTFP is 'making it easier and quicker for businesses to trade between countries in Southern and Eastern Africa so that economies in the region become more competitive and people benefit through job creation and increased wealth'.<sup>9</sup> It has components that are considered to be innovative Aid for Trade programmes and has been engaged in pioneering work to develop and implement a regional approach to trade-related assistance. It is a wide-ranging, multi-component initiative that engages with all five Aid for

<sup>9</sup> [www.rtfp.org/](http://www.rtfp.org/).

Trade categories: trade policy and regulations; trade development; trade-related infrastructure; building productive capacity; and trade-related adjustment. The programme has adopted a highly flexible, demand-driven approach, one which has enabled it to respond to specific requests of regional counterpart organisations and capitalise on opportunities arising during the course of the project. As a result, RTFP has evolved considerably since its inception in 2003, as Table 3 demonstrates.

**Table 3: RTFP outputs, 2003 and 2008**

<b>Output</b>	<b>Proposed outputs: 2003</b>	<b>Proposed outputs: 2008</b>
1	Streamlined customs/border procedures and common regional transit system in place	Streamlined customs/border procedures and common regional transit system
2	Trade agreements negotiated within the SADC region and externally to reduce tariff and non-tariff barriers	Pro-poor trade agreements negotiated at WTO and as part of economic partnership agreements (EPAs)
3	Improved regional coordination of tax policy and administration in SADC/COMESA	Improved functioning of regional trade agreements (SADC, Southern Africa Customs Union (SACU), COMESA)
4	More effective pro-poor trade promotion strategies and mechanisms adopted	Increased participation by local communities in production and export of selected pro-poor commodities
5		Improved trade policy capacity

Sources: DFID (2003a) for 2003; Pengelly et al. (2008) for 2008.

The responsiveness of this programme, and the resulting shift in focus, has led to the integration of separately designed projects, such as the North–South Corridor programme and ‘One-Stop Border Posts’ (OSBPs). This owed to the complementarity of these projects with RTFP objectives and activities. Other planned components, such as work to support small-scale cross-border traders, have not received the degree of attention originally envisioned.<sup>10</sup>

These adjustments were based on a range of different factors, including ongoing political developments and related windows of opportunity, as well as conceptual adjustments. For example, it was originally conceived that the central focus of RTFP would be on supporting trade facilitation within the geographic confines of Southern Africa, focusing on the SADC region. As the programme progressed, the range of programme partners and geographic coverage were broadened to include the wider COMESA region as well as SACU and any configuration of SADC, SACU or COMESA countries that may wish to advance a common issue.

### **3. A regional approach to Aid for Trade**

Under the Tripartite process, which is the process under which COMESA, EAC and SADC have agreed to harmonise their trade and infrastructure programmes, RTFP has supported the preparation of regional Aid for Trade strategies in all three of the Tripartite Regional Economic Communities. The process has moved fastest and furthest in COMESA, with the adoption of the COMESA Aid for Trade strategy by COMESA’s Policy Organs and with the establishment of the COMAid Unit in the COMESA Secretariat, with the support of RTFP. There remain plans to roll out similar programmes in the two other Secretariats, as long as the necessary approvals are obtained.

<sup>10</sup> It should be noted that the decision to scale down work done on small-scale cross-border trade was made partly because the service provider was not able to produce the expected results within the required time period and partly because other projects and programmes (including the Regional Organisations themselves) embarked on work on cross-border small-scale trade, including COMESA’s Simplified Trading Regime, so it was decided by the RTFP to move resources to other priority areas to avoid duplication.

The first Aid for Trade programme with a trade-related infrastructure component launched by the Tripartite with the support of RTFP was the Pilot Aid for Trade North–South Corridor Programme.

### 3.1 The North–South Corridor

#### 3.1.1 *Unleashing synergies through a regional approach*

The North–South Corridor is an integrated trade facilitation and trade-related infrastructure programme aimed at reducing the time and cost involved in transport along a major regional transportation network. In doing so, it is expected to produce important benefits in terms of improved access to international and regional markets and increased competitiveness of the regions' products. The corridor connects the Zambian and DRC's Copperbelt to ports in Tanzania, Mozambique and South Africa, passing through Malawi, Botswana and Zimbabwe (see Figure 3). The major innovation of the programme lies in the fact that it builds on an integrated, multi-modal approach that addresses both infrastructure needs (road, rail, ports and border posts) and the regulatory environment (such as streamlining cross-border clearing procedures and harmonising transit and transport regulations). By working to eliminate different types of bottlenecks – such as delays at border crossings – along the entire route, it has the potential to achieve far greater reductions in travel times and overall transport costs than isolated interventions. This is critical: as discussed above, transport costs and customs delays seriously impinge on Africa's competitiveness.

**Figure 3: North–South Corridor**



Source: DFID Website<sup>11</sup>

An important element of the North–South Corridor has been the piloting of OSBPs at two strategic border crossings. These initiatives represent an acknowledgement of the fact that, according to a World Bank study (Teravaninthorn and Raballand, 2008), delays at border crossings have the biggest impact on overall transport costs in the Southern African region. The most advanced of the OSBPs is at the border between Zambia and Zimbabwe at Chirundu, intended to be fully operational in 2009 (see Box 1). Other ongoing measures include the harmonisation of gross vehicle mass and axle loads, vehicle dimensions, regional customs bonds and vehicle insurance, and the simplification and harmonisation of customs procedures, practices and documentation.

<sup>11</sup> <http://www.dfid.gov.uk/Media-Room/News-Stories/2009/Clearing-a-path-for-improved-transport-links-in-Africa-to-boost-trade/>

### **Box 1: Chirundu One-Stop Border Post**

Chirundu is located on one of the busiest transit routes in Southern Africa in terms of volume and value of freight. While the road infrastructure along the North–South Corridor is considered, with some exceptions, to be in relatively good condition, border crossing points like Chirundu represent a major bottleneck, owing to congestion and delays in processing of goods and people. At the border, over 15 different Zambian and Zimbabwean government agencies are engaged in the enforcement of various national regulations, requiring truckers to spend an inordinate amount of time submitting and waiting for the processing of documentation. A study has shown that typical transit times for trucks at Chirundu range from six to 17 hours for southbound traffic and from 26 to 46 hours for northbound traffic. With traffic along the North–South Corridor projected to further increase in the years to come, delays at Chirundu and other border crossings will further escalate unless action is taken to improve the efficiency of border processing procedures.

To address this challenge, an OSBP has been piloted at Chirundu. In this model, entry and exit requirements are processed at one consolidated border post on entering the respective country. Through a coordinated approach, with harmonised documents and information sharing among Zambian and Zimbabwean authorities, duplications and delays are intended to be significantly reduced.

To achieve this, RTFP supported the creation of a steering committee to develop the procedures and plan the investments required. In discussions with relevant stakeholders, sub-steering committees have developed the needed legal framework, defined plans for the creation of shared facilities on both sides of the border and developed appropriate information technology (IT) solutions for the OSBP. This process was preceded by dialogue with a national steering committee to facilitate agreement with stakeholders at the national level before bilateral discussions were launched.

*Source: Chanda (nd).*

#### **3.1.2 Harnessing political will**

RTFP's pioneering role in the North–South Corridor is widely recognised, and its activities have helped demonstrate the potential synergies regional Aid for Trade may unleash. The regional approach allows infrastructure investments and trade facilitation measures to be implemented in a coherent, sequenced and coordinated manner. To achieve this goal, RTFP has helped the Tripartite tackle a number of interrelated political, technical and financing issues.

On the political level, it has pursued a multi-pronged advocacy strategy, including major support to the Tripartite Taskforce and outreach to stakeholders in the public and private sector. This has served to garner the needed political commitment among regional governments and helped lay the foundation for attracting public and private sector funding. With commitments to tackle a number of important trade facilitation and regulatory bottlenecks, investments in infrastructure become more attractive and vice versa. In a recent high-level meeting on the initiative, commitments by regional heads of states were renewed, while donors and international financial institutions (IFIs) pledged \$1.2 billion in support of the North–South Corridor. These pledges are now intended to help catalyse additional private sector funds to fill a number of remaining financing gaps.

#### **3.1.3 Benefiting a range of trading groups**

As well as supporting more and faster trade, it can be expected that the North–South Corridor, and initiatives such as the OSBPs, will yield benefits for a range of trading groups, including informal traders, women and SMEs. There are compelling *economic* and *equity* arguments for reducing the trade constraints faced by these groups. We know that high transaction costs, inefficient and cumbersome customs and border processes and lack of information on regulatory measures constitute disincentives for small traders to engage formally in trade (see Lesser and Moisé-Leeman, 2009 for a thorough review).<sup>12</sup> This presents a range of problems, particularly given the high level of informal cross-border trade

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<sup>12</sup> Lesser and Moisé-Leeman (2009) note that available surveys indicate that informal cross-border trade in sub-Saharan Africa concerns mainly individual traders and micro-, small- and medium-sized enterprises.

in sub-Saharan Africa, which was estimated to represent around 43% of official gross domestic product (GDP) in 2002-2003 (Schneider, 2006 and OECD, 2007 in Lesser and Moisé-Leeman, 2009). Emerging evidence also suggests that trade logistics barriers, such as complex and slow regulatory policies and procedures, inconsistent application of tariffs and fees and inefficient border control and inspection regimes can disproportionately disadvantage certain groups, such as women, who are the highest users of some border crossings (DFID, 2008; IFC, 2009).<sup>13</sup> For example, surveys in India have found that women wait 37% longer than men to see the same customs official (IFC, 2009). A study from West Africa finds that the rights of women are regularly violated at border crossings – they are subject to corruption, sexual harassment and abuses (ITC et al., 2008). Further, inadequate transport poses significant challenges to women as traders: in many countries, rural women spend 30% of their income on transport, and much of their time, thus reducing their ability to invest in more value-adding activities. Village transport surveys in Tanzania and Zambia show that women spend nearly three times as much time in transport activities compared with men, and they transport about four times as much in volume (Malber-Calvo, 1994 and Barwell, 1996 in ITC et al., 2008).

So, from an economic perspective, reducing trading constraints faced by female traders and informal traders is critical: barriers to women's role in trade are costly to overall economic performance (DFID, 2008; IFC, 2009); and high levels of informal trade activity limit government tax revenue and may restrict entrepreneurs from scaling up their enterprises (Lesser and Moisé-Leeman, 2009). From an equity perspective, ensuring all people have the opportunity to benefit from trade, without discrimination or disadvantage, is fundamental. It should be noted that formalisation issues should be approached in a nuanced way, however. In the short to medium term, informal trade contributes to greater food security and enhances employment opportunities and income earnings for poor households in importing and exporting countries (Meagher 2003, Little, 2005 and FEWS Net-WFP, 2007 in Lesser and Moisé-Leeman, 2009).

Initiatives such as the North–South Corridor, which seeks to overcome the trade-related barriers that trading groups such as informal traders and women face, have the potential to support the formalisation of trading activities, as well as reduce the barriers, and in some cases abuses, that women and other groups disproportionately face at borders. There are clear examples of success: for example, in Ghana, computerised custom services on cross-border taxes and rules and regulations not only increased revenue collected by government by 35% because of reduced corruption, but also reduced incidents of abuse and sexual harassment (ITC et al., 2008).

#### *3.1.4 Dealing with social risks*

RTFP has taken steps to deal with one of the most prominent social risks related to investments in transport infrastructure: the spread of sexually transmitted diseases (STDs) such as HIV/AIDS. Responding to a proposal by the North Star Foundation, RTFP has funded the establishment of three 'wellness centres' for the provision of low-cost, low-maintenance primary health care along with HIV/AIDS prevention activities. Two of these centres supported by RTFP will be situated at the Chirundu border crossing and one at Beit Bridge, which connects South Africa and Zimbabwe.

#### *3.1.5 Entry points for a greater pro-poor focus*

While significant progress has been made, and the North–South Corridor is expected to generate positive gains for women and small and informal producers, as an increasingly coherent Aid for Trade strategy takes shape new opportunities for integrating poverty reduction goals into RTFP, or a similar regional programme, are emerging.

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<sup>13</sup> A COMESA study found that women were the highest users of both the Egypt–Sudan and the Ethiopia–Djibouti borders (Asfour, 2008).

For example, an integrated diagnostic and gap analysis of the road network has been prepared, with support of RTFP, using the Highway Design and Maintenance Standards Model 4 (HDM-4). This presents a key entry point for integrating social and environmental concerns into the decision-making process. In light of RTFP's pivotal role in the North–South Corridor process, it is well positioned to support the incorporation of poverty and other social concerns into strategy development. For instance, the HDM-4 provides tools for incorporating so-called multi-criteria analysis into the evaluation of transportation networks. This allows users to specify relevant social benefits and costs (such as access to social services) to be included in the analysis. Specific weights assigned to particular social criteria need to be assigned externally and should be developed in consultation with relevant stakeholders (Kerali et al., 2006).

It should be noted that strategy development for the North-South Corridor has focused so far largely on the maximisation of economic efficiency. While the wellness centres represent an important initiative in addressing relevant health risks associated with the North–South Corridor, they do not appear to be the result of strategic planning and, rather, are the product of an external proposal from the North Star Foundation and a reflection of the RTFP's demand-driven approach. It also reflects the fact that RTFP is not equipped and staffed with experts in HIV/AIDS and community health but is creating an entry point for appropriate interventions to become involved without trying to duplicate efforts made in this sector at the national or regional level. RTFP has been able to address poverty concerns in this instance by having the flexibility to bring in other more specialist partners in areas where it does not have the necessary competences or where there are already ongoing initiatives in operation. While this approach has proven effective, it does not provide a strategic framework for addressing poverty concerns across the North–South Corridor in a systematic manner. As the North–South Corridor moves forward, such a strategic dimension could be introduced to ensure poverty issues contribute to investment decisions.

### **3.2 Regional Aid for Trade strategies**

RTFP has been working with the three Regional Economic Communities of COMESA, EAC and SADC on the development of regional Aid for Trade strategies. All three strategies are similar but take account of the specificities of the communities.

The COMESA Aid for Trade Strategy is perhaps the most advanced of the three strategies in that, with the support of RTFP, COMESA has had its strategy approved by its Policy Organs and, also with the support of RTFP, has established the COMESA Aid for Trade Unit, or the COMAid Unit.

The COMESA regional Aid for Trade Strategy focuses on two main objectives. First, it seeks to establish the institutional framework and financing instruments to complete and eventually replicate the methodology used in rolling out the North–South Corridor as an Aid for Trade transport/transit corridor to other corridors. Second, it seeks to build the framework and capacities for assessing and funding adjustment needs resulting from regional integration. To complement this, the COMAid Unit is now seeking to work with COMESA Member States to develop national Aid for Trade strategies in support of, where appropriate, the Action Matrices prepared as part of the Integrated Framework process, which will then feed back into the regional Aid for Trade Strategy. It has identified Zambia and Madagascar<sup>14</sup> as two pilot cases.

#### **3.2.1 Addressing adjustment costs**

The COMESA Aid for Trade strategy provides an additional opportunity for integrating poverty concerns more explicitly into the regional trade agenda. First, an explicit focus on the assessment and funding of adjustment costs provides the basis for mitigating the potential

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<sup>14</sup> Madagascar has been put on hold, owing to the ongoing political crisis.

adverse impacts of changes due to the Economic Partnership Agreement with the EU. Through the COMESA Fund Adjustment Facility, Member States are intended to receive support to address both revenue losses and broader social and economic adjustments resulting from trade liberalisation. As a first step, the Regional Integration Support Mechanism (RISM), with funding from the Ninth European Development Fund (EDF9) will provide COMESA/EAC/Indian Ocean Commission (IOC)/Intergovernmental Authority on Development (IGAD) members with the resources to finance revenue losses as a result of the implementation of regional integration policies. Based on national plans for the implementation of regional integration commitments and the estimated budgetary implications, Member States can submit applications for funding. Additionally, there are plans to acquire funds to finance programmes aimed at mitigating broader social and economic consequences of adjustment.

### *3.2.2 Building on pro-poor national trade strategies*

Parallel to the development of these regional mechanisms, the development of national Aid for Trade strategies can provide an additional channel for promoting a regional integration process that contributes directly to poverty reduction. One way this can be supported is by ensuring national Aid for Trade strategies focus on sectors where there is export, as well as poverty reduction, potential. National Aid for Trade strategies should also propose how the trade constraints that poor traders, producers and entrepreneurs face can be addressed. There are examples of good practice: Uganda has conducted a gender analysis of its National Export Strategy (GoU, nd); Cambodia's 2007 Diagnostic Trade Integration Study (DTIS) included the 'impact on employment of women' as part of the socioeconomic impact index used to assess opportunities for export development (H.E. Ing Khantha Pavi, 2008).

Additionally, at both the national and regional level, it will be essential that analysis and strategy development are informed by relevant private sector and civil society stakeholders. At the regional level, ensuring that the private sector concerns of weaker countries are sufficiently considered will be as important as consulting relevant civil society organisations (CSOs). At the national level, mechanisms for addressing the concerns of a broad range of stakeholders, including women's trading groups, cooperatives and rights groups, as well as the private sector at the national and provincial level, is necessary to ensure that national Aid for Trade, and trade, strategies adequately address the trade barriers these groups face.

## **4. Supporting international trade negotiations**

RTFP has played an important role in supporting African countries to chair the WTO LDC (Least-development Country) Group<sup>15</sup> in the context of WTO Doha Round negotiations, as well as supporting SADC, EAC and ESA (East and Southern Africa) in the context of EPA negotiations with the EU. By doing this, RTFP is supporting another benefit of regional integration – additional leverage in international trade negotiations through collective negotiation. This leverage, and resulting gains, is not accrued automatically, however, and requires leadership and coordinated dialogue at the regional level.

According to the annual review of 2008, RTFP's engagement has helped effect a 'revolutionary change in the way the [LDC] Group works and is perceived in the multilateral trading arena, with a significant increase in the Group's capacities as a coherent, focused and effective interest group within the WTO system' (Pengelly et al., 2008). It points out that technical assistance has been strong and targeted and has ensured that ownership of the decision-making process rests firmly with the Group itself. It gives credit to the RTFP for helping the LDC Group ensure the inclusion of duty-free quota-free market access as part of the WTO Doha Round. Finally, the review suggests that RTFP has also provided valuable support to the SADC7 group and ESA in the EPA negotiations with the EU.

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<sup>15</sup> This covers all LDCs that are members of the WTO, not exclusively LDCs from Africa.

It thus appears that RTFP's demand-driven approach has been well suited to providing timely support to the LDC Group and Southern and Eastern African regional groupings in the context of international trade negotiations. It has both helped facilitate improved coordination among LDCs and provided valuable technical inputs. Such support is absolutely essential for weaker countries to defend their national and regional interest in multilateral trading systems.

However, in a similar vein to the regional integration process, high-quality demand-driven technical assistance alone cannot guarantee that negotiation positions will address poverty reduction concerns.<sup>16</sup> Facilitating poverty-focused analytical work, as well as the participation of relevant private sector and civil society stakeholders in analysis and strategy development, will support the integration of poverty concerns into negotiation strategies. This might include a systematic evaluation of the opportunities and threats of signing EPAs with the EU, for example. While this sort of work may be beyond the scope of regional initiatives such as RTFP, complementary programmes or mechanisms should be in place to ensure that poverty-focused analysis of international negotiations informs the development of regional positions in the context of WTO and EPA negotiations.

## **5. Pro-poor focused support**

Output 4 of RTFP has been significantly narrowed from the original objective to support pro-poor trade promotion strategies. This shift away from traditional trade promotion activities occurred at the inception of RTFP, after recognising that it would be very difficult for a regional programme to engage in serious and meaningful or sustainable trade promotion activities, which should be done at the national level. Instead, the programme now includes a number of highly focused commodity-specific interventions that have been delivered in the form of grants to non-governmental organisations (NGOs) and commodity-based associations.

This shift in emphasis, from a broader framework for pro-poor trade promotion to a more isolated set of activities targeting a select group of pro-poor commodities, appears to demonstrate the challenge of incorporating a strategic, pro-poor approach into the demand-driven framework adopted by RTFP. Its positive outcome for local producers is acknowledged in the 2008 annual review, which states that 'the development of specialty products (including work under the Fairtrade label) for overseas markets; facilitating reliable value chains and compliance with export market standards, thereby improving access to international markets; the development of efficient yet sustainable harvesting practices for natural products, as well as intellectual property management and work on geographical indications, have all been important outcomes which provide a useful basis for developing support to local community participation in trade' (Pengelly et al., 2008). However, the review goes on to note that the activities have consumed a disproportionate share of programme management time and cautions against starting up additional activities. Similarly, the 2007 review suggests that the activities may have been better situated in an integrated commodity support programme than in a programme focused on broader trade facilitation issues. In essence, these activities are largely de-linked from the remaining high-profile regional engagements.

Another pro-poor initiative of RTFP focused on developing interventions to address constraints faced by small-scale traders engaged in cross-border activities. To initiate this activity, RTFP commissioned a small border study. According to the annual review in 2007, the study has yielded information 'on the operations of informal traders, their overall contribution of trade volumes, the profiles of traders and the types of goods traded' (Charles

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<sup>16</sup> It should be noted that RTFP is mainly, but not entirely, demand driven. It also initiates projects, but this is done in very close collaboration with its partners/beneficiaries, and some seemingly partner-initiated activities are actually originally mooted within RTFP.

et al., 2007). However, no follow-up work has been undertaken in this area. RTFP did examine the possibility of supporting the regional cross-border traders association but could not see an entry point or how a positive and sustainable contribution could be made under the circumstances at the time. RTFP also considered supporting the COMESA Simplified Trading Regime but this was supported by DFID under a separate programme – Trading for Peace. Finally, RTFP explored the options of joining up with other organisations involved in supporting small-scale cross-border trade but decided against this for various reasons, mainly because it was difficult to get a good ‘fit’ with other programmes. This reflects the fact that RTFP may not be the most appropriate vehicle for support in all areas of poverty alleviation and there may well be instances where the most appropriate intervention is not to intervene at all, especially where it is considered that other programmes and organisations have the topic well covered already. It is also important to note that, according to one RTFP representative, an additional challenge for advancing the work programme was a lack of appreciation among political decision makers about the importance of cross-border trade by small-scale traders for national economies.

Finally, RTFP has co-financed the South Africa Trade and Poverty Research Project, implemented by the Southern Africa Labour and Development Research Unit at the University of Cape Town. The aim was to analyse the impact of a number of trade reforms on poverty in South Africa. Support for this very comprehensive research project is in line with the programme’s aim to provide a ‘flexible financing facility that can respond to demand in a way that would otherwise be cumbersome or difficult and to investigate opportunities which complement other DFID initiatives’, including ‘support to Southern African research organisations and regional networks’ (DFID, 2003a). However, according to one RTFP representative, this particular research project has had little relevance for the RTFP’s broader Aid for Trade programme, as it focused specifically on South Africa and was not designed to interrogate or advocate issues of a regional nature.

## **6. Conclusions and lessons for Aid for Trade programming**

### **6.1 A pragmatic approach to regional trade facilitation**

It is widely recognised that the North–South Corridor, and the broader regional integration process that RTFP supports, represents an important step towards removing key trade constraints in Southern and Eastern Africa. This is critical for increasing the value and volume of trade across these regions. We can also anticipate that the outcomes of these initiatives will result in positive changes for poorer trading groups, such as women and informal traders, by not only enabling them to trade more efficiently, but also providing space for engaging in more value-added enterprises.

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. For example, RTFP’s support has played a key role in facilitating regional cooperation through the COMESA–EAC–SADC Tripartite on the North–South Corridor programme. The concept of regional Aid for Trade has the support of the Tripartite Taskforce, and mechanisms are being put in place to both implement projects and programmes on the North–South Corridor and replicate methodologies in other transport corridors.

### **6.2 Releasing synergies through a regional approach**

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.

### **6.3 Integrating poverty reduction concerns into regional programmes**

This case study highlights that integrating poverty reduction concerns into regional Aid for Trade programmes may not always be a top priority. The development approach adopted may be to support trade expansion, with the assumption, or hope, that this will trickle down to poorer producers, traders and entrepreneurs. For example, the North–South Corridor does not currently explicitly incorporate the needs of small or informal producers, traders or entrepreneurs into its strategic assessment of investment needs. Instead, the focus has been on the relative economic efficiency gains attributed to different investment alternatives.

While this focus on trade expansion in the regional context is absolutely appropriate, some level of ex ante disaggregated analysis would improve understanding of the trade-related constraints and opportunities facing the variety of groups engaged with trading processes at the regional level. This analysis may take into account gender, income, trading sector, firm size, employment type and nationality/ethnicity, for example. This would complement efficiency-related analysis and provide some basis for ensuring that investment decisions made through regional Aid for Trade programmes have poverty impact. What is required is not a critical shift in programmatic design and delivery, but rather the integration of disaggregated ex ante analysis into the suite of programme or project proposal and preparation documentation that is developed. This may be conducted through the Aid for Trade programme at the regional level, through a complementary programme, or through national-level analysis that is fed into regional-level processes.

### **6.4 A framework for linking regional Aid for Trade to poverty reduction**

COMESA's regional Aid for Trade strategy may provide the instruments needed to allow Member States to increase the volume and value of trade while managing the costs – at the national and sub-national level – of TRA. Two elements of its Aid for Trade agenda appear critical:

- **The COMESA Fund Adjustment Facility:** This represents an important tool, not only for addressing the costs of trade-related adjustment but also to build the needed political will for implementing commitments made at the regional level. Its scheme for compensating governments for revenue losses resulting from regional integration and its emerging framework for funding programmes to mitigate negative poverty and social impacts have the potential of both smoothing the adjustment process throughout the region and protecting weaker countries from negative shocks as they open up to their neighbours. Ensuring this is adequately funded will be essential for a pro-poor integration process. This facility demonstrates how adjustment issues at the national, and sub-national, level can be supported by Aid for Trade. As this is rolled out, it will be important to capture lessons to draw on in future Aid for Trade initiatives.
- **A process of linking national trade strategies to the regional Aid for Trade agenda:** Additionally, COMESA has articulated the need for aligning national Aid for Trade strategies with its regional Aid for Trade agenda. In the pilot programme in Zambia, the Enhanced Integrated Framework is intended to facilitate this alignment process. Establishing this link between the regional and national strategies is both an important step for ensuring the national-level implementation of regional commitments and an opportunity for integrating national-level priorities into regional strategies. A strong link between national trade strategies and national development strategies, and then national and regional trade strategies, should help ensure that national-level, trade-related poverty reduction concerns are considered in regional strategies.

## **6.5 Negotiating collectively for market access**

Finally, RTFP has demonstrated the effectiveness of its demand-driven approach for providing timely technical support and facilitating improved coordination among members for regional and international trade negotiations. It is a strong example of how Aid for Trade can support developing countries to get a better deal in international trade fora. The LDC Group appears to have particularly benefited from the flexible approach of RTFP. Nevertheless, this bears the risk of neglecting an explicit focus on poverty concerns. Like the process of regional integration, assistance for the negotiation of international trade agreements would be enhanced if it considered how to support trade expansion, as well as trade-induced poverty reduction. For instance, priorities in the negotiation of market access issues should include consideration of how changes in trade will impact on a range of groups – women, men, micro-entrepreneurs, informal traders, SMEs. Ex ante, disaggregated analysis, which takes into account the opportunities, constraints and impacts of trade, and changes in trade, on a range of social and economic groups (e.g. women, men, informal traders, producers in remote areas, minorities) of the potential impact of proposed trade changes could support this (see Fontana, 2009, for a review of the gender effects of Economic Partnership Agreements in Tanzania, Mozambique and Jamaica and Turner et al, 2008, for a comprehensive review of ex-ante tools to analyse the potential impacts of trade liberalisation).

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- Lolette van Niekerk, DFID Southern Africa.
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