

PART II. SELECTED CURRENT ISSUES IN AID FOR TRADE

Chapter 8

Regional Aid for Trade Effectiveness and Corridors

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8.1 Introduction

After emerging at the WTO (World Trade Organization) Hong Kong Ministerial Meeting in 2005, the Aid for Trade (AfT) initiative is now a mainstreamed *credo* of the international trading system. There is now broad acceptance of the need to assist developing countries to build their capacity to benefit from trade. Moreover, there is evidence to suggest that the AfT initiative has succeeded in mobilising resources for trade-related activities while also improving the quality of aid in terms of the ownership and design of programmes and policies (OECD/WTO 2009).

At the same time, it has been difficult to gauge the effectiveness of AfT because of the broad, cross-cutting nature of the initiative. Overall, AfT accounts for more than one-third of all official development assistance (ODA) delivered by traditional donors, covering a wide range of areas from network infrastructure and sector-level programmes (for example in agriculture, tourism or microfinance) to support for regional integration and enacting policy reforms. Projects vary widely in size, and are delivered and implemented through a large range of aid modalities, all of which makes it difficult to explain and assess AfT as a coherent category of aid

Against this backdrop, the ‘regional dimension’ of AfT has been relatively overlooked in assessments so far. While donors have traditionally focused their development co-operation at country level, assistance for regional trade-related projects has gained in significance in recent years, not least because of the desire in sub-Saharan African countries to pursue a deeper level of regional integration as a step towards integrating into the global economy.

In this regard, a ‘corridor approach’ has emerged as a key policy approach to link countries and create regional supply chains, both for developing country governments and for donors. 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 as well as addressing productive capacity constraints in sectors such as agriculture, in part through encouraging large-scale investments by the international private sector.

This study looks at the opportunities and challenges of improving the effectiveness of AfT through a regional approach. The study is based on (i) an analysis of available AfT data, (ii) discussion of regional approaches and challenges to co-ordinating and implementing AfT projects in institutional terms and (iii) closer examination of the opportunities offered by a corridor approach to overcome some of these challenges. In doing so, the study attempts to employ the framework and key concepts of the 'aid effectiveness' agenda, while also focusing on the specific problems of improving regional AfT to overcome long-standing difficulties around the implementation of regional agendas.

The descriptive analysis presented in this paper suggests the following broad conclusions. While AfT at the regional level appears well suited to improving AfT effectiveness, the practicalities of regional co-ordination, prioritisation and implementation suggest that major challenges still remain. A corridor approach appears to be one way of narrowing the focus and bringing stakeholders together around a concrete agenda with clearly identifiable constraints, potentially offering a means to maximise AfT effectiveness while promoting regional goals and aspirations. The increasing involvement of 'new' development partners such as the international private sector also appears important for AfT, as does private sector finance, given the current climate, in which the importance of aid is declining although the distribution of benefits from such approaches must be monitored.

The remainder of the study is organised as follows. Section 8.2 gives an overview of regional AfT flows using the OECD database. Section 8.3 looks at the opportunities and challenges for making regional AfT more effective, focusing particularly on the regional economic communities (RECs) and the challenges in drawing up and applying regional AfT strategies. Section 8.4 discusses the corridor approach as a mechanism for increasing AfT effectiveness, focusing specifically on sub-Saharan Africa.

8.2 Regional Aid for Trade in sub-Saharan Africa: an overview

Within Africa, the rationale for regional approaches to trade appears to be obvious: for small economies the pooling of resources and opportunities through the creation of effective regional markets may be decisive in stimulating production capacities and trade and investment flows (Mackie et al. 2010). Integration in Africa remains at an early stage, however: intra-African trade still represents only 10 per cent of total African trade (AU 2011).

In response, several regional blocs in sub-Saharan Africa have dismantled internal tariffs either partially or completely. Furthermore, three overlapping regions in Eastern and Southern Africa have decided to create a 'Tripartite Free Trade Area' that will cover half the continent. Most recently, at the continental level in Africa, the African Union (AU) adopted a dedicated *Action Plan for Boosting Intra-Africa Trade* that include a continent-wide free trade by the 'indicative date' of 2017.

Regional AfT naturally plays an important role in supporting such liberalisation initiatives, while also assisting countries to enact associated policy reforms.

8.2.1 Regional Aid for Trade flows

The evidence on regional AfT effectiveness is limited to a number of qualitative assessments and anecdotal surveys, with few quantitative analyses. The main data source is the OECD's Creditor Reporting System (CRS). This provides data on regional AfT from 2002 to 2010. Although available only at the aggregate level and subject to methodological and definitional concerns around its reporting (see Box 8.1), it nonetheless indicates the trends, sources and distribution of regional AfT.

Aid for Trade has grown steadily since the initiative began, with total disbursements growing from US\$20 billion in 2006 to US\$32 billion in 2010.¹ Regional disbursements have been growing faster than total AfT, with regional AfT allocations growing across all regions in absolute terms, as illustrated in Figure 8.1, and as a share of overall AfT allocations. Accordingly, total AfT delivered at the regional level increased from an annual average of around US\$300 million during 2002–05 to around US\$1.6 billion per year in the 2008–10 period, equivalent to a rise from 1.9 per cent to 5.9 per cent of overall allocations.

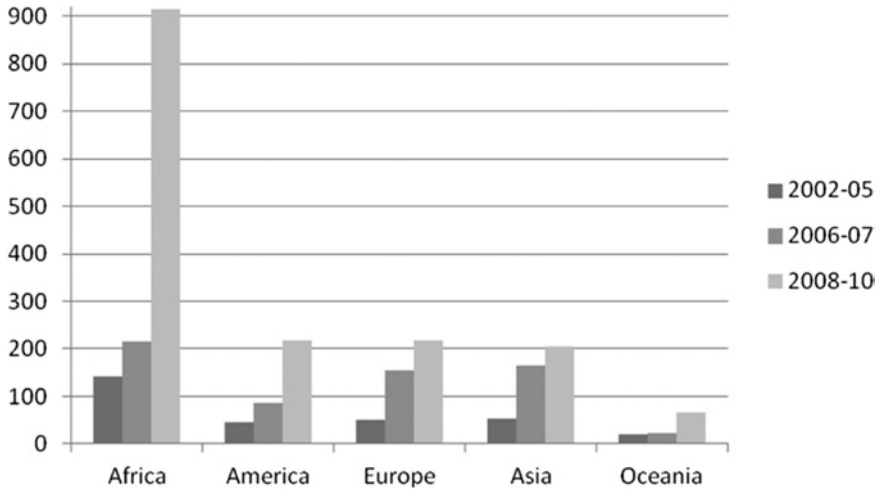
Box 8.1 Defining regional Aid for Trade in the data and in practice

While AfT is defined by the WTO to cover a range of trade-related interventions, at the regional level there is an added complication of how to distinguish regional AfT from national programmes. ILEAP (2007) defines AfT as being regional 'where either implementation is taking place involving more than one country, or where it is being coordinated at the regional level'.

However, it is likely that many 'regional' projects are in fact implemented through national governments. The OECD's CRS system relies on self-reporting by donors, creating the possibility of discrepancies if some donors report all cross-border projects as regional AfT (including when this aid is programmed and channelled through partner countries) while others adopt a different definition.

Further problems arise when individual projects contribute to regional goals, without necessarily being part of any co-ordinated regional effort. Such 'spillover effects' could be very significant; for example, it is not hard to see how an national AfT project to upgrade Mombasa port could have beneficial impacts for all of East Africa.

Figures for regional AfT are at present highly aggregated, with breakdowns only between North and sub-Saharan Africa, rather than for individual sub-regions. Further, although AfT has grown, some part of this increase may relate to efforts to better identify, monitor and report on their AfT contributions (OECD/WTO 2011; ILEAP 2007). Furthermore, the CRS covers mainly traditional donors, which limits the coverage of important providers of AfT such as the Gulf countries, China and India.

Figure 8.1 Regional Aid for Trade at continental level

Source: OECD CRS

While regional AfT flows have increased, the extent to which projects are delivered regionally still varies widely by continent, as shown in Table 8.1. The proportion of AfT attributed to the regional level ranges from less than 2 per cent in Asia to 19.1 per cent in Oceania, potentially reflecting a lack of physical donor presence and government capacity to administer national-level projects in that region's small island states.

For sub-Saharan Africa in particular, total AfT disbursed at the regional level increased roughly threefold, from around US\$215 million in the baseline period of 2002–05 to approximately US\$690 million in 2010, growing as a share of total AfT from 4.9 per cent to 8.4 per cent (Figure 8.2).

The OECD data allow a breakdown of the sector distribution of regional AfT. As Figure 8.3 shows, the sub-category of Trade Policy and Regulations (TPR) is heavily overrepresented in regional allocations compared with overall AfT. Whereas TPR accounts for only a small proportion of AfT provided to sub-Saharan Africa (3.3 per cent in 2008–10), it accounts for almost a quarter of all regional AfT. As Figure 8.3 demonstrates, in the most recent three years for which data are available, more than half of all aid provided by donors for the area of TPR bypassed national administrations to be delivered at the regional level.

Agriculture also features strongly in sub-Saharan Africa in terms of regional AfT, as highlighted in Table 8.2. This reflects the high level of AfT support to agriculture more generally but also recent initiatives to boost investment in the sector through coherent regional approaches. Other sectors are less well represented in regional AfT allocations, including the largest AfT sub-category of Transport and Storage.

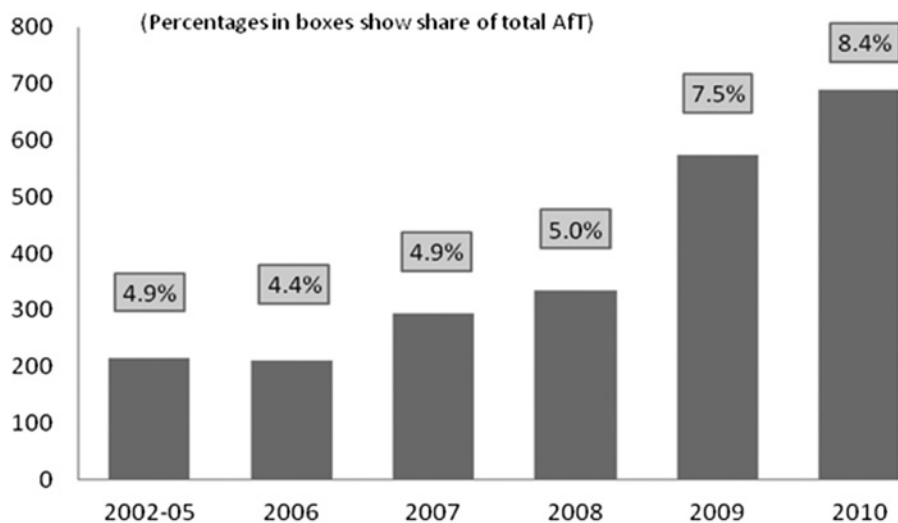
In overall terms, the distribution of regional AfT is likely to reflect the reality of how aid is delivered and projects are implemented. TPR projects may be better suited to regional delivery, since they often address 'generic' needs such as legislation or training or

Table 8.1 Total and regional Aid for Trade in selected sub-regions^a

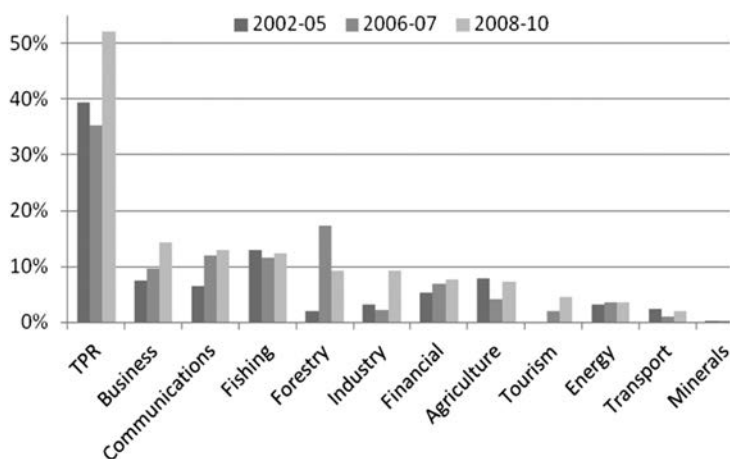
	2002–05 (average)			2006–07 (average)			2008–10 (average)		
	Total Aft	Regional Aft	Share (%)	Total Aft	Regional Aft	Share (%)	Total Aft	Regional Aft	Share (%)
Africa, north of Sahara	882.0	20.8	2.4	1,273.2	79.2	6.2	1,928.8	61.3	3.2
Africa, south of Sahara	4,408.6	215.8	4.9	5,403.9	252.7	4.7	7,549.4	532.9	7.1
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

^aThere are some discrepancies in the OECD's regional AFT figures. In particular, figures given for breakdowns of sub-regions such as North-of-Sahara and sub-Saharan Africa bear very little relation to totals for the continent as a whole. The discrepancies seem likely to relate to overlapping sub-regions and double-counting: in some years regional AFT provided to the two sub-regions even exceed the continental-level total.

Source: OECD CRS.

Figure 8.2 Regional Aid for Trade to sub-Saharan Africa, US\$m

Source: OECD CRS

Figure 8.3 Proportion of sector Aid for Trade delivered in sub-Saharan Africa at regional level

Source: OECD CRS

participation in trade negotiations. By contrast, large infrastructure projects are specific, and carried out at the national level where the legal contractual framework exists.

OECD data also provide information on the development partners supporting regional AfT. Here, one tentative finding from a stylised grouping of donors indicates a preference amongst small to medium-sized donors towards regional AfT: those having a total sub-Saharan AfT allocation of between US\$10 million and US\$150 million

Table 8.2 Total and regional Aid for Trade to sub-Saharan Africa by broad Aid for Trade sub-sector, US\$ million

OECD broad Aft category	2002–05 (avg)				2006–07 (avg)				2008–10 (avg)			
	Total Aft	% of total Aft	Reg'l Aft	% of reg'l Aft	Total Aft	% of total Aft	Reg'l Aft	% of reg'l Aft	Total Aft	% of total Aft	Reg'l Aft	% of reg'l 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.	89.7	2.0	5.8	2.7	91.7	1.7	10.9	4.3	112.0	1.5	14.5	2.7
Communications												
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

Figures in roman numerals refer to OECD broad Aft sector codes within the database

Source: OECD CRS

provide around twice as much on average through regional institutions as larger donors. This may be important for AfT effectiveness, by indicating donor willingness to co-ordinate support within broader AfT programmes.

Overall figures show that the largest AfT donors to sub-Saharan Africa in recent years are the EU, the African Development Bank (AfDB), Japan and the United States, followed by individual larger EU countries.² Apart from AfDB, the regional integration assistance strategies of many multilateral institutions also emphasise the growing importance of regional projects, even as most aid continues to be predominantly programmed and channelled through partner countries.

Beyond the Development Assistance Committee (DAC) donors, a prominent role is now clearly being played in some sectors by non-traditional emerging countries. The OECD (2011) notes that China 'has outpaced the World Bank as the leading funder of Africa's infrastructure', committing some US\$9 billion in 2010. Arab countries also spent US\$3.3 billion, mostly directed to Arabic-speaking African countries.³

8.2.2 Evaluation to date of regional Aid for Trade and its effectiveness

At present, specific analyses of regional AfT are scarce. Apart from the CRS statistics, the other main sources of information on the effectiveness of regional AfT include:

- WTO/OECD self-assessment questionnaires on AfT conducted by the OECD as part of the Global AfT Review process;
- policy documents of donors and regional economic communities; and
- micro-level evaluations conducted so far on regional programmes and projects.

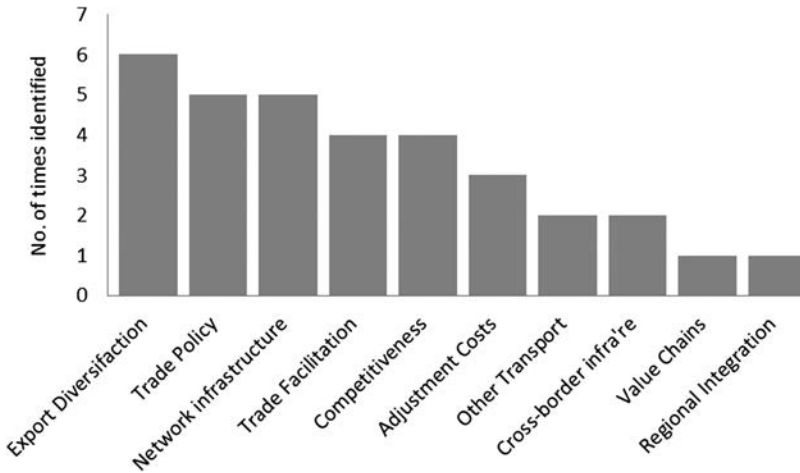
Below, we examine the self-assessment questionnaires before summarising the broader evidence on the effectiveness of regional AfT.

Evidence from WTO/OECD self-assessment questionnaires

Basnett et al. (2012) note that survey data collected from donors and recipients on AfT by the OECD have their limitations, as questions tend to be highly subjective. They nonetheless indicate the perceptions of stakeholders, including RECs, on regional AfT trends. Based on these questionnaires, the third Global AfT Review (OECD/WTO 2011) found that demand for regional integration programmes has been rising steeply in recent years, with many bilateral and multilateral donors reportedly altering their strategies to better address the regional dimension. Interestingly, however, there are signs that regional integration is not the highest AfT priority at the national level, as demonstrated in an analysis of Southern African Development Community (SADC) responses (Figure 8.4).

Broader evidence on whether regional AfT works

Although the OECD questionnaires can give an impression of whether countries perceive any benefit from regional AfT, they do not address whether regional AfT actually succeeds in meeting its objectives, namely:

Figure 8.4 National Aid for Trade priorities identified by SADC member states

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

- whether regional AfT has any impact on actual trade outcomes; and
- whether regional AfT and regional approaches offer a more effective way of providing assistance, vis-à-vis national-level approaches.

There have been few attempts so far to measure the overall impact of regional AfT on trade outcomes in quantitative terms, partly because of data issues mentioned above.

Evaluation work and case studies of support programmes and specific projects may offer insights into whether regional AfT contributes to better trade outcomes. Here it is possible to distinguish between meso-level evaluations carried out by donors on their support to regional integration, or on their overall AfT programmes, and micro-level assessments on specific AfT projects. However, most evaluations do not in fact link to broader long-term goals such as the impact on trade or poverty reduction, instead focusing on programme or project objectives (or more commonly only on process issues). Nevertheless, the limited evidence available from donor programme evaluations on the impact of their support regional AfT (and other) programmes is mixed.

- ADE (2004) studies the trade-related assistance delivered by the EC, finding that private sector support programmes had a positive impact on expanding beneficiaries' export capacities; however, Saana (2012) points out that it was not possible to quantify these effects.
- A major recent evaluation of US assistance for regional projects highlights the contribution of the US Trade Hubs programme to the facilitation of exports from sub-Saharan Africa, with the hubs facilitating exports over their project lifetime worth US\$12.3 million in West Africa, US\$28 million in East Africa and US\$47 million in Southern Africa (USAID 2010).

- An evaluation conducted by the European Court of Auditors (ECA) in 2009 was critical of the trade-related assistance provided from 2003 to 2008. Auditors found that ‘project effectiveness was difficult to assess, but in most cases limited’: of 18 individual projects evaluated, the court was unable to assess five for lack of information, caused by objectives being too vague or inadequate collection of information. Of the remainder, six were assessed as having proven ‘unsatisfactory’.

In terms of micro-level evaluations, the OECD in particular has made notable attempts to collate evidence from this source. The 2011 OECD *Aid for Trade at a Glance* report compiled a collection of around 300 case studies to showcase ‘success stories’ covering the range of AfT support areas. A very modest number of these submissions assessed specific regional projects in sub-Saharan Africa, ranging from improving agricultural standards in the East African Community, through revamping railways in Southern Africa, to export promotion in West Africa. Although these studies highlighted generally positive experiences, Saana Consulting (2012) notes that most of the case stories again ‘focused on process, and sometimes outputs, rather than actual outcomes and impact’.

Nonetheless there are notable examples of regional AfT projects that have been based around achieving concrete results. One widely cited example has been the North–South Corridor (NSC), which was based on a robust evaluation of regional barriers to trade and prioritising key bottlenecks, further discussed below. One early NSC project established a one-stop border post at Chirundu that was cited as having cut average truck-processing times from three days to three hours, saving an estimated US\$600,000 over a year in efficiency cost gains (TradeMark Southern Africa undated). This suggests both that regional AfT projects can in fact have a significant impact, and that it is possible to design AfT projects to achieve clear results.

A recent evaluation by the African Development Bank (AfDB 2012) of its ‘multi-country AfT operations’ provides three case studies of cross-border infrastructure investments that have achieved a positive, quantified impact:

- the Arusha–Namanga–Athi River Road Project responded to the needs of both Kenya and Tanzania and was estimated to reduce vehicle operating costs by about 20–30 per cent;
- the Manantali Energy Project laid down the foundations for establishing a sub-regional energy market in the Economic Community of West African States (ECOWAS) and produces energy at a cost around one-third lower than other sources; and
- the Sasol Natural Gas Project involving South Africa and Mozambique led to greater than expected levels of gas exports while also fulfilling its corporate social responsibilities with more than 150 projects for clinics, schools, sink boreholes for drinking water and other facilities implemented, accounting for US\$11.5 million compared with US\$6 million planned.

Within meso-level donor programme evaluations there appears to be a high level of consensus on the circumstances in which regional aid (including AfT) works best.

A synthesis of ECA (2009), World Bank (2007, 2009) and AfDB (2012) reveals the following factors as being key:

- *Strong country commitment and ownership*, which most reviews see as a prerequisite to achieving project goals, as well as 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 co-ordination, accountability arrangements and national-level implementation.
- *Delineation and co-ordination of responsibilities*, and most notably supporting and building linking between activities at the regional and national levels. The ECA (2010), for example, makes the recommendation that ‘the EC [European Commission] should increase its efforts to help regional organisations in: (i) improving co-ordination between themselves and between them and their member states, and (ii) establishing monitoring systems to support implementation of programmes’.
- *Accountable governance arrangements*, also including formulating project objectives that are SMART (specific, measurable, achievable, relevant and subject to a realistic time-frame). The ECA (2010) 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 (2007) highlights inadequate attention in its programmes to putting in place the appropriate policies to ensure that regional programmes are sustainable.

At the micro level, most studies tend to examine overall project success without addressing measures to improve the effectiveness of AfT. However, the ODI (2009) suggests that the success of the 2003–08 the Common Market for Eastern and Southern Africa (COMESA) Regional Trade Facilitation Programme (RTFP) was due to a ‘demand-driven, pragmatic approach’, with high ownership from national governments and strong synergies between project interventions, that seeks the simultaneous removal of infrastructure and regulatory bottlenecks at regional level. At the same time the RTFP evaluation encourages greater linkage to poverty reduction. Finally, Makhan (2011) in particular makes a notable contribution by highlighting the challenges in co-ordinating EU donor support to COMESA, and advocating *inter alia* the revision of donor procedures and operating modes, ‘with a view to more flexibly allow for harmonisation and alignment at the implementation levels, and facilitate joint financing, for instance [...] to build bridges between the different instruments and mechanisms at play’.

In spite of these findings, the general evidence base for assessing regional AfT remains weak. One conclusion to draw is that there should be a more systematic attempt to collect information on regional AfT to see how lessons can be better mainstreamed within the design of future AfT projects and evaluation systems.

8.3 Improving the effectiveness of regional Aid for Trade: challenges and opportunities

As flows of AfT being channelled through regional institutions have increased markedly in recent years and there is some evidence of positive impacts, it is important that such resources be used effectively to achieve the increases in trade flows that ultimately help to raise incomes and reduce poverty.

Although greater ‘regionalisation’ of aid offers opportunities for improvements in donor co-ordination and for more efficient and streamlined aid programmes, regional-level approaches arguably add a new set of problems to question of how to assess and improve the effectiveness of AfT.

8.3.1 The policy context for regional AfT effectiveness: principles and policy responses

Applying aid effectiveness principles to regional Aid for Trade

Efforts to improve the effectiveness of regional AfT can draw upon the underlying principles and rationale of the AfT initiative, as well as the international dialogue on how to improve aid effectiveness as a whole. As Lui, Byiers and van Seters (2012) highlight, the ‘Aid for Trade’ and ‘Aid Effectiveness’ agendas are closely aligned, partly because they emerged at the same time and were both concerned with improving the quality and not just the quantity of aid.⁴

In seeking to apply aid effectiveness principles to regional AfT, it is important to recognise that the additional layer of complexity at the regional level adds a new set of problems to the question of how to assess and improve effectiveness though the need to ensure effective input and ownership among member states that may differ widely in terms of characteristics and needs.

Here, for example, *alignment* is not only about how well donors align their programmes to regional priorities, but also about how well national and regional policies align. *Mutual accountability* is subject to a similar extension of the principle: effectiveness is no longer dependent only on strong and equal accountability relationships between donors and regional organisations, but also on a robust set of accountability relations between the RECs and their member states. A similar argument follows for *ownership*: regional ownership requires not only the REC to approve a project, but also involvement by member states (and beyond them regional civil society organisations). The concepts of donor *coherence* and *co-ordination* also take on a special meaning at the regional level given that relatively few donors may currently work directly with RECs and other regional implementing authorities, and where new aid instruments and modalities may also be required alongside existing ones.

One of the key questions for regional AfT concerns *subsidiarity* and 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.

Regional AfT strategies in sub-Saharan Africa

Sub-Saharan African stakeholders have responded to the growing emphasis on regional integration and regional AfT by developing ‘regional AfT strategies’. To some extent these have been developed to mirror the AfT strategies of donor countries – such as the EU’s 2007 AfT Strategy – but also to define AfT funding priorities while attempting to overcome the challenges laid out above. In most cases, however, the 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 co-ordinated approaches. Examples include the COMESA, UEMOA (West African Economic and Monetary Union) and ECOWAS AfT strategies, and SADC is also understood to be in the process of designing an AfT strategy.

Lui and van Seters (2012) highlight, for example, that, in contrast to the broad scope of AfT, the COMESA strategy is focused 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.

However, despite some specific successes, it has proven more difficult to apply broader aid effectiveness principles at the regional than at the national level in Africa. Programme implementation has raised additional practical challenges due to capacity constraints and co-ordination and coherence issues that threaten the effectiveness of working through the regional level.

8.3.2 Key challenges to improving regional Aid for Trade

Although potential gains to AfT effectiveness are available through a regionally co-ordinated, coherent, and articulated vision of how to use AfT, there are also challenges relating to the mobilisation of resources as well as the design, delivery and implementation of regional AfT.

Resource mobilisation and new sources of development finance

Whereas AfT has grown in recent years, a major concern is whether existing AfT flows will be maintained into the future. OECD/WTO (2011) concludes that, against the backdrop of the financial crisis, ‘maintaining AfT flows will be difficult’, even though development challenges for Africa continue to be considerable and financing gaps remain substantial. Although AfT for African infrastructure has grown in recent years to around US\$10 billion per year, this is still only a fraction of the estimated US\$93 billion needed on an annual basis. Of additional concern for regional AfT

flows is the potential for forthcoming cuts in EC support to regional institutions. This is important given that instability and unpredictability of resources is cited as one reason why RECs had a limited capacity to play a leading role in successful regional co-operation and integration (Dalleau and van Hove 2012).

At the same time, the most recent discussions on the future of development assistance have emphasised new forms of financing beyond aid. The recent Busan Declaration emphasises, *inter alia*, taxation and domestic resource mobilisation, private finance and public–private partnerships. The latter appear particularly suited for regional infrastructure projects and again have increasingly been sought for trade and development corridors, where there are already strong linkages to private sector interests (Lui et al. 2012).

Regional vision and prioritisation

Despite progress in developing regional AfT strategies in sub-Saharan Africa, the extent to which regional AfT can be an effective tool for boosting trade and investment ultimately depends on its alignment with a genuine common vision for integration in each region. This is difficult to achieve in regions comprising countries of very different size, geography, population and level of economic development. This diversity presents challenges to the design, prioritisation and implementation of regional AfT, given the involvement of multiple actors, each with their specific set of incentives and interests and, frequently, overlapping regional configurations.

Regional AfT strategies can, in principle, help to overcome some of these problems by advocating for stronger coherence and agreed prioritisation of key cross-border projects. Nevertheless, such strategies must add value to existing regional policy frameworks and programmes, raising the issue of how to achieve ‘horizontal coherence’ across all the different frameworks. Regional AfT approaches – including the trade corridor approach highlighted in Section 8.4 – can therefore play a potentially catalytic role in ‘unlocking’ such problems.

Finally it should be noted that the political economy of regional aid (and regional integration more generally) is seldom explored in conventional evaluations and assessments that tend to treat regional organisations as quasi-independent, interest-neutral, fully legitimate and accountable actors. The World Bank (2007), however, does note that regional projects ‘affect political relations between countries’ and the ‘effectiveness of programmes has depended on [...] reconciliation of countries’ differing interests’.

Ownership, alignment and donor co-ordination

Despite commitments to increase ownership of aid programmes by recipient countries and increased harmonisation of donor activities, this has proven difficult.

In terms of ownership, the broad fact that the AfT agenda emphasises aid resources suggests that primacy is given to inputs rather than development outcomes. As noted above, one motivation for the development of AfT strategies in sub-Saharan Africa has been as a response to those of donors, raising suspicions that AfT is essentially

a donor-led agenda. To underline this, some countries have reportedly changed their AfT priorities to match donors' interest.⁵ The issue of national ownership of regional AfT is also complicated by the need for consultation, acceptance and oversight by member states. In the area of donor co-ordination, joint programming and delivery of support by donors continues to be limited, despite a few achievements such as the EU–Africa Infrastructure Trust Fund.⁶ Development partners are often better structured and equipped to deal with national partners than regional ones. Whereas RECs can receive grants, financial instruments do not always allow loans to RECs or groups of countries.⁷ Moreover, where development partners feel pressure to disburse, the perception that supporting regional projects is slower because of 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 (Mackie et al. 2010). Direct budgetary contributions from bilateral donors to RECs have also proven to be unpredictable (AU-UNECA 2006).

In terms of agreeing regional AfT priorities with donors, successful examples of joint programming at the national level suggest that regional AfT strategies need to be brought to the fore in discussions. For their part, donors emphasise that they can only respond to coherent requests coming from regions themselves. This also implies the need for improved forums for co-ordinating regional aid, such as the multi-partner dialogues that are more common at national level. Finally, the increasing importance of China, India, Brazil and other 'emerging players' is also likely to alter donor–recipient relations given the interest in supporting and investing in AfT areas such as infrastructure, creating new policy management challenges alongside opportunities for developing countries.

8.3.3 Implementation issues around regional AfT

Regional economic communities often find it difficult to drive regional initiatives, in part because of weak institutional and technical capacity, but also because they lack sufficient political legitimacy and mandate to do so. Regional groupings in sub-Saharan Africa differ widely in terms of original mandate and scope of operations, and their consequent legitimacy and ability to act as implementing agencies or authorities.

Whereas COMESA is focused on the goal of establishing a single market in Eastern and Southern Africa, the foundations of SADC are as a political grouping, and ECOWAS has a stronger focus and mandate than other organisations in the area of maintaining peace and security. As noted above, regional integration (along with aid itself) has important political-economic dimensions that are important for stakeholders to understand and respect in deciding how AfT can be effective in supporting integration initiatives.

In terms of technical capacity to implement regional AfT, recent experience suggests that the establishment of specialised regional agencies may in some instances be useful to improve implementation. One illustration is given by the recognition from SADC, COMESA and the East African Community (EAC) that there is a lack of

capacity to conduct many of the technical functions necessary to implement the North–South Corridor (NSC) initiative and prepare projects sufficiently to bring them to a ‘bankable’ stage. This led to the establishment, with support from DFID, of TradeMark Southern Africa (TMSA) as a technical support unit for the tripartite process. Although the work of TMSA is highly valued by the region, it clearly has only a limited lifespan and so may need to be replaced with a more sustainable solution.

8.4 The corridor approach and regional AfT effectiveness

Many of the challenges to effective regional AfT might potentially be resolved through a more focused approach addressing bottlenecks between countries with cross-border interests. Aid for Trade effectiveness may therefore be improved through a corridor approach that helps to prioritise concrete, implementable activities to promote trade and exchange across borders and promote national, regional and international value-chains.

8.4.1 Corridors overview

With 16 landlocked countries, the corridor approach has been adopted with considerable enthusiasm in sub-Saharan Africa. This is related to African geography, colonial remnants and resource extraction, but is also because regional trade is low, transport costs are high, and private sector employment predominantly consists of informal enterprises and smallholder farmers. By holistically addressing these issues, a corridor approach potentially offers an effective means of using AfT to boost private sector performance and exchange, particularly along historically important trade routes.⁸

The corridor approach essentially aims at providing co-ordinated investments in ‘hard’ and ‘soft’ infrastructures. This is based on the premise that investments in roads and other ‘hard infrastructures’ are less effective if not combined with investments to improve border procedures and behind the border constraints.

Investments in soft infrastructures include initiatives such as the construction of ‘One-Stop Border Posts’ at key trade crossings. These have been recognised as an important step in cutting time spent by trucks and the associated costs. National single window technology has also been advanced as a technological solution to streamlining the import and export clearance process, which can often involved 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 co-operation and technological systems cannot succeed without accompanying efforts in the area of policy reform to streamline import and export procedures in the first place.

Increasingly, corridor approaches are looking beyond merely facilitating trade, towards more ambitious ‘spatial development initiatives’. The corridor from Maputo port into South Africa has been designated a ‘Development Corridor’; others specifically focus on linking agricultural producers with markets. Examples here include the Beira Agricultural Growth Corridor (BAGC) in Mozambique and the Southern Agricultural Growth Corridor of Tanzania (SAGCOT).

These recent corridor initiatives are being driven to an important extent by the international private sector and commercial interests. Although critics fear this undermines 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 moving mineral extraction products to the sea raises the challenge of ensuring that 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 NSC, the SAGCOT and the Maputo Development Corridor (MDC).

8.4.2 Corridors in policy

Given developing country and AfT donor attention to improving physical infrastructure, trade development and productive capacity, corridors based on historical trade linkages represent an attractive approach.

By providing a concrete output for stakeholders to support, the corridor approach also serves as a marketing device for national leaders to promote. This is most evident in the Beira and SAGCOT corridors, where ‘investment blueprints’ were promoted at events such as the World Economic Forum by the presidents of Mozambique and Tanzania, while the NSC has also received high-level support and promotion by Presidents Zuma and Museveni of South Africa and Uganda, respectively. The suitability of the corridor approach as a marketing tool for investment may also explain the proliferation of corridors in sub-Saharan Africa.

There are 21 major corridor projects either in the pipeline or ongoing in Africa, with 16 at least currently under active work.⁹ Figure 8.5 shows the principal corridors in Southern and Eastern Africa, to which can be added the Lamu Port and New Transport Corridor Development to Southern Sudan and Ethiopia (LAPSSSET)¹⁰ as well as the Mtwara Development Corridor, ‘a spatial development initiative (SDI) comprising southern Tanzania, northern Mozambique, northern and central Malawi, and eastern and northern Zambia’.¹¹ Figure 8.6 similarly traces the major corridors connecting the West African region.

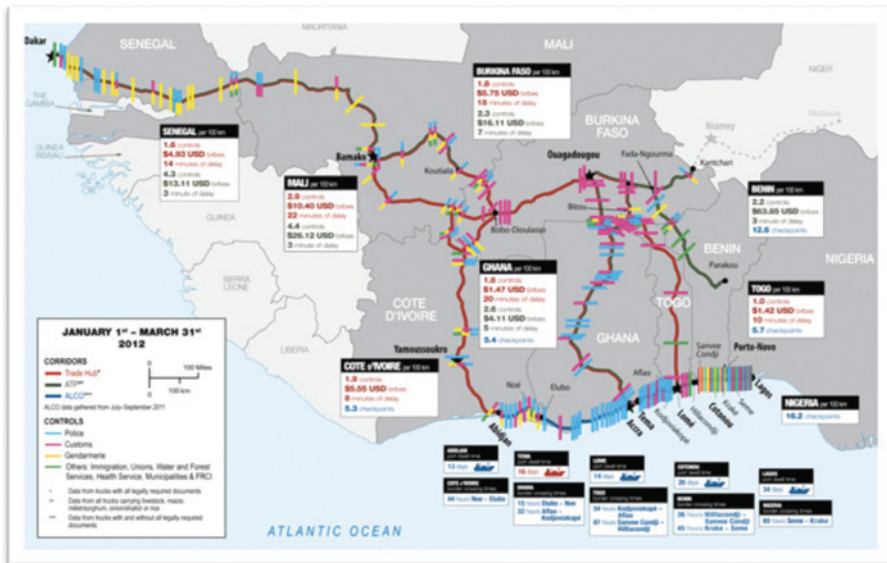
One of the key features of the corridor approach is the linkage it instils between regional trade policy, investments in infrastructure, supporting AfT and private sector participation. The NSC, which seeks to reduce cross-border trade costs and waiting times along the major trading routes in the Eastern and Southern Africa region, emerged as a key regional AfT ‘pilot programme’ from the COMESA–EAC–SADC Tripartite process. Based on a two-pronged approach, the NSC 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.

Figure 8.5 Major corridors in Southern and Eastern Africa



Source: TradeMark Southern Africa, available at: www.trademarksa.org/our_work/corridors_infrastructure/multi_modal_corridors# (accessed 29 November 2012)

Figure 8.6 Major corridors in West Africa (with road controls)



Source: USAID-UEMOA (2012: 2).

The SAGCOT Corridor Initiative is seen as a ‘showcase for public–private partnership in agricultural growth’ as well as regional trade, corresponding to the stretch of the NSC from Dar-es-Salaam to Zambia and the Democratic Republic of Congo (DRC) (G8 2012). Launched at the World Economic Forum (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 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 US\$2.1 billion of potential investments planned to be brought in over a 20-year period, public sector grants and loans of US\$1.3 billion and a forecast increase in land under profitable production of 350,000 hectares.

More than the NSC, the 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 US\$50 million for startup 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.¹² These clusters are intended to involve a nucleus farm and outgrower schemes, (cold) storage facilities, infrastructure access, inputs and finance as well as access to research.

In addition to its ambitious objectives, the SAGCOT initiative sits at the intersection of an array of policy initiatives. These include Grow Africa and the G8 New Alliance, the Tanzania CAADP Compact and the Tanzania Agricultural Food Security Investment Plan (TAFSIP). On paper 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 (United Republic of Tanzania undated: 2). It follows and builds on the Kilimo Kwanza, or ‘agriculture first’ programme.

Thus, 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 to translate the many overlapping policies relating to trade and productive capacity into a more coherent and concrete plan.

8.4.3 Corridors in practice

At this point it appears that the corridor approach helped not only in serving as a regional focal strategy but also in pressuring for some genuine prioritisation among related regional needs, and in catalysing additional resources.

Although still a work in progress, the NSC approach is widely considered to be a successful pilot AfT initiative deserving replication. As noted above, efforts to mobilise

resources met with some success, with a 2009 High Level Conference generating some US\$1.2 billion in pledges from multilateral and bilateral donors. A Tripartite Trust Account to leverage funds from commercial and quasi-commercial sources was established in 2010 by the Development Bank of Southern Africa (DBSA), which also serves as the fund's management, while DFID has so far granted €67 million.¹³

In terms of results, the NSC project has reduced transport costs and time-consuming bottlenecks, while 8,599 km of NSC roads have been refurbished or are planned to be renewed within the foreseeable future. The quality and conditions of the routes 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 NSC the first sub-Saharan One-Stop-Border Post (OSBP) was established in Chirundu in 2009 and, despite some major initial challenges, the OSBP is considered to have substantially reduced transit time and is now replicated elsewhere along the NSC route.

Challenges nevertheless remain in implementation, particularly because the NSC is regional whereas many decisions and actions related to the NSC are taken at the national level, an issue raised in the discussion above. Stakeholders highlight challenges of co-ordination, information sharing and incompatible procedures. Gaps in the technical capacities in member states and REC Secretariats also lead to delays in project design and implementation.

Other corridor successes include the Maputo Development Corridor, where the Witbank to Maputo road was upgraded as a 30-year concession and the first public-private partnership in Southern Africa (Soderbaum and Taylor 2007). A cited benefit of the Maputo Corridor 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 (Office of the Premier 2008). According to some estimates the MDC attracted US\$5 billion of private funding between 1996 and 2005 (Kuhlman et al. 2011). 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 a 'one-stop border post' (Bowland and Otto 2012). Private sector operators are generally upbeat about the improvements in using the Maputo corridor although critics suggest that poorer households and small businesses and farmers have benefited little.

SAGCOT is at an earlier stage so understandably has less successes to offer. Although it is clear that this kind of multi-stakeholder partnership is time-consuming to set up, there are nonetheless criticisms of the limited investments in commercial agriculture that can be attributed to SAGCOT activities and the little actual investment of the SAGCOT commercial partners beyond Yara's investment in its fertiliser terminal, while the business environment remains challenging (UNDP 2012). This is not to mention concerns around access to land. However, given that Yara reportedly needs to sell 200,000 tonnes per year of fertiliser through the port to make it profitable, thus relying on markets in Zimbabwe, Malawi and Zambia, its own vulnerability to movement along the corridor and also its broader

development also suggest that in practice the commercial motive is likely to keep the initiative moving.

Project preparation as a key ongoing challenge

Amongst the remaining challenges, the difficulty in 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 per cent 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 in Table 8.3.

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 the DBSA, the African Development Bank, TMSA and the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF) 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.

Modalities for donor corridor support

According to the JICA Corridor Project Dataset, financiers of corridor project elements include the World Bank, the African Development Bank, Japan International Cooperation Agency (JICA), the EU, KfW, Kuwait, national governments, Danida and the Arab Bank for Economic Development in Africa (BADEA).

One key donor mechanism has been the EU Africa Infrastructure Trust Fund, 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 co-ordination, co-financing and 'blending' between European grant providers such as the EC and EU member states, and the EIB and other EU development finance institutions such as AFD, KfW and LuxDevelopment.

Aside from the hardware aspects of corridor construction, donors have also grouped together to support agencies set up to help 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 Eastern Africa, Southern Africa and the East African Community (EAC) respectively. Other donors have subsequently added their support to the initiative including Sweden,

Table 8.3 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
2. Project definition	<ul style="list-style-type: none"> • Building consensus around project • Identifying desired outputs • Determining priority of project relative to others • Identifying project champions • Preparing action plans (including terms of reference)
3. Project feasibility	<ul style="list-style-type: none"> • Conducting pre-feasibility studies • Performing financial modelling
4. Project structuring	<ul style="list-style-type: none"> • Conducting economic, social, technical and environmental studies • 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
6. Post-signing support	<ul style="list-style-type: none"> • Negotiating financial and legal terms • Finalising post-signing financial arrangements • Conducting scheduled tariff reviews • Renegotiating or refinancing project

Source: Leigland and Roberts (2007)

Denmark, Belgium and the Netherlands. Some contributions come in at the regional level (headquarters) and others at country level (field offices), illustrating the co-ordinating role that this initiative can play, while a Partnership Fund has been set up to fund capacity-building activities.

Similar initiatives are under way with USAID supporting the aforementioned regional Trade Hubs in West Africa (WATH) and Southern Africa (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 co-ordinated border management, customs connectivity and national single windows along key regional transport corridors.

Although generally seen as a success, support through this type of project management unit is criticised for the way it creates parallel structures outside the regional organisation and thus goes against some of the principles of the Paris Declaration, notably ownership and alignment.¹⁴ At the same time, their effectiveness in moving forward initiatives relating to the NSC and other corridors has been lauded, suggesting this as a useful model.

In the case of SAGCOT, although support is received from a number of initiatives such as TMSA and SATH, the co-ordinating 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. Although the initiative is to some extent still 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 donors are apparently reluctant 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 US\$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 US\$20 billion of investment is envisaged in the SAGCOT blueprint, while apart from Yara’s port investment none of the international investors have yet to come forward with any new investments.

Interestingly, donors supporting agricultural development in Tanzania are also conscious that spatial development initiatives such as this also raise issues of prioritisation and the dangers of ‘orphan’ areas. One donor representative even suggested that his agency was focusing their attention *away* from the key target areas of the SAGCOT plan. This again raises issues of co-ordination and a potential need for this to take place at the national level.

Corridors and the domestic private sector

In terms of improving the effectiveness of regional AfT, the current consensus is that a focus on corridors provides a useful, targeted and co-ordinated approach for donors, the private sector, 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 the Maputo Development Corridor and the SAGCOT raises questions about the degree to which 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 corridor approach. Key industry segments in SAGCOT include agro-dealers, food processors, supermarkets, support service institutions and financing companies (UNDP 2012). National businesses are certainly expected to benefit from corridors; not just from supporting

investments, but also from improved infrastructures, border procedures, deeper markets and greater access to credit. Yet different operators are also engaged to different degrees in ongoing policy processes, face different constraints and are likely to benefit in different ways. For example, large multinational players such as South Africa-based Shoprite – which control whole value chains and are present across regions – have a vested interest in the corridor approach and can drive change. At the same time they are said by some to be forming cartels, effectively blocking smaller operators.

Despite a rhetorical emphasis on the ‘key role’ for the domestic private sector, an overall sense is that despite having more to offer than international companies they 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, while civil society was similarly uninformed (see, for example, UNDP 2012). This lack of deeper engagement may have negative impacts in terms of the sustainability of the growth corridors initiative. One common argument is that domestic operators are in the sector for the ‘long haul’, in contrast to the footloose nature of international investment, experienced on numerous occasions in the past.

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 per cent 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.

There are clearly limits on the role corridors can play in improving the existing business environment. 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’ is ‘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 it can drive them.

8.5 Conclusions

This chapter analyses and discusses AfT effectiveness and the appropriateness of a regional setting to achieve this.

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

8.5.1 AfT flows

According to the available data and subject to numerous caveats, regional AfT flows have been increasing over recent years, particularly in Africa. A major caveat is that many projects that are regional in nature are nonetheless financed through national mechanisms. Whereas 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.

8.5.2 Institutions

At the level of regional institutions, the AfT initiative has led to an institutional focus on preparing regional strategies. Although these potentially offer benefits by providing a co-ordinated, coherent 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. Thus it is not clear that, in practice, regional AfT manages to ensure 'effective' aid delivery to the trade and productive sectors.

8.5.3 Corridors as a tool for more effective AfT?

Corridors provide a narrower focus for AfT in terms of geographical areas within countries, smaller sub-groups within regions, and concrete hard and soft infrastructure needs. This promotes greater co-ordination and sequencing, as well as bringing constraints to light that can then be the target of additional project efforts.

Whereas corridors began as being about roads and border crossings, the concept has developed with the inclusion of large multinational private sector actors, in this way becoming regional spatial development initiatives. The increasing engagement with the private sector for corridors offers opportunities for greater effectiveness through the commercial motivation, 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 that low-income households and local producers benefit. There is a need to find a balance between private interests and development priorities.

Overall, while AfT at the regional level appears well suited to improving AfT effectiveness on paper, the corridor approach seems to 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 approach to maximising the effectiveness of AfT as a catalyst for broader public and private investment.

Notes

- 1 All data are for disbursements in constant 2010 US\$.
- 2 Data for 2009 appear to have been influenced by a large increase in AfT reported by AfDB, which is understood to have changed its AfT reporting at the time. Similar increases in regional AfT were not repeated in 2010.
- 3 These figures are not directly comparable with AfT commitments by traditional donors, as they include a variety of non-concessional instruments. They are also unlikely to be 'regional' as defined above, even if projects may contribute to regional trade. Consequently, more identifiable forms of regional assistance – including support channelled through RECs – are still likely to be dominated by EU donors. Nevertheless, the figures at least indicate the importance of newer partners such as China.
- 4 One key point to make, however, about aid effectiveness principles is that for the most part they are still focused on improving the quality of aid *inputs*, rather than *outcomes* such as increasing regional trade. Thus, some of the crucial implementation challenges may not necessarily be addressed *per se* by the aid effectiveness agenda.
- 5 OECD/WTO (2011: 32), notes, for instance, that Kenya prioritised infrastructure in its demands for AfT 'because OECD countries want to give more aid to infrastructure'.
- 6 For a case study of EU AfT to COMESA in this regard, see Makhan (2011).
- 7 For example, until 2009, the World Bank was not able to supply RECs with grants. RECs could not borrow from the International Development Association, as they had no revenue-raising power and were therefore seen as too risky 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.
- 8 Although the focus here is on sub-Saharan Africa, the approach is not limited to that region. Other major corridors link Bangladesh and India (the Dhaka–Chittagong–Northwest transport corridor) and the Mekong Delta region in South East Asia.
- 9 These figures come from the JICA Corridor Project Information Dataset: <http://corridormap.jica.go.jp/Corridor-Project-Information-Data-Set.pdf>
- 10 www.vision2030.go.ke/index.php/pillars/project/macro_enablers/181
- 11 www.aurecongroup.com/Projects/Transport/Mtwara-Development-Corridor-Project
- 12 '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).
- 13 This section draws on TradeMark Southern Africa (2011a,b), COMESA, EAC, SADC, (2009), ODI (2009) and Lui and van Seters (2011).
- 14 TMEA mirrors the EAC and member states' structures and tries to reinforce them, and the agency recently signed a Memorandum of Understanding (MoU) with the EAC Secretariat. At present, however, the initiative remains a parallel organisation, and stakeholders acknowledge that strengthening the EAC Secretariat is a long-term process.

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