

# AID-FOR-TRADE CASE STORY

UK

## Establishing and Managing a Regional Aid for Trade Programme

**Date of submission:** 31<sup>st</sup> January 2011

**Region:** Eastern and Southern Africa

**Country:** ESA Region

**Type:** Programme

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### **Executive Summary**

*Since the launch of the Aid-for Trade Initiative in 2005, development partners have supported national trade-related development projects and priorities, linked to national development and poverty reduction strategies.*

*Impacts of the recent global economic downturn have emphasised, however, that whilst national initiatives can and are enabling countries to use trade more effectively to promote economic growth, development and even poverty reduction within their own borders; the biggest factors of success for these initiatives relate to what happens outside of country borders.*

*The UK's Department for International Development (DFID) has supported a range of Aid for Trade (AfT) initiatives at national level in Africa, since 2005. In recent years it has also pioneered a successful portfolio of regional growth and trade programmes and AfT initiatives that has come to be respected and recognised by major regional institutions (e.g. the AU, NEPAD and the RECs), and by international organisations such as the WTO, World Bank, AFDB, and EU. These initiatives include: the Regional Trade Facilitation Programme, the Southern Africa Trust and the ComMark Trust; the NEPAD Infrastructure Programme Preparatory Fund; the Infrastructure Consortium for Africa; the European Investment Bank (EIB) Africa Infrastructure Trust Fund; the Investment Climate Facility; the African Enterprise Challenge Fund; and the Food Retail Industry Challenge Fund.*

*This case story focuses on the lessons learned from establishing and managing the regional AfT programme, TradeMark Southern Africa (TMSA). The TMSA programme follows the Aid-for-Trade conceptual framework, but positions DFID's support at the regional and inter-regional levels. TMSA has been designed to tackle 'behind the border' problems that limit Southern Africa's trade and restrict market integration. While the focus on international market access will remain a priority – with a strong focus on improving the capacity of the WTO LDC Group to negotiate and defend its trade interests and more development-oriented bilateral arrangements – this programme is designed to give greater emphasis to supporting the achievement of an inter-regional free trade agreement and working with regional partners to expand Southern Africa's capacity to trade.*

*Following in the footsteps of its highly successful predecessor, the Regional Trade Facilitation Programme, TMSA was launched in November 2009. One year on, while it is still early days, significant lessons are emerging for development partners, regional*

*organisations and others, about the challenges and opportunities of regional working. The main lessons highlighted in the case story, include:*

- *The need for flexible instruments and the importance of timing;*
  - *Taking a broad Aid-for-Trade approach in programme design;*
  - *The importance of strategic leadership and regional acceptance of programme implementers;*
  - *The importance of REC ownership and a clear mandate to reform;*
  - *Providing adequate resources and staffing;*
  - *Challenges of monitoring and evaluation at a regional level; and*
  - *Building support and regional and global buy-in.*
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## **1. Issues Addressed**

Preliminary scoping work for TradeMark Southern Africa (TMSA) and consultations with regional partners and other donors began in May 2008 as part of a review of DFID's Regional Trade Facilitation Programme (RTFP).

At this time, the RTFP's focus had increasingly shifted from project-based SADC activities, to supporting the economic integration objectives of the emerging Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Southern African Development Community (SADC) Tripartite and providing support to the WTO LDC Group. The COMESA-EAC-SADC Tripartite was established in 2006 with the main objective of strengthening and deepening economic integration of the southern and eastern Africa region. This would be achieved through many initiatives aimed at harmonising policies and programmes of the three RECs in the areas of trade, customs and infrastructure development, and implementing these in a coordinated manner, and wherever possible, jointly.

The Tripartite country Heads of State and Government held their first Tripartite Summit in Kampala in October 2008. This Summit set targets for the Tripartite that included:

- Implementing a Tripartite Free Trade Agreement by 2014;
- Corridor Development and Trade Facilitation (with an initial focus on piloting a holistic, sequence, Aid-for-Trade, integrated programme on the North-South Corridor (NSC); and
- Institutional development of the Tripartite

Tripartite commitment to the pilot North South Corridor programme culminated in a High Level Conference in Lusaka in April 2009 – attended by 4 Presidents and most major donors and International Finance Institutions. Pledges of US\$1.2billion were made specifically to NSC projects. The Tripartite agreed to establish a multi-donor Tripartite Trust Account, and appointed the Development Bank of Southern Africa (DBSA) to oversee the account and infrastructure project funding.

It was clear that the tide had turned and that the regional institutions were calling for a radically different and comprehensive approach to regional trade development and infrastructure financing.

## **2. Objectives Pursued**

A number of key issues underlie TMSA's approach and objectives. These include:

- Alignment with regional and global initiatives: TMSA is centred upon the objectives, policies and plans set out in the strategic plans and protocols of SADC and COMESA as well as the COMESA-EAC-SADC Summit and Joint Task Force decisions and

WTO LDC Group work programmes. Its approach is to ensure partner ownership of project activities and outcomes, contributing to long-term sustainability of outcomes.

- Having a holistic view of the wider East and Southern Africa economic space. One of the primary barriers to coherent donor engagement on the issue of African regional integration is the complexity of overlapping REC membership. By working at a holistic Tripartite level, TMSA aims to support RECs to achieve greater harmonisation of trade and integration policies and strategies.
- Harmonisation and relationship with the region's development partners: TMSA is designed to complement development partners' regional initiatives in Southern Africa, e.g. that of the European Community, the World Bank, the African Development Bank, Japan, Germany and the United States of America. TMSA will catalyse and co-ordinate a major scaling-up of regional AfT amongst development partners in Southern Africa, in line with the G8 commitments on AfT and the Enhanced Integrated Framework for Trade Related Assistance to LDCs (EIF), and within the framework of the African Union initiative for African economic integration and the work of the COMESA-EAC-SADC Tripartite.
- TMSA is consistent with DFID's Aid-for-Trade (AfT) strategy, which is emphasising assistance to countries and regional institutions for improving trade policies; improving regulatory frameworks and institutions; implementing regional and global trade agreements; upgrading trade-related infrastructure; addressing problems of competitiveness; and promoting private sector development.

TMSA's objectives are to:

- Increase trade and promote economic growth in Southern Africa by supporting improvements in policies and in the regional regulatory and economic environment;
- Strengthen the trade capacity of RECs and Southern African countries to implement regional trade agreements and participate effectively in multilateral trade negotiations;
- Reduce high costs of trading in the region and help the RECs to address barriers to trade and growth;
- Improve transport infrastructure along the NSC to increase trade flows in the region by using infrastructure funds and by co-financing with other donors and financiers;
- Reduce transit times and transaction costs along the NSC by at least 20% through better infrastructure, faster border crossings and harmonised trade and transit regulations;
- Reduce carbon emissions by improving transport systems and shifting the movement of long-distance cargo from road to rail;
- Raise the income of poor households by enabling small-scale producers to comply with regional supermarket and international standards;
- Improve small-scale traders' incomes, particularly women, by enabling faster border crossings and implementing simplified regional trading rules;
- Increase the voice and negotiating capacity of Least Developed Countries in the World Trade Organisation so constraints to trade can be addressed; and
- Improve aid effectiveness by crowding-in additional donor funding for priority Aid-for-Trade programmes as such as the NSC.

### 3. Design and Implementation

With this regional context in mind, DFID designed TMSA as a GBP100m, five-year Regional Aid-for-Trade Programme. The overall Goal to which TMSA will contribute is '*Sustained rapid, inclusive growth and poverty reduction in the SADC and COMESA regions*'. The Purpose of the programme is '*To improve southern Africa's trade performance and competitiveness for the benefit of poor women and men*'.

The programme is comprised of £67m of infrastructure funding for two financial years (2009-2011) to support investment in transport infrastructure along the North-South Corridor; and £33m (2009-2013) to reduce trade barriers in Southern Africa and increase market access.

The \$67m infrastructure funding is channelled through the Tripartite Trust Account at DBSA. The \$33m contribution is housed at COMESA. It is directed at financing technical support, supplies, minor works and small grants to achieve TMSA's outputs over a five year period from 01 November 2009 to 30 October 2014.

The TMSA headquarters are located in Pretoria, South Africa, while it operates dedicated units in the COMESA Secretariat, Lusaka, Zambia and SADC Secretariat, Gaborone, Botswana. TMSA is also working closely with its sister programme, TradeMark East Africa that is aligned to EAC integration objectives. TMSA employs a full-time staff complement of 15 staff that will expand to about 18 during the first half of 2011.

### 4. Problems Encountered

TMSA has been operational for just over a year, but operationalising the programme has not been without problems; including:

- i) Phasing out the old and starting up the new: TMSA's predecessor, RTFP, ended on 31 October 2009, and TMSA started on 1 November 2010. The aim was to have a seamless transition between the two programmes. However, the reality was very different. The institutional and management context for TMSA was entirely different from that of the RTFP:
  - RTFP was managed by a management consultant; TMSA was to be located in a regional institution through a Memorandum of Understanding (MoU), initially with the Development Bank of Southern Africa (DBSA);
  - RTFP was a smaller value programme (GBP14m over 7 years); TMSA was substantial (GBP100m) and one of the largest programmes in DFID's portfolio).

RTFP was being wrapped up while continuing its support activities associated with high-level events such as an LDC Ministerial meeting and opening of the Chirundu One Stop Border Post, while at the same time recruiting and appointing the new TMSA team and establishing programme management procedures. Within this context it proved to be extremely difficult to live up to expectations of continuously and seamlessly supporting the activities carried over by the RTFP.

- ii) Maintaining flexibility and responsiveness: RTFP had built a reputation as a highly strategic, flexible and responsive programme. It was able to do this through a management consultant arrangement, where funds could be approved and moved quickly, and technical inputs procured easily within programme management guidelines. TMSA was a very different programme to RTFP, requiring more rigour in programme management procedures no less due to its sheer size and importance for DFID. However, the same principles of highly strategic flexibility and responsiveness remained a priority. It quickly became clear that locating the GBP33m programme component of TMSA in DBSA, a South African rather than a regional institution,

would not meet the requirements of the programme and donor. Too restrictive South African exchange controls and other regulatory requirements, compounded by DBSA's institutional, financing and procurement procedures, hampered the operational, and by implication strategic responsiveness of the programme.

The Tripartite itself started to question the institutional management arrangements of TMSA, and requested that it be housed in one of the REC Secretariats rather than any one member state to ensure closer strategic alignment with the Tripartite agenda. The Tripartite Task Force then elected COMESA to house TMSA on their behalf. DFID ended the MoU arrangement with DBSA to house the GBP33m programme component, but maintained an MoU and relationship with DBSA to house and implement the GBP67m infrastructure funding in the Tripartite Trust Account.

This initial transition of management arrangements between DBSA and COMESA caused implementation delays and TMSA was only fully staffed by July 2010 with a work programme finally agreed in September 2010.

## **5. Factors for Success/Failure**

- i) Having the right institutional fit and management arrangements - As highlighted above, finding the right institutional fit for TMSA implementation is a very important factor for success. Ensuring the ability to work unrestricted across the entire Tripartite area, and having clear roles and responsibilities between various parties are important factors for implementation. For TMSA, the PMU is responsible for the programme design, monitoring and implementation, whilst COMESA holds overall fiduciary and auditing responsibility.

Another critical institutional factor will be the ability of the TMSA team to effectively work remotely across its different units in South Africa, Zambia and Botswana. The TMSA REC-based experts support technical inputs into the REC and Tripartite priorities, however, the challenge is always to ensure that REC-based staff maintain their focus on TMSA-aligned objectives, without being drawn into other technical day to day work of the RECs.

- ii) Maintaining strategic and flexible responsiveness - Balancing the importance of strategic programme focus, results-oriented work planning and reporting, on the one hand, with the need for flexibility in the nature of support; and fast, efficient delivery systems which can work with a wide range of partners and modalities, on the other hand.
- iii) Leveraging larger scale support (especially investments) and greater overall impacts, by working consistently with all relevant stakeholders (including the private sector and civil society) - Influence and leveraging greater support, requires that programme implementers be accepted and respected by regional institutions and stakeholders, and carry a mandate to influence change.
- iv) Managing national/regional linkages – The programme remit covers the Tripartite RECs, its 26 member states, and the WTO LDC Group. This involves a large number of countries with a wide range of economic, social and political environments as well as different support and assistance requirements. Addressing these through a regional programme requires sensitivity to distribution of costs and benefits of regional integration and finding ways to address these through establishing appropriate regional-national linkages and mechanisms.

- v) Adopting appropriate project eligibility criteria - Establishing project selection criteria that ensure that the TMSA interventions deliver its agreed objectives and targets, and contribute to long term sustainability, is a critical success factor.
- vi) Respecting REC ownership of the agenda - It is important that a programme such as TMSA is proactive but follows the lead of the RECs. All TMSA programmes are Tripartite programmes and it is important that TMSA operates within the regional context, reports to the RECs and works with the RECs on deepening regional integration. This may take longer and require a lot more consensus building than operating as an independent body with its own decision-making process, but it does ensure greater sustainability and beneficial regional impact; good long term returns for money expended; and low levels of duplication of effort in that projects and programmes aim to strengthen existing activities.

## **6. Results achieved**

To date, RTFP and now TMSA support for inter-REC dialogue has helped to achieve fast-streamed decisions and harmonisation. Examples include:

- Supporting the Tripartite Summit decision on the expeditious establishment of a Free Trade Area (FTA) encompassing the 26 member/partner States of the 3 RECs with the ultimate goal of establishing a single Customs Union. Work is now underway to finalise the FTA agreement and annexes. It is expected that the Tripartite will launch formal FTA negotiations in early 2011.
- Leveraging finance and cooperation on the North-South Corridor Aid-for-Trade pilot programme. A pipeline of projects is approved and financed.
- Assisting Tripartite member states to design and implement a new web-based Non-Tariff Barrier monitoring mechanism, which has seen a dramatic reduction in existing NTB complaints in a mere 4 months.

The TMSA programme itself has managed to maintain a steady state of new projects, with the bulk of programme operational procedures now in place.

## **7. Lessons learned**

Strategic and operational lessons from implementing a regional Aid-for-Trade Programme (in this case the Regional Trade Facilitation Programme and the TradeMark Southern Africa programme), include:

- Flexibility in instruments, timing and nature of response has enabled the RTFP and TMSA to respond very quickly to trade and economic integration agendas as they've evolved regionally and internationally;
- A broad aid for trade and regional integration approach, and a mandate to influence policy, has enabled support for significant and comprehensive reforms with considerable impact;
- Strategic leadership by programme implementers (and recognition of this leadership by regional partners) is crucial for continuous innovation and programme relevance;
- Strong ownership by the RECs, and a clear mandate to reform, is crucial for success and enabling political buy-in;
- Good programme management of a large-scale complex programme requires provision being made of adequate resources, ensuring that the right number and range of skilled staff who are also conversant with regional integration issues are in place, and implementing good business systems and processes;
- Good monitoring and evaluation methods need to be built into programme design;
- Building in effective and efficient monitoring and evaluation systems at a regional level should be built into the design and should start with programme implementation;

- Successful communication of the results and impact is essential for building support and getting strong regional and global buy-in; and
- Harmonising and complementing the programmes of regional organisations and other development partners remains a major challenge. Unless regional organisations take ownership and provide more strategic direction and guidance on funding priorities, donors will continue to fund initiatives and projects that align with their own strategic priorities.

## **8. Conclusion**

TMSA and its predecessor, RTFP clearly evolved at the right time in the Eastern and Southern Africa regional context. Coupled with regional acceptance, and a strategic mandate to influence policy, the programmes have supported significant regional change.