

DFID's Trade Development Work in Southern Africa



Independent
Commission
for Aid Impact

Contents

| | |
|--|-----------|
| Preface | 1 |
| Executive Summary | 2 |
| 1 Introduction | 4 |
| 2 Findings | 11 |
| Objectives | 11 |
| Delivery | 15 |
| Impact | 24 |
| Learning | 31 |
| 3 Conclusions and Recommendations | 34 |
| Annex | 38 |
| Abbreviations | 58 |

The Independent Commission for Aid Impact (ICAI) is the independent body responsible for scrutinising UK aid. We focus on maximising the effectiveness of the UK aid budget for intended beneficiaries and on delivering value for money for UK taxpayers. We carry out independent reviews of aid programmes and of issues affecting the delivery of UK aid. We publish transparent, impartial and objective reports to provide evidence and clear recommendations to support UK Government decision-making and to strengthen the accountability of the aid programme. Our reports are written to be accessible to a general readership and we use a simple 'traffic light' system to report our judgement on each programme or topic we review.

| | |
|---|--|
|  | Green: The programme performs well overall against ICAI's criteria for effectiveness and value for money. Some improvements are needed. |
|  | Green-Amber: The programme performs relatively well overall against ICAI's criteria for effectiveness and value for money. Improvements should be made. |
|  | Amber-Red: The programme performs relatively poorly overall against ICAI's criteria for effectiveness and value for money. Significant improvements should be made. |
|  | Red: The programme performs poorly overall against ICAI's criteria for effectiveness and value for money. Immediate and major changes need to be made. |

Preface

ICAI undertook a review of DFID's trade development work in Southern Africa during the first half of 2013. We reviewed two programmes: the £100 million TradeMark Southern Africa (TMSA) and the £9 million regional component of the Mozambique Regional Gateway Programme (MRGP).

Our fieldwork raised a number of serious concerns about TMSA's ability to achieve impact, as a result of deficiencies in governance, financial management, procurement, value for money and transparency of spending. The gravity of these issues meant that the programme was significantly under-performing in our view, jeopardising the prospects for achieving meaningful impact for the poor of the region. We considered that immediate and major changes were needed to rectify these issues, consistent with our Red traffic light score.

At the outset of ICAI's existence, we agreed with both DFID Ministers and senior management that, if we ever had such serious concerns, we would not wait until the publication of our report to inform DFID of these; rather, we would alert DFID immediately so that it could decide speedily what investigations or remedial action to take. In accordance with this agreement, we raised our concerns about TMSA with DFID straight after our fieldwork concluded in May 2013. We also advised the International Development Committee that we had done this. We would otherwise have published our report in September 2013.

DFID responded by launching a Management Assurance Review of TMSA, led by DFID's Internal Audit Department. Since our fieldwork, DFID Southern Africa and TMSA have started to implement changes in response to our concerns and have also undertaken some further analyses in respect of the impact of the TMSA programme.

During the course of this further work, DFID has presented us with new evidence relating to TMSA. We decided, therefore, that it was necessary for us to carry out a follow-up review in order to present a complete assessment of this programme in our report.

In our follow-up phase, we reviewed the additional reports and evidence provided by DFID since our original fieldwork in March 2013 and visited DFID Southern Africa again in September 2013 to meet with DFID, TMSA and other key stakeholders. We also conducted interviews with DFID in the UK, including with the Internal Audit Department.

As a result, this report is longer than usual, because it sets out our assessment of DFID's trade development work in Southern Africa, based on both our original fieldwork and our follow-up work. Throughout this report, we include evidence from DFID's Management Assurance Review in the context of the issues we raised with DFID's senior management. The additional evidence we collected served to corroborate the concerns we had following our first round of fieldwork.

Executive Summary

Most developing countries with high growth have experienced an overall reduction in poverty and few countries have enjoyed growth without trade expansion. This review assesses the effectiveness of DFID's trade development work in Southern Africa. We reviewed two programmes: the 5-year £100 million TradeMark Southern Africa (TMSA), which is due to be completed in 2014; and the £9 million regional component of the Mozambique Regional Gateway Programme (MRGP), which will end in 2016. TMSA supports the establishment of a free trade area in Eastern and Southern Africa. It also supports the removal of obstacles to the movement of goods across borders and the development of the North-South Corridor (the road link between Durban and Dar es Salaam). MRGP supports the linking of landlocked countries along the North-South Corridor to ports in Mozambique. We spoke to a wide range of stakeholders during our investigations, specifically including representatives of the ultimate intended beneficiaries.

Overall

Assessment: Red 

The overall aims of DFID's trade programmes are potentially transformational in the long term but we found serious deficiencies in TMSA, which have impeded its progress to date and which are jeopardising its potential to generate a meaningful impact for the region's poor. MRGP shows greater signs of promise but it is still too early to tell.

TMSA's design and implementation are based on assumed benefits for the poor rather than causal relationships between activities and impact. There has been inadequate focus on the poor without the necessary mitigating action against short- and medium-term risks. There has also been inadequate learning about the impact (both positive and negative) of the programming, with a failure to use either DFID central or local knowledge.

We found major failings in the delivery of TMSA and were so concerned about these that, for the first time, we alerted DFID to these issues as soon as our initial fieldwork was completed.

Objectives

Assessment: Green-Amber 

DFID's objectives in supporting the free trade area align with UK policy and with regional and national government priorities but the timetable set was too ambitious. The programmes address important constraints to trade (tariffs, border delays and transport costs) which, if removed, could stimulate growth and reduce poverty. DFID has not, however, linked programme activities to specific benefits for the poor; nor has it mitigated short-term negative impacts. Programme design did not focus sufficiently on where DFID could address the constraints

most effectively or on considering how best to complement other donors in their areas of expertise, such as infrastructure financing.

Delivery

Assessment: Red 

We identified major failings in DFID's oversight of TMSA and have real concerns about TMSA's delivery and management. TMSA's inappropriate governance structure is the root cause of these issues.

DFID has not exercised effective oversight of TMSA and this has led to a lack of focus, with too many non-core activities. We found that TMSA misreports its performance and DFID does not provide effective oversight of the detail. TMSA's summary management report, for example, claims that 83% of targets have been met whereas, in fact, we found this figure to be only 21% in its detailed project reports. TMSA lacks the depth of technical expertise to deliver a programme of such complexity, especially since it has undertaken the majority of technical work in-house.

£67 million of TMSA's budget has been placed in a trust account to leverage infrastructure finance for the North-South Corridor. This money has been in the account since 2010 but, to date, this has neither been spent nor has it attracted additional funds. Weak financial monitoring has led to wasteful spending that contributes little to overall goals and has resulted in an unauthorised grant agreement with and money disbursed to the Government of Zimbabwe. We are concerned that TMSA's procurement rules resulted in little or no competition for the majority of contracts it awards.

As a result of these weaknesses, the quality of TMSA's outputs is poor. We raised these issues after our initial fieldwork and DFID responded with its own Management Assurance Review. This, together with the issues we raised, have resulted in DFID taking actions to improve the governance and management reporting of TMSA. As these actions are only now being undertaken, their effectiveness is unknown; but we look forward to following up these issues in due course.

Impact

Assessment: Amber-Red 

Many key stakeholders recognise that TMSA has played a positive role in establishing frameworks for the Tripartite¹ negotiations and co-ordination of the North-South Corridor. Beyond this, however, we are disappointed with the rate of progress. TMSA has achieved far less than we would have expected in respect of the free trade area and regional harmonisation

¹ The Tripartite refers to the three regional economic communities in Southern Africa: the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC).

Executive Summary

of border procedures. Although any impact in this respect will be long-term in nature, TMSA will have made little impact on trade when DFID's funding ends in 2014.

Trade growth can result in risks to the poor. Neither DFID nor TMSA is doing enough to understand the potential positive impacts or to mitigate against the potential negative impacts on the poor. Only recently has TMSA commissioned an economic model to explore the likely impact of its activities. This should have been undertaken much earlier and followed up with more in-depth analysis, helping countries to use this to inform their policy decisions.

Learning

Assessment: Red 

Historically, DFID centrally has played a valuable role in increasing the body of knowledge on trade and poverty. DFID did not, however, apply this knowledge to the design and delivery of TMSA. In addition, TMSA and DFID do not adequately consult with representatives of intended beneficiaries or other stakeholders, even though there are well organised, articulate and representative regional organisations in place.

TMSA has weak targets and monitors activities, not impacts. We saw more evidence of learning in MRGP, using a proven model for corridor development.

Recommendations

Recommendations 1 and 2 are designed to address the serious implementation issues which must be dealt with immediately. The remaining recommendations seek to improve the effectiveness and value for money of any future programmes.

Recommendation 1: DFID should continue to take swift action, as it started to do when we raised our concerns, to ensure effective management of TMSA, including financial oversight, procurement, target setting and monitoring.

Recommendation 2: DFID should urgently work to raise awareness of the results of TMSA's recent economic modelling to countries of the Tripartite, undertake further analysis and support poorer countries to address the potential negative impacts of trade growth.

Recommendation 3: If DFID decides to continue with its support to regional integration in Southern Africa, it should identify a more suitable mechanism to deliver technical assistance to the Tripartite, with a focus on accelerating progress and drawing, as appropriate, on international expertise.

Recommendation 4: As a prerequisite of any future trade development programme, DFID should undertake comprehensive analysis of the impact on trade and the poor both at the outset and throughout implementation; and build in mitigating actions to alleviate any negative effects.

1 Introduction

Purpose of this review

1.1 The Department for International Development's (DFID's) global trade development assistance is substantial and growing. It accounts for approximately 12% of DFID's total expenditure.² By 2011, DFID's global spending³ on trade development assistance amounted to £820 million⁴ a year, up from an average of £216 million a year in the period 2002-05. The purpose of this review is to assess whether DFID's trade development work in one region, Southern Africa, is managed appropriately and is achieving its intended impact.

Trade and poverty reduction

1.2 Although DFID's trade development work in Southern Africa is ambitious and long-term, it has the potential to be transformational. Reducing the costs of trading can lead to growth in trade which, in turn, can lead to economic growth. This produces welfare gains in terms of employment, reduced prices of goods and increased government revenue available for social spending. Few countries have enjoyed long-term growth without experiencing an expansion in trade. Most developing countries with high economic growth have also benefited from an overall reduction in poverty.⁵

1.3 In the short and medium term, however, trade expansion produces winners and losers. For example, factory workers in Malawi may be laid off as a result of downsizing in uncompetitive sectors; consumers in Mozambique may become more vulnerable to food price fluctuations; women living in close proximity to Southern Africa's major transport corridors may find themselves at greater risk of contracting sexually transmitted diseases; and small traders may find that it is harder to sell their products in the face of cheaper bulk imports.⁶

² Calculated from reported Aid for Trade spending to OECD as a share of DFID's overall budget, page 6 of: *DFID in 2009-10*, DFID, 2010, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67675/dfid-in-2009-10-revised-6-sept-2010.pdf.

³ *Aid for Trade at a Glance 2011*, joint WTO–OECD publication, 2012, http://www.wto.org/english/res_e/publications_e/aid4trade11_e.htm.

⁴ We used pounds sterling figures provided by DFID. Unless otherwise stated, figures have been translated to pounds sterling, using the applicable average annual exchange rate, <http://www.oanda.com/currency/average>.

⁵ *Trading Out of Poverty*, 2009, OECD, www.oecd.org/dac/af/43242586.pdf.

⁶ *Integrating Poverty and Social Analysis into Aid for Trade Programmes: An Overview*, DFID, 2010, <http://r4d.dfid.gov.uk/PDF/Outputs/TradePolicy/trade-brief1.pdf>.

1.4 Mitigation measures are needed to offset such risks to the poor. In the longer term, measures are also needed to help the poor to take advantage of the opportunities and to ensure that they share in the benefits of trade. A more detailed explanation of how trade affects the poor is provided in Figure A1 in the Annex.

The UK is a significant player in global Aid for Trade

Aid for Trade supports the integration of developing countries into the global economy

1.5 'Aid for Trade' is a term used to describe international aid aimed at addressing, in an integrated and coherent manner, the broad range of issues that affect trade development (for example, production, processing, transport, storage, infrastructure, trade policy and trade agreements). The scope of Aid for Trade is summarised in Figure 1 on page 5 (ODI's analysis, funded by DFID and Swedish aid), with a more detailed summary provided in Figure A2 in the Annex.

1.6 Aid for Trade is used by the international community to help developing countries take advantage of trade opportunities. At the launch of the global Aid for Trade Initiative in 2005, the World Trade Organisation (WTO) Ministerial Statement declared that 'Aid for Trade should aim to help developing countries, particularly Least Developed Countries (LDCs), to 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'.⁷

1.7 DFID's overall approach to Aid for Trade is to address trade policy and regulation support at a regional level, while addressing productive capacity in its private sector development programmes at the country level. DFID also supports trade-related infrastructure development at the multinational (contributing to internationally managed funds), regional (in its regional programmes) and national levels.

⁷ *WTO Ministerial Declaration WT/MIN(05)/DEC*, World Trade Organisation, December 2005, http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.htm.

1 Introduction

Figure 1: What does Aid for Trade include?⁸

Trade policy and regulation: to support countries to develop trade strategies; to negotiate regional and international trade agreements; and to implement the outcomes of trade agreements.

Trade-related infrastructure: to support countries to develop the infrastructure necessary to connect the domestic market to the global economy. This includes financing of transport networks to improve access to markets and energy generation to reduce costs and improve competitiveness.

Productive capacity-building (including trade development): to support countries to develop an enabling business environment; and to promote the private sector to exploit its comparative advantage and diversify exports. For example, simplification of business regulations and activities aimed at improving competitiveness of the private sector in agriculture, industry, manufacturing and the service sector.

Trade-related adjustment: to support countries to adjust to the costs associated with trade liberalisation. For example, contributions to government budgets for implementation of trade and tariff liberalisation that may result in the loss of government revenue.

DFID's trade and private sector development programmes in the region cover all but trade-related adjustment work.

The UK is committed to Aid for Trade

1.8 In November 2005, the UK Government pledged to increase its trade policy and regulation assistance (a specific sub-set of Aid for Trade) to £100 million a year by 2010.⁹ This commitment was part of the joint European Union (EU) Aid for Trade strategy, under which the European Commission and its member states agreed to increase such assistance to €2 billion a year by 2010.¹⁰ A second commitment, in September 2006, pledged to increase UK support for all Aid for Trade (to

include trade-related infrastructure and productive capacity-building) to £409 million a year by 2010.¹¹

1.9 This commitment was achieved by 2007-08. As a result, the UK became the sixth largest Aid for Trade donor in 2009 after Japan, the World Bank, EU institutions, Germany and the African Development Bank. The UK accounts for 4% of total global Aid for Trade, which reached £18.4 billion in 2009.¹² Half of the UK's Aid for Trade commitments go to Africa.

1.10 In 2011, the UK Government published the Trade and Investment for Growth White Paper,¹³ which sets out the UK's policy on Aid for Trade. It prioritises progress on easing border delays; capacity-building (including a special focus on building capacity for negotiations); and country competitiveness (including through stronger engagement with the private sector).

The UK supports the African integration agenda

1.11 In parallel, there is a long-term agenda to establish an African Economic Community, which dates back to the 1991 Abuja Treaty.¹⁴ This treaty agreed to the establishment of Regional Economic Communities (RECs) to achieve integration within sub-regions of Africa.

1.12 The next step, based on the 2007 African Union Summit, held in Accra,¹⁵ is gradually to integrate these RECs into a single continental free trade area. Progress towards integration, however, has not been as straightforward as planned. Figure 2 on page 6 illustrates the extent of overlapping memberships across RECs, which complicates negotiations and inhibits trade.

⁸ K. Higgins and Susan Prowse, *Trade, growth and poverty: making Aid for Trade work for inclusive growth and poverty reduction*, Overseas Development Institute, 2010, <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5778.pdf>.

⁹ *Aid for Trade – how to deliver more and better aid for trade*, DFID, 2007, <http://webarchive.nationalarchives.gov.uk/+http://www.dfid.gov.uk/Media-Room/News-Stories/Aid-for-Trade-how-to-deliver-more-and-better-aid-for-trade/>.

¹⁰ Refer to Figure A2 in the Annex.

¹¹ Statement by Gordon Brown at the Fourteenth Meeting of the International Monetary Fund's International Monetary and Financial Committee. The pledge was US\$750 million which, for accounting purposes, was fixed at £409 million. DFID reached this target sooner than expected, with a recorded expenditure of £463 million in 2007-08. *Third Global Review of Aid for Trade*, UK response, Organisation for Economic Co-operation and Development, 2011, <http://www.oecd.org/dac/afi/43236820.pdf>.

¹² *Aid for Trade at a Glance 2011: Showing Results*, Organisation for Economic Co-operation and Development and the World Trade Organisation, 2011, Table A.2B, <http://browse.oecdbookshop.org/oecd/pdfs/free/4311141e.pdf>.

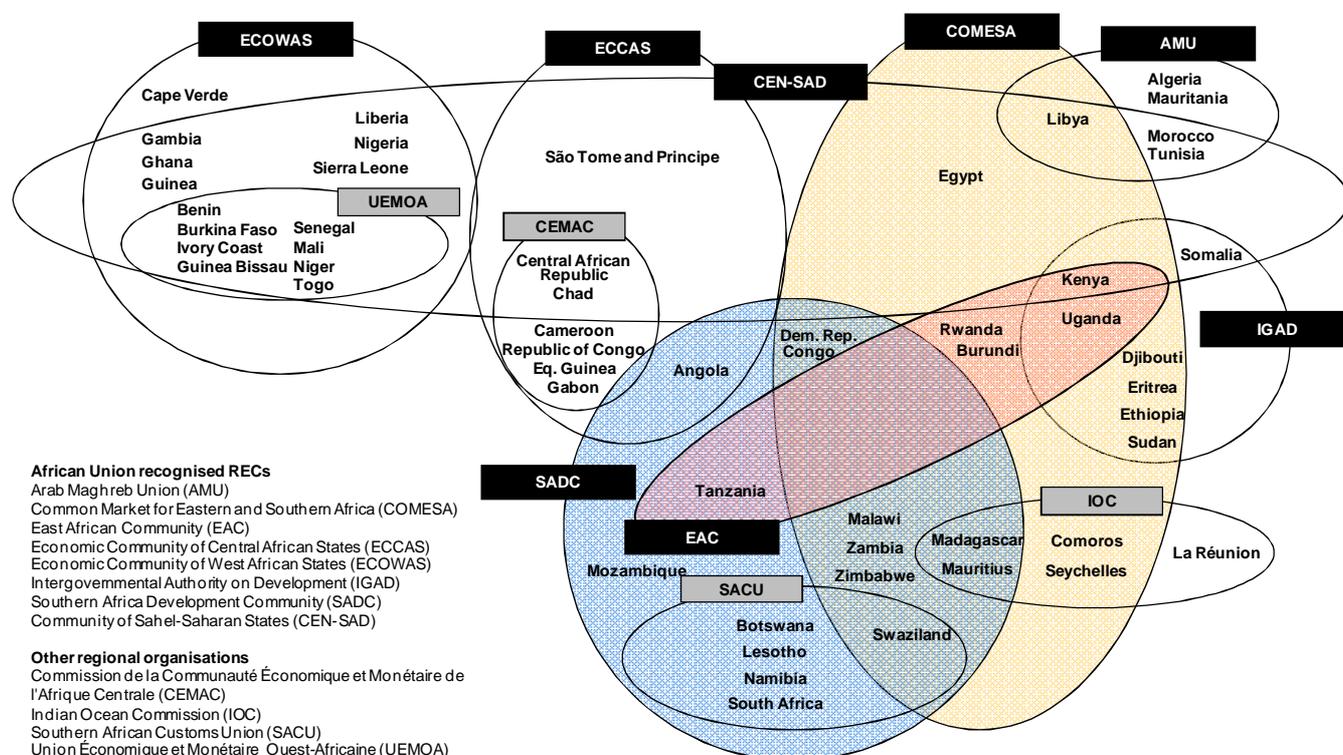
¹³ *Trade and Investment for Growth*, Department for Business, Innovation and Skills, 2011, <http://www.bis.gov.uk/assets/biscore/international-trade-investment-and-development/docs/t/11-717-trade-investment-for-growth.pdf>.

¹⁴ *Abuja Treaty Establishing the African Economic Community*, WIPO, 1991, http://www.wipo.int/wipolex/en/other_treaties/text.jsp?file_id=173333.

¹⁵ The African Union is an organisation whose 54 members comprise all African states, except Morocco. Its primary mandate is an integrated, prosperous and peaceful Africa, driven by its own citizens.

1 Introduction

Figure 2: Overlapping memberships across Africa's Regional Economic Communities (RECs)



1.13 In Southern Africa there are three RECs, known as the Tripartite: the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC). The Tripartite is the first attempt in Africa to merge RECs by establishing a free trade area. DFID's trade programmes in Southern Africa support this Tripartite process.

1.14 The Tripartite covers 26 of Africa's 54 countries and, in 2011, accounted for 591 million (57%) of its population and a combined Gross Domestic Product (GDP) of £691 billion (also 57%).¹⁶ The Tripartite includes 16 (47%) of Africa's – and one-third of the world's – least developed countries.

1.15 In 2010, the Coalition Government reaffirmed the UK's commitment to use trade as a tool for development, as well as to support the Africa Free Trade Area.¹⁷ Following this, DFID launched its

Africa Free Trade Initiative in 2011.¹⁸ This initiative is intended to unblock issues that hold back economic growth, including advising on the design of border posts, infrastructure investment and the analysis of major transport bottlenecks. The UK has subsequently promoted this agenda at international fora. The Africa Free Trade Area remains a high priority on the UK, G8 and G20 agendas.

DFID's trade programmes in Southern Africa

DFID has worked on trade issues in Southern Africa since 2001

1.16 DFID's trade development work in Southern Africa started in 2001. A summary of DFID's portfolio of trade programmes is provided in Figure A3 of the Annex, with an accompanying timeline in Figure A4. The current DFID regional trade portfolio consists of three programmes: TradeMark Southern Africa (TMSA), the Mozambique Regional Gateway Programme (MRGP) and the

¹⁶ *Africa Development Indicators*, World Bank, 2011. Data with estimated GDP for Djibouti and Libya, based on 2009 figures, <http://data.worldbank.org/data-catalog/africa-development-indicators>.

¹⁷ *The Coalition: our programme for government*, Cabinet Office, 2010, http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_187876.pdf.

¹⁸ *UK Government ramps up trading in Africa*, DFID, 2011, <https://www.gov.uk/government/news/uk-government-ramps-up-trading-in-africa>.

1 Introduction

second phase of the Making Financial Markets Work for the Poor Programme (FinMark Southern Africa Programme).

1.17 Much of the work begun by DFID during the early period, such as the establishment of the Chirundu one-stop border post on the Zambia-Zimbabwe border, has been carried forward into DFID's current regional trade work, the goals¹⁹ of which are to:

- **create opportunities for businesses by improving access to markets and finance.** TMSA is designed to help reduce tariff and non-tariff barriers by supporting regional negotiations that will lead to the establishment of a Tripartite Free Trade Area. Meanwhile, the FinMark Southern Africa Programme addresses the constraints which prevent Southern Africa's poor from gaining access to financial products and services;
- **reduce the costs of transport by rehabilitating trade-related infrastructure.** Both TMSA and MRGP are working to improve transport and energy infrastructure. TMSA coordinates the rehabilitation of key regional trade routes, such as the North-South Corridor. MRGP focusses on improving infrastructure along the corridors of Beira, Limpopo, Nacala and Maputo, strengthening transport policy and planning in the Government of Mozambique and ensuring that corridor development translates into trade benefits for Mozambique's landlocked neighbouring countries; and
- **ease the passage of goods between countries by tackling border delays.** TMSA aims to reduce bureaucracy at regional border crossings by harmonising documentary requirements and regulations. The programme also seeks to replicate the one-stop border post model, which has been implemented at Chirundu.

1.18 This review focusses on TMSA and the regional component of MRGP and compares the former with a similar DFID programme, TradeMark East Africa (TMEA). TMEA supports regional trade in East Africa and its objectives are to reduce red tape and corruption, improve port efficiency and increase investment in priority infrastructure projects. Each programme is summarised in Figure 3 on page 8.

1.19 DFID has allocated a total of £108.9 million to regional trade activities under the two programmes considered in this review. This consists of £100 million for technical assistance and capital investment under TMSA and £9 million for the regional component of MRGP. By comparison, DFID has allocated £113 million, out of a total budget of £181 million, for TMEA. As MRGP has only just started and only £0.9 million of its regional component has so far been spent, our findings in this report relate primarily to TMSA, with specific reviews of MRGP restricted to the Objectives and Learning sections.²⁰

¹⁹ DFID Southern Africa's programmes are designed to tackle the three major obstacles to trade in the region by cutting red tape, improving infrastructure and reducing tariffs and non-tariff barriers. Background Paper prepared by DFID for ICAI: *DFID's Work on Trade and Economic Development in Southern Africa*, DFID, 2013, page 1.

²⁰ As of March 2013, DFID has spent £0.9 million of the MRGP's regional component.

1 Introduction

Figure 3: Summary of major DFID trade development programmes in Eastern and Southern Africa

| | TradeMark Southern Africa (TMSA) | Mozambique Regional Gateway Programme (MRGP) | TradeMark East Africa (TMEA) |
|---------------------------------|---|--|--|
| Purpose | To improve Southern African trade performance for the benefit of the poor through support to the Tripartite processes | To ensure communities benefit from infrastructure development in Mozambique and to link neighbouring countries, using Mozambique as a transit route for international trade | To increase growth and reduce poverty in the East African region through increased market access, an enhanced trade environment and increased product competitiveness |
| Core activities | <ul style="list-style-type: none"> ■ Supporting the Tripartite Free Trade Area negotiations ■ Supporting regional regulatory harmonisation in trade facilitation ■ Co-ordinating the rehabilitation of trade routes, especially the North-South Corridor | <ul style="list-style-type: none"> ■ Strengthening transport policy, economic planning and regulations along the Beira and Nacala corridors ■ Undertaking project preparation to link these transport corridors to neighbouring landlocked countries | <ul style="list-style-type: none"> ■ Improving transport logistics ■ Attracting private sector infrastructure investment ■ Increasing self-sufficiency by working with revenue agencies ■ Increasing private sector participation in regional trade policy |
| Scale | Implemented by a team of 28 staff, 23 of whom are located in a programme unit in Pretoria. The remaining five staff are seconded to the COMESA and SADC secretariats | Implemented through a dedicated programme unit, directly accountable to DFID Southern Africa, for the overall running and performance of the programme, sharing an office with TMSA | Focussed on national implementation of regional trade agreements. Based in Nairobi with offices in Arusha, Bujumbura, Dar es Salaam, Juba, Kampala and Kigali |
| Timing | 2009-14 | 2011-16 | 2010-16 |
| Budget | £33 million technical assistance and £67 million capital investment for trade-related infrastructure, held in a trust account | £13.5 million (national component) and £8.9 million (regional component) | £181 million, of which DFID provides £113 million. ²¹ Other donors are Belgium, Denmark, the Netherlands and Sweden |
| Expenditure²² | £85 million (this includes £67 million for capital investment, of which £47 million remains uncommitted) | £0.5 million of the national component and £0.9 million of the regional component | £30.1 million ²³ |

²¹ An additional sum of £107 million for TMEA has been agreed by DFID, following the Bilateral Aid Review.

²² As at the time of our fieldwork.

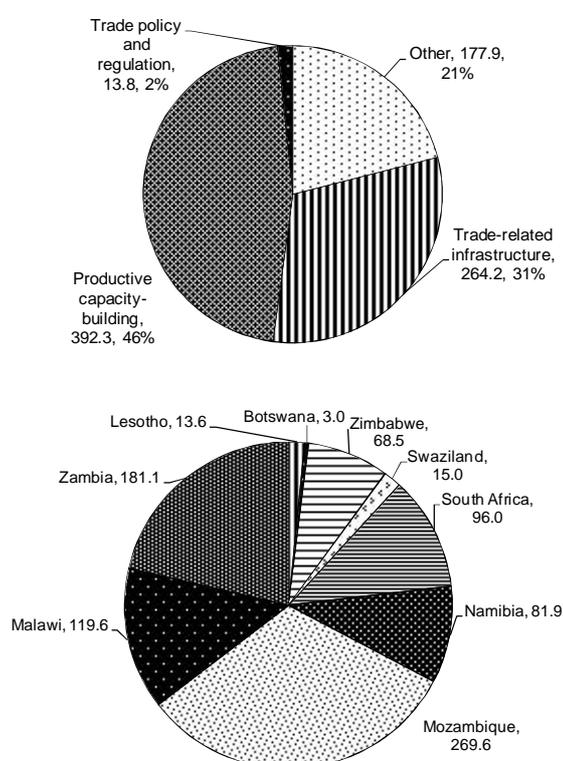
²³ Expenditure as at end of 2011, *Annual Report*, TMEA, 2012, page 23, <http://www.trademarka.com/download/TMEA-Annual-report-FA.pdf>.

1 Introduction

DFID's funding is significant in trade policy and regulation but not in trade-related infrastructure

1.20 Total bilateral Aid for Trade committed to Southern Africa from all donors in 2009 was £848.2 million.²⁴ Figure 4 shows the share of Aid for Trade spending by category and recipient country in the region.

Figure 4: Aid for Trade in Southern Africa 2009²⁵ (by category and recipient country, in £ millions unless otherwise stated)



1.21 DFID is a major player in trade policy and regulation assistance in the region. Donor commitments to this category of Aid for Trade spending in Southern Africa total £33.9 million a year, comprising bilateral aid of £13.8 million and an additional £20.1 million of regional aid.^{26,27} TMSA's budget for technical assistance over the

period 2009-14 is £33 million, with an average annual commitment of £6.6 million, all of which is regional aid. This means that DFID's funding through TMSA represents 19.4% of all trade policy and regulation assistance in Southern Africa and one-third of regionally implemented programmes.

1.22 DFID's role in trade-related infrastructure, as defined in Figure 1 on page 5, is less significant. Total donor commitments for trade-related infrastructure in Southern Africa amount to £264.2 million a year.²⁸ DFID's capital investment of £13.4 million a year for five years through TMSA, therefore, represents only 5.1% of trade-related infrastructure assistance in Southern Africa.

Approach to the review

1.23 The review team initially carried out five streams of work, involving interviews with 60 organisations, representing a broad range of stakeholders, implementing partners and potential intended beneficiaries:

- we undertook a literature review and interviews with experts on trade and linkages between trade and poverty;
- we examined reports and evaluations on TMSA, including DFID's 2011 annual review and monitoring reports on the Chirundu one-stop border post from a variety of sources;
- we interviewed key personnel in DFID, centrally;
- the review team and Commissioners visited South Africa, Mozambique and Botswana and the review team also visited Zambia and Malawi. The visits were made to assess delivery of the programmes, as well as to meet with intended beneficiaries throughout the delivery chain; and
- we carried out desk research to compare TMSA with TMEA, to examine what lessons should be learned across these programmes.

²⁴ *Aid for Trade at a Glance 2011: Showing Results*, Organisation for Economic Co-operation and Development and the World Trade Organisation, 2011, <http://browse.oecdbookshop.org/oecd/pdfs/free/4311141e.pdf>.

²⁵ 2009 are the latest available figures; see Organisation for Economic Co-operation and Development (OECD) Aid-for-trade statistics at: <http://www.oecd.org/dac/aft/aid-for-tradestatisticalqueries.htm>.

²⁶ *Aid for Trade at a Glance 2011: Showing Results*, Organisation for Economic Co-operation and Development and the World Trade Organisation, 2011, <http://browse.oecdbookshop.org/oecd/pdfs/free/4311141e.pdf>.

²⁷ The £20.1 million of regional aid is included within the category labelled 'other' in Figure 4.

²⁸ *De-fragmenting Africa: deepening regional trade integration in goods and services*, World Bank, 2012, <http://documents.worldbank.org/curated/en/2012/01/16252822/de-fragmenting-africa-deepening-regional-trade-integration-goods-services>.

1 Introduction

- 1.24 The review team raised a number of urgent issues after this initial fieldwork, which resulted in DFID introducing significant changes to the governance and management of TMSA. The team, therefore, revisited South Africa to examine these changes and collect additional evidence, focussing on TMSA's delivery and impact within the overall ICAI review framework.
- 1.25 The additional ICAI follow-up work involved a number of elements, including:
- a review of additional reports and evidence provided by DFID since our original fieldwork;
 - a review of new reports and activities undertaken since our previous fieldwork;
 - additional meetings with DFID, TMSA, the Development Bank of South Africa (DBSA) and other stakeholders in South Africa; and
 - interviews with DFID UK, including the Internal Audit Department.
- 1.26 A list of interviews can be found in Figure A7 in the Annex and there is a separate bibliography on our website.

2 Findings

Objectives

Assessment: Green-Amber 

2.1 In this section, we consider what DFID is trying to achieve through its trade development work in Southern Africa. We look at the policy context within which TMSA and MRGP are being implemented. We also assess whether the programmes' objectives are relevant, realistic and appropriately targeted towards the needs of the region's poor.

2.2 For DFID, the objective of trade development is not simply trade expansion but trade as a means for achieving poverty reduction in the long-term. The poor are the intended beneficiaries but, given the nature of the support, the immediate beneficiaries are governments, RECs and businesses.

DFID's objectives align with government policy but fail to address adequately the impact on the poor

Programme objectives are consistent with UK, regional and national policies and priorities

2.3 DFID's programme objectives align with the focus of the 2011 Trade and Investment for Growth White Paper.²⁹ This confirms that Aid for Trade is a central feature of the UK's aid programme, 'promoting regional integration and building the necessary infrastructure and institutions to strengthen trade'.³⁰

2.4 We found that DFID's trade development work in Southern Africa is also well aligned with the region's own agenda of establishing the African Free Trade Area³¹ through the gradual integration of existing RECs. By helping to bring together three of Africa's largest RECs through the Tripartite, DFID is playing an important role in realising African states' own long-term ambitions.

2.5 The Tripartite priorities were set out during the Second Tripartite Summit in Johannesburg in June

2011,³² at which member states agreed to an integration process that is anchored on three pillars: a Tripartite Free Trade Area; infrastructure development; and industrial development to address productive capacity constraints.

2.6 We observed that the objectives of DFID's trade programmes are consistent with these priorities. TMSA has been designed to provide technical, logistical and financial support to the Tripartite with the key aim of reducing the costs of trade through greater regional integration within the Tripartite. It should be noted that the targets and timescale set by DFID were highly ambitious, given the political and complex nature of the processes involved.

There is little evidence of poverty impact analysis and inadequate mitigating action

2.7 The poverty reduction impact of trade development programmes has often been disappointing and DFID's own analysis makes it clear that there are mixed results. To understand why trade growth does not always translate into a welfare improvement for the poor, programme managers need to examine the channels through which trade gains can reach the poor, take account of both positive and negative impacts, as well as ensure that mitigating policies are in place to protect the poor.

2.8 There are a number of ways that trade development programmes, such as TMSA and MRGP, can reduce poverty, as shown in Figure 5 on page 12. Trade growth can lower the price of goods and services for poor households. The removal of trade barriers can provide incentives for producers to hire new staff or increase wages. Increased trade can generate new revenues for governments.

²⁹ *Trade and Investment for Growth*, Department for Business, Innovation and Skills, 2011, <http://www.bis.gov.uk/assets/biscore/international-trade-investment-and-development/docs/t11-717-trade-investment-for-growth.pdf>.

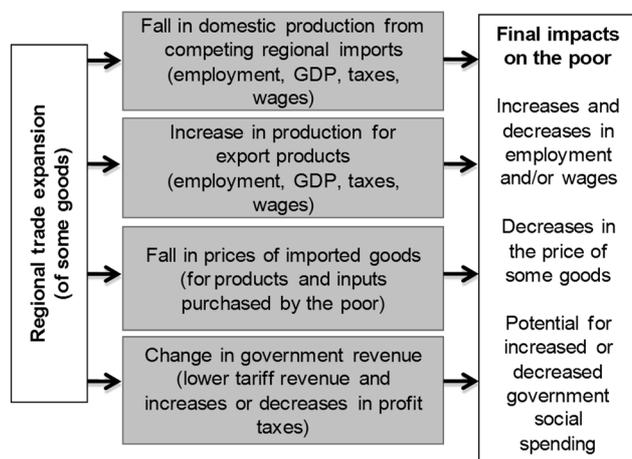
³⁰ *Trade and Investment for Growth*, Department for Business, Innovation and Skills, 2011, <http://www.bis.gov.uk/assets/biscore/international-trade-investment-and-development/docs/t11-717-trade-investment-for-growth.pdf>.

³¹ *Treaty Establishing the African Economic Community*, OAU, 1991, <http://www.afrimap.org/english/images/treaty/file4242d957db239.pdf>.

³² *Communiqué of the Second COMESA-EAC-SADC Tripartite Summit*, Department of International Relations and Cooperation, Republic of South Africa, 2011, <http://www.dfa.gov.za/docs/2011/comesa0613a.html>.

2 Findings

Figure 5: The variable impacts of regional trade expansion on the poor



2.9 On the other hand, changes in trade can have a negative impact where, for example, the poor are engaged in inefficient economic activities which face greater competition as a result of trade expansion. The risks associated with trade expansion were identified by the Overseas Development Institute (ODI) in 2010 (in work funded by DFID and Swedish Aid), as shown in Figure 6.

Figure 6: The risks of trade expansion^{33, 34}

Employment risks: trade policy decisions may result in the phasing-out of uncompetitive or unproductive sectors, resulting in downsizing and unemployment.

Food security risks: trade liberalisation can make producers and consumers vulnerable to price fluctuations in international markets.

Risks for informal traders: faster border clearance times can reduce economic activities at border posts for informal local sellers of food and goods to exporters.

Health risks: trade-related programmes need to consider health-related risks. For example, the spread of sexually transmitted diseases has been found to take place along transport corridors.

³³ *Integrating poverty and social analysis into Aid for Trade programmes: an overview*, DFID, 2010, <http://r4d.dfid.gov.uk/PDF/Outputs/TradePolicy/trade-brief1.pdf>.

³⁴ *Integrating poverty and social analysis into Aid for Trade programmes: trade facilitation and trade-related infrastructure*, ODI, 2010, <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6210.pdf>.

2.10 Our review of the design documents for TMSA and MRGP suggests that DFID has undertaken some limited poverty analysis. TMSA's stated goal is to improve Southern Africa's trade performance and competitiveness for the benefit of poor women and men, targeting one million low-income households in the region (it is unclear how this target was set). DFID's design of TMSA also included funding for a health clinic at a key border to address health risks. What DFID has failed to do, however, is consider in any depth the transmission mechanisms that could link increased regional trade to poverty reduction. Such links are assumed rather than analysed and built into programme design.

2.11 We conclude that DFID and TMSA could do much more to understand the costs and benefits of their trade development work – especially in the short and medium term – by using, for example, tools DFID developed with the Institute for Development Studies (IDS) and, later, with the ODI from 2001-10. These tools are regarded, worldwide, as best practices in trade and poverty analysis.

2.12 The MRGP business case includes a more detailed discussion of the potential impact on the poor. The programme is designed to catalyse inclusive growth and development in the Tete region of Mozambique and to benefit Mozambique's neighbouring landlocked countries. MRGP follows an integrated approach to corridor development, using infrastructure development to stimulate investment in agriculture, forestry, manufacturing and services. DFID expects that MRGP will reduce poverty through growth and job creation, following the early emphasis on the development of corridor infrastructure. We find MRGP's approach to be more convincing than that of TMSA. Even so, there is little sign that the short- and medium-term adjustment costs, described earlier, have been adequately explored.

Core programme activities are appropriate

DFID's programmes identify and seek to address important constraints to trade in Africa - tariffs, border delays and transport costs

2.13 Our review of recent literature indicates that trade is an essential tool for boosting growth and

2 Findings

reducing poverty.³⁵ African trade performance is, however, currently poor. The continent's share of world exports is small, at just 2%.³⁶ Intra-African trade is also weak: only 12% of the continent's total trading activity takes place between African countries. By comparison, 60% of trade in both Europe and Asia is between countries of that region. This suggests that DFID's trade programmes are addressing an urgent need and that there is much potential for DFID to make an impact.

2.14 We have analysed the programme design documents, DFID's brief to ICAI and the overall aims, as set out in the TMSA Programme Memorandum.³⁷ Based on this analysis, DFID's regional trade programmes in Southern Africa seek to address three major obstacles to trade:

- **Market access:** reducing tariffs and non-tariff barriers (non-tariff measures that restrict imports, such as quotas and onerous licensing requirements) through regional negotiations among the regional economic communities. The average tariff in sub-Saharan Africa is 7.8% (2010), with tariffs as high as 100% on staples, such as sugar and wheat.³⁸ Within the Tripartite, tariffs are similarly high, with average tariffs of 7.2% (2010);³⁹
- **Border delays:** reducing bureaucracy through harmonising documentation requirements, regulations, official procedures and standards in the region. The costs of crossing borders typically add 19% to product prices in Africa, compared with 5% in most developed countries.⁴⁰ Three-quarters of this difference is due to border bureaucracy, so improvements in

trade facilitation could reduce the cost of traded goods by 10.5%;⁴¹ and

- **Poor trade-related infrastructure:** improving transport (road, rail and ports) and energy infrastructure through accelerating project preparation, leveraging private donor and public sector financing and trying to ensure that investment in infrastructure also benefits neighbouring countries and marginalised producers. According to the World Bank, poor trade-related infrastructure accounts for 25% of the higher costs of transport in Africa, raising the price of traded goods by 3.5%.⁴² TMSA focusses on the North-South Corridor which links ports in Southern Africa to the eastern port of Dar es Salaam. MRGP seeks to link landlocked countries along the North-South Corridor with ports in Mozambique through the Beira, Limpopo, Maputo and Nacala corridors.

2.15 We found that DFID's approach to identifying and seeking to address constraints to trade is sound:

- **It is supported by evidence and theory:** DFID has clearly set out the potential impact of TMSA, both in the project memorandum and in the more recently completed theory of change. It has cited numerous references to similar programmes and studies by the World Bank and WTO on the effect of constraints on trade. TMSA's design draws on evaluations and experiences of the earlier DFID programmes. The MRGP business case also appropriately examines the likely costs and benefits of improved transport access for traders, with details on specific sectors in the programme's target countries;
- **It draws on international best practices:** TMSA has been designed to draw on models of best practice, where appropriate. TMSA is, for example, seeking to draw on the experience of

³⁵ R. Wacziarg and K.H. Welch, *Trade Liberalisation and Growth: New Evidence*, World Bank Economic Review, 2008, <http://www.nber.org/papers/w10152.pdf>.

³⁶ *The future is pan-african*, Ecobank Group Abridged Annual Report 2012, <http://www.ecobank.com/upload/20130516044241869693u98TTrzPnJ.pdf>.

³⁷ Paragraph 2.1.6 regarding programme aims and purpose.

³⁸ Calculated from World Bank data on applied tariff rates for all products, <http://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?page=2>.

³⁹ Calculated from World Bank data on applied tariff rates for all products, <http://data.worldbank.org/indicator/TM.TAX.MRCH.WM.AR.ZS?page=2>.

⁴⁰ O. Morrissey, *Transport and Transport-Related Costs of Trade in Africa*, Background Paper for African Development Bank, 2009.

⁴¹ *De-fragmenting Africa: deepening regional trade integration in goods and services*, World Bank, 2012, <http://documents.worldbank.org/curated/en/2012/01/16252822/de-fragmenting-africa-deepening-regional-trade-integration-goods-services>.

⁴² *De-fragmenting Africa: deepening regional trade integration in goods and services*, World Bank, 2012, <http://documents.worldbank.org/curated/en/2012/01/16252822/de-fragmenting-africa-deepening-regional-trade-integration-goods-services>.

2 Findings

the World Customs Organisation⁴³ as part of the move to harmonise customs documentation, procedures, practices and regulations in the Tripartite region;

- **It uses an established regional transport corridor approach:** the North-South Corridor is an appropriate focus because it is the busiest transport corridor in the region in terms of value and volume of freight. Poor road and rail infrastructure and long waiting times at borders and ports create significant costs and hamper regional producers' ability to access regional and international markets. DFID's intervention represents a new and innovative approach to supporting and developing regional infrastructure to address these issues: investments in infrastructure are being made alongside measures to address trade facilitation and regulation; and
- **It is consistent with the needs of the region's private sector:** businesses and transporters confirmed to us that these are also the principal constraints faced by exporters, alongside national productive capacity issues.

DFID's overall allocation of resources is proportionate to the constraints identified

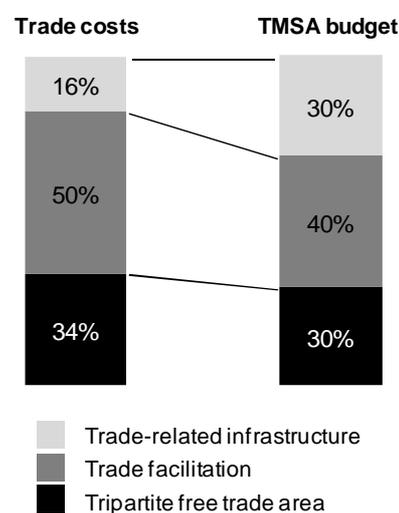
2.16 The relative importance of tariffs, trade facilitation and transport costs in the region has been well researched. This is clear in both DFID's programme design documents and in the academic literature which we analysed as part of this review.

2.17 DFID's programme documentation indicates that, of the £33 million allocated for technical assistance⁴⁴ under TMSA, £5.8 million will be targeted towards the Tripartite Free Trade Area. A further £8 million will be for trade facilitation activities and £6.6 million will be for support of feasibility studies along the North-South Corridor.

The remaining £12.6 million will be used for management and cross-cutting activities.

2.18 DFID's allocation of resources within TMSA is proportionate and is a reasonable reflection of the relative costs which the different trade constraints pose to businesses. This is illustrated in Figure 7, which compares the allocation of resources for technical assistance with the cost of each trade constraint.

Figure 7: TMSA's allocation of technical assistance resources, compared with trade constraint costs



2.19 While there is a slight bias away from trade facilitation towards trade-related infrastructure, this reflects the high costs typically associated with the latter field of activity, rather than skewed spending allocations.

Co-ordination within DFID trade programmes and with other donors in the region

There is good co-ordination across DFID's regional trade development programmes

2.20 We found evidence of effective co-ordination between DFID's programmes and across DFID's wider regional portfolio of trade work. TMSA and MRGP are, for example, working together to explore options to upgrade the Blantyre-Sena railway line that links Malawi to Mozambique. TMSA and TMEA are playing complementary roles: the former focusses on the Tripartite process and the latter on national implementation. An informal agreement between DFID, TMSA and

⁴³ The World Customs Organisation is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations, <http://www.wcoomd.org/en.aspx>.

⁴⁴ In this analysis we have not included the £67 million capital investment fund. This was a late addition to the programme's design based on the UK Government's increased commitment for trade-related infrastructure spending, as detailed in paragraph 1.8; and was not part of TMSA's core objectives.

2 Findings

TMEA notes that TMSA will provide support to the Tripartite processes, together with support to two of the RECs: COMESA and SADC. TMEA will support the participation of the EAC in the Tripartite.

- 2.21 New DFID programmes are also designed to capitalise on the work done by TMSA. The East and Southern Africa Staple Food Markets Programme will aim to strengthen the functioning of food markets, building on improved infrastructure and reduced red tape.

DFID has not done enough to consider how best to complement the work of other donors

- 2.22 Although we assess that DFID's overall allocation of resources is proportionate to the constraints identified, it does not necessarily follow that DFID should, itself, seek to address all the key constraints through its programmes. Over and above the co-ordination of infrastructure development through the Friends of the Tripartite,⁴⁵ DFID Southern Africa should consider how it can most effectively complement the Aid for Trade work of other donors.

- 2.23 DFID did not properly consider how its support could best be focussed. There are a number of development partners in Southern Africa, such as the EU, Germany and the United States, with long experience of working in support of improved competitiveness of exporters, border management at specific crossings and rehabilitation of trade infrastructure. When designing its programmes, DFID did not adequately consider (other than in the infrastructure field) whether these partners might be better placed to undertake some of the activities currently being done by TMSA and MRGP. Instead, DFID has attempted to address all the identified constraints to trade and to incorporate historical activities from its previous programmes within TMSA and MRGP.

- 2.24 We think that DFID should have played to its strengths and focussed more closely on providing support for higher-level Tripartite processes. For example, DFID has expertise in infrastructure

development and infrastructure capital financing but it did not adequately draw on this expertise from the outset in the implementation of TMSA. Rather, DFID's focus should be on helping the Tripartite to co-ordinate the rehabilitation of the North-South Corridor. If DFID wanted to provide funding for infrastructure, it would be more efficient to make grants directly to partners with the appropriate competencies, rather than establish a £67 million trust account with a separate approval system.⁴⁶ This system was designed to attract other finances but has failed to deliver.

Delivery

Assessment: Red 

- 2.25 In this section, we consider whether TMSA, as currently constituted, is an appropriate vehicle for the delivery of DFID's programme. We examine TMSA's governance arrangements and DFID's management oversight of TMSA. We also look at the quality of the support that TMSA provides to its partners and TMSA's risk management.
- 2.26 Our initial fieldwork identified a series of major failings in delivery by TMSA. These issues were subsequently referred to DFID, who launched a Management Assurance Review of TMSA, led by DFID's Internal Audit Department. Where relevant in this section, we make reference to evidence from this review and our follow-up fieldwork.

TMSA is not set up to deliver effectively

The management and delivery structures of TMSA are ambiguous and confusing

- 2.27 It was intended that TMSA would drive and facilitate the negotiations of the Tripartite Free Trade Area and regional border harmonisation and would co-ordinate the rehabilitation of the North-South Corridor. We have real concerns about the way in which TMSA has been set up and constituted. TMSA's relationships and its responsibilities are unclear and informal with no contractual relationship between TMSA and either COMESA or DFID. This creates governance risks that DFID is not managing effectively.

⁴⁵ A forum of donors and international co-operating partners that support the development of the North-South Corridor and who meet regularly under DFID's leadership.

⁴⁶ The details of the £67 million Tripartite Trust Account, established under TMSA, are provided in Figure 3 on page 8.

2 Findings

2.28 DFID's recent Management Assurance Review also recognises this risk, noting that TMSA and COMESA had signed a range of informal agreements governing their relationship but DFID's review team found it challenging to identify and locate them.

2.29 TMSA was set up in November 2009 to operate through a Memorandum of Understanding between DFID and the Development Bank of Southern Africa (DBSA). DFID selected DBSA to implement TMSA because of its extensive experience of working on regional transport infrastructure and its previous partnerships with international organisations, including the World Bank and the French and German development agencies.⁴⁷ The three RECs (COMESA, EAC and SADC) were consulted and agreed to this choice.

2.30 Following a review, however, DFID and the RECs agreed to transfer supervision and responsibility for technical support to COMESA, after only seven months of DBSA supervision (although DBSA remains the manager of the capital investment funds through a trust account).

DFID's reasons for transferring the management of TMSA from DBSA to COMESA are not convincing

2.31 DFID indicated to us that there were two main contributing factors which led to the decision to transfer the technical assistance element of TMSA from DBSA to COMESA. First, DBSA was slow to mobilise TMSA: after five months they had failed to secure office accommodation for the programme unit, a telecommunications contract and a project vehicle. Secondly, there were significant issues around the procurement process, as DBSA regulations require a set of criteria to be met before contractors can be added to their authorised suppliers list, including the enforcement of South Africa's Black Economic Empowerment legislation.

2.32 DBSA informed us, however, that it could not work with TMSA due to significant differences between the TMSA programme management manual (prepared by the TMSA team) and DBSA's own internal procedures and requirements. These differences included:

- high levels of remuneration, which were not aligned with DBSA's own salary scale;
- high levels of cash payments for contracts, whereby 90% of all expenditure was undertaken in cash, without procurement or contracts;
- slow and inadequate documentation for cash spending; for example, a US\$20,000 cash payment was made with only a hand-written receipt from an off-the-shelf receipt book;
- a request for a US\$100,000 imprest account for petty cash, well above DBSA's own acceptable limits; and
- a request by newly-recruited staff to be paid tax free, which was against DBSA's rules and South African law.

2.33 DBSA staff told us that TMSA operated out of the premises of DFID's previous Regional Trade Facilitation Programme (RTFP) but did acknowledge that DBSA was slow to secure new accommodation in the same complex because of concerns regarding the length of the lease. TMSA wanted a five-year lease, when the Memorandum of Understanding with DFID did not provide any obligation for DFID to fund DBSA over the full five-year period.

2.34 According to DBSA – and from consultations with experts on Black Economic Empowerment legislation in South Africa – a requirement for use of a positive list of contractors is only applicable to monies from the South African Government. DBSA informed us that they have operated similar programmes for non-South African partners on the basis that such legislation is not applied.

2.35 Given that Black Economic Empowerment legislation was not an issue, we believe that the issues identified by DFID by way of explanation for the transfer of TMSA from DBSA were not insurmountable. DBSA's governance concerns, meanwhile, align closely with our own, as set out in the rest of this section. DFID disbursed £1.2 million to DBSA for work during the seven months when it had responsibility for TMSA. TMSA management systems, however, record progress only from the date at which COMESA took over the

⁴⁷ TMSA Programme Memorandum, DFID, 2009, paragraph 2.2.11.

2 Findings

management. It is concerning that there is no record of the effectiveness of the initial spending, even though the senior management of TMSA has not changed.

The resulting governance structure is the root cause of TMSA's problems

2.36 TMSA now operates according to the procedures set out in its programme management manual. This manual was prepared by TMSA staff but rejected by DBSA. At each stage of the manual's development, DFID Southern Africa sought direction from various departments within DFID, an approach which DFID's recent Management Assurance Review found to be fragmented and ad hoc.

2.37 TMSA was established as a private non-profit company in 2011, registered in South Africa and limited by guarantee. Its directors are TMSA's Programme Director, Deputy Programme Director and Chief Operating Officer. DFID told us that this was done in order to set up contracts for administrative services.

2.38 We are, however, deeply concerned that, in effect, a private company is managing a £30.6 million DFID programme without any formal contract with either COMESA or DFID. DFID states that this company is simply a vehicle for TMSA and will close, if and when the project ceases. We consider TMSA's structure, ownership and legal status to be inappropriate given this arrangement.

2.39 By comparison, TMEA is structured differently from TMSA. It is established as a multi-donor trust, with strategic direction set by a programme investment committee comprising representatives from EAC and its five investors (Belgium, Denmark, the Netherlands, Sweden and the UK). At a country level, there are national oversight committees, comprising representatives of government, the private sector and civil society. TMEA's relationships with EAC, national governments and stakeholders are, therefore, clearly established.

2.40 DFID Southern Africa advised us that, in its experience, such trusts can become reliant on continued DFID support. TMEA was established in 2010-11 after the launch of TMSA and had other institutional and donor partners from the beginning.

As a consequence, it did not face the risk of dependency on DFID. TMSA could, in hindsight, have followed the same path as TMEA, by bringing in other partners from the start but DFID told us that they simply did not want to establish a trust.

2.41 During our discussions with a broad range of stakeholders throughout the region, including technical staff from the RECs and ministries responsible for trade, we were told that there was confusion over TMSA's role and responsibilities in the Tripartite process. TMSA both organises and attends negotiation meetings and submits some technical support papers, whereas the RECs are meant to act as a Tripartite Secretariat on a rotation basis. The expectation is that TMSA will support these RECs to produce technical papers to inform the negotiations. This confusion of TMSA's role risks hampering rather than encouraging progress in the trade facilitation and free trade area negotiations. Greater clarity is needed to define TMSA's role as one or more of: technical adviser; facilitator; and/or acting secretariat to the Tripartite (as the RECs have no capacity for this).

There was limited openness in the recruitment of TMSA programme staff

2.42 DBSA, with DFID's approval, placed the head and deputy head of DFID's previous programme, RTFP, on temporary contracts at the start of TMSA. A recruitment process then took place for the positions of Programme and Deputy Programme Director. This involved placement of an advertisement on DBSA's web portal and only one South African newspaper, with no international advertising. DFID also encouraged DBSA to give extra consideration to candidates previously employed by RTFP. In so doing, an opportunity was missed to consider bringing new and fresh ideas into TMSA. In the absence of proper competition, TMSA appears simply to be a continuation of the previous DFID project, RTFP, with the same senior management team in place.

2.43 In addition to recruitment of the head and deputy head of the previous programme, the next most senior position is that of the current Chief Operating Officer. This position was filled by a former staff member of DFID Southern Africa, who worked on the design of TMSA and was only

2 Findings

required by DFID to serve a four-month notice period before taking up this new post. We consider that staff who worked previously on the design of TMSA should not be part of the implementation, due to the risk of conflict of interest. DFID's recent Management Assurance Review reached a similar conclusion.

DFID does not exercise effective management oversight of TMSA

The governance structure of TMSA is weak

2.44 There is an Executive Committee which meets quarterly to supervise and guide TMSA's operations. There are only three people on the committee: one representative each from COMESA and DFID; and TMSA's Programme Director (who has a clear conflict of interest). We found little evidence to suggest that any serious scrutiny is provided through this structure and it appears to be more a vehicle for TMSA to present progress and achievements.

2.45 As a result of the geographical distance between the COMESA Secretariat in Zambia and TMSA management in South Africa, COMESA takes a hands-off approach to managing TMSA. This and the nature of the governance structures in place mean that TMSA management is effectively able to work autonomously. This results in a lack of focus on the part of TMSA. We found examples of TMSA undertaking various activities which are not core to its overall objectives, without these being challenged; for example, the planting of 4,000 Haas avocado trees in Zambia addresses UK consumer preferences rather than regional standard harmonisation. An analysis of the results against the logframe is provided in Figure A5 in the Annex which shows that only 18 of TMSA's 50 projects (36%) are directly relevant to the overall goals of the programme.

2.46 TMSA's senior management staff have been involved in DFID's regional trade programmes since 2002. DFID staff are, therefore, increasingly reliant on information provided by TMSA, with a particular dependence on the Programme Director, especially given the rotation of DFID staff over the duration of the programme. This is consistent with the concerns in ICAI's recent review of DFID's Use

of Contractors to Deliver Aid Programmes and makes DFID more reactive, rather than proactive, in its oversight.⁴⁸ Strong governance is, therefore, all the more important.

DFID's own Management Assurance Review raises similar concerns about the TMSA governance structure

2.47 The DFID Management Assurance Review concluded that TMSA's governance structure is fragmented, leading to confusion over accountabilities and a lack of sufficient oversight and challenge. It identified a number of issues related to TMSA's governance:

- the relationship between TMSA and COMESA exists only at a high level. Operational staff have no oversight or opportunity to challenge;
- the COMESA accountant is employed directly by TMSA, compromising the challenge function expected of this role; and
- COMESA subcontracts TMSA staff but many of the terms and conditions are consistent with those of an employment contract, providing COMESA with additional liabilities.

2.48 As a result of these weaknesses in governance, DFID places too much reliance on the TMSA management team for information, reporting and assurance.

DFID's management scrutiny is ineffective

2.49 Despite DFID's insistence on improved management reporting in the 12 months before our initial fieldwork, we are concerned that DFID has not undertaken sufficiently effective oversight of TMSA's performance. For example, we found a discrepancy between TMSA's higher-level reporting to DFID and COMESA and its detailed management reports. TMSA is incorrectly claiming that all activities are on track, when this is clearly not the case.

2.50 In the management report provided to us during our initial fieldwork,⁴⁹ TMSA claimed that 83% of

⁴⁸ DFID's *Use of Contractors to Deliver Aid Programmes*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-REPORT-DFIDs-Use-of-Contractors-to-Deliver-Aid-Programmes.pdf>.

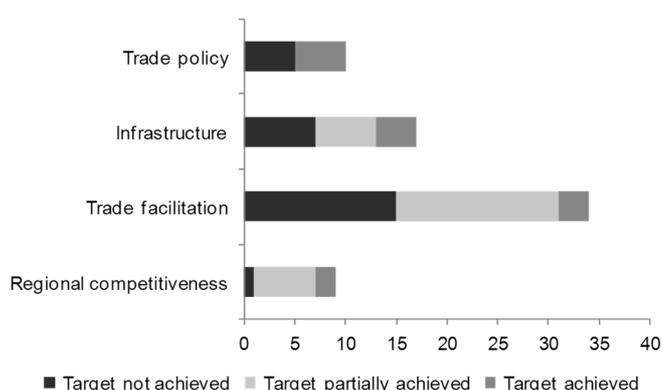
⁴⁹ At the time of the review, the latest detailed management reports were for the period ending December 2012.

2 Findings

the 70 targets, due to be achieved to date, had been met. It stated that the remaining targets were only slightly off track, with actions in place to ensure that they would be met in the near future.

- 2.51 We analysed the associated detailed quarterly project sheets for TMSA's 50 sub-projects (see Figure 8). These showed that only 15 targets (or 21%) had been met, a further 27 (39%) were partially met and the remaining 40% had not been met and were severely off track.

Figure 8: TMSA's actual achievement against targets



- 2.52 There should have been closer scrutiny and questioning of the information provided by TMSA. Receiving management reports is insufficient if they are not scrutinised and challenged. This would have alerted DFID to the disparities between TMSA's day-to-day progress reports and higher-level reporting to DFID.

- 2.53 DFID has set a number of strong overall targets for TMSA, particularly with regard to the launch of the Tripartite Free Trade Area and the development of infrastructure along the North-South Corridor. We nevertheless found numerous instances in the programme's reporting system where the milestones that have been met are weak. This is reflected in the results for the programme shown in Figure A5 in the Annex. For instance, TMSA lists activities such as the preparation of terms of reference for contractors. These are not stretching and, in our view, are actions in support of targets rather than targets in themselves. We consider the wording of other targets to be vague. For example, the target to 'provide support to' a negotiations grouping at the World Trade Organisation (WTO)

does not specify the amount of support or how this support will be used. In addition, many of the targets do not contribute to TMSA's overall objectives of support to the Tripartite.

- 2.54 DFID's recent Management Assurance Review also found that the quality and regularity of TMSA's progress reporting was poor. The review noted the absence of management information reports to COMESA. This indicates a lack of oversight of TMSA which, in turn, limits the level of assurance. Similar concerns were raised regarding the lack of annual reviews. Three were originally planned but only one full annual review has taken place. Such reviews are essential to measuring results and demonstrating value for money.

DFID's financial control of TMSA is weak

DFID has not exercised adequate financial oversight of the programme

- 2.55 We found that DFID did not adequately track allocations and the expenditure of programme money. It was unclear, for example, how the £33 million technical assistance budget is allocated amongst monies: disbursed to DBSA, earmarked for COMESA and retained by DFID for monitoring. When questioned, neither DFID nor TMSA explained to us the reason for the £400,000 discrepancy between the total budget and these allocations. The position was subsequently clarified: the difference between these sums was attributable to DFID's direct payments of TMSA's rent and mobile phone bills during the year between leaving DBSA and the establishment of TMSA as a private, not-for-profit company. DFID has also not explained the large difference between monies given to COMESA and project expenditure. If DFID had an adequate grasp of TMSA's finances, they would have been able to explain these issues more readily.

- 2.56 DFID's recent Management Assurance Review raised similar concerns about financial reporting and scrutiny. TMSA monthly financial reports comprise only a statement of expenditure by cost category with no comparison to budgets. This makes it difficult for DFID to monitor TMSA's financial performance and track payments. This has, for example, resulted in a grant agreement of

2 Findings

£250,000 being made with the Government of Zimbabwe through TMSA, of which £80,000 has been disbursed. This is against DFID policy.⁵⁰

DFID's scrutiny of finances and spending levels is poor

2.57 DFID appeared to have limited or no knowledge of some of the issues raised during this review. For example, we noted that, in the first half of the project, almost one third of all expenditure was on supporting meeting costs. This seems high, with £5.3 million spent on 85 meetings of the Tripartite. DFID appears to have simply accepted this high level of expense without questioning or investigating the costs further, in order to assess whether or not they are either reasonable or appropriate.

2.58 Success in Tripartite negotiations will not come through facilitating meetings alone but through supporting effective technical negotiations. DFID does not question, however, whether TMSA is striking the right balance between providing logistics and undertaking technical analysis that could stimulate debate and help to ensure that negotiations are productive and effective. For example, TMSA's plan for 2013 allows for meeting costs of £870,000, with only £20,000 allocated for research to support negotiations.

2.59 Other areas of TMSA's spending appear to be excessive, especially since many of them contribute little to TMSA's objectives. These include expenditure on branding, promotion, its Geographic Information System and social media which, on average, cost approximately £100,000 a year. A subsistence allowance of US\$100 a day is also routinely paid in cash to Tripartite meeting attendees (including TMSA staff) over and above transport and accommodation costs.

2.60 These concerns regarding the high level of costs incurred by TMSA are consistent with the findings of DFID's Management Assurance Review. It found that the management of TMSA does not reflect DFID's culture of value for money. It described a number of areas in which TMSA's administration costs are excessive. Such areas

include travel expenditure, staff retreats and per diems.

The large sums of unused monies disbursed by TMSA represent poor value for money

2.61 We raised a concern with DFID regarding the £67 million Trust Account managed by DBSA. The Account has been operational since February 2010 and DFID transferred all monies to it within the first ten months of operation. These funds have neither been spent nor have they attracted additional finance from other investors, as was intended. The recent DFID Management Assurance Review also concluded that the monies in this account were paid in advance of need and that this represents poor value for money.

Salaries are excessively high

2.62 Salaries for TMSA staff are higher than normal for technical and management staff. The salaries of senior TMSA managers are considerably more than the salaries of UN director-level staff, roles which have a much higher profile than TMSA. DFID asserts that it has benchmarked these salaries against those paid by other regional institutions but was unable to provide evidence to support this. In addition, DBSA could not align the Programme Director's salary with the salary levels of its own staff.

2.63 DFID's justification for direct recruitment instead of an international tender for a managing agent was based on cost savings but this has been negated by the payment of high salaries.⁵¹

2.64 DFID's recent Management Assurance Review also observed that TMSA's choice of base in South Africa has led to protracted discussions relating to the tax liability of TMSA staff. Since the transfer of TMSA from DBSA to COMESA, programme staff have not paid tax in South Africa, on the advice of COMESA's legal team. This was disputed by the South African Revenue Service and the result is that TMSA has accepted liability for the income tax due. Both previous and future staff tax liabilities are now being paid directly by the programme.

⁵⁰ Payment was made direct from COMESA's TMSA programme account.

⁵¹ TMSA Programme Memorandum, DFID, 2009, Section 3.1.

2 Findings

TMSA procurement procedures are uncompetitive

- 2.65 The TMSA programme management manual sets out its procurement rules for contracting. When we examined these rules during our initial fieldwork, we concluded that they were far from best practice and allowed for a great deal of discretion, without open competitive tendering, as shown in Figure 9.
- 2.66 Even where competition is foreseen, there are numerous exceptions which restrict competition. For contracts under £100,000, a single source procedure can be used with a simple justification, written by the Programme Director. Grant agreements over £100,000, awarded to TMSA partners (including international agencies, governments and non-governmental organisations), do not require competition but require approval from TMSA's Executive Committee. Previous contractors, who have been awarded contracts under any procedure (including direct-award, single source contracts), are designated as having 'framework contracts' and can then be awarded contracts of any value.

Figure 9: TMSA procurement thresholds

| Procurement Category | TMSA |
|------------------------|--|
| Single Source | £0-25,000 |
| Restricted Competition | £25,001-100,000 (restricted competition or single source) |
| Open Competition | >£100,000 (open competition with exceptions) |

- 2.67 We analysed contracts awarded as of 31 March 2013, which showed that 79% by value of the £4.2 million were contracted by TMSA with limited or no competition:
- 13% of contracts by value were awarded as single source contracts, without competition;
 - 34% of contracts by value were awarded by restricted tender or single source;
 - 16% of contracts by value were awarded direct to partners; and
 - 16% of contracts, which had a value of over £100,000 by value, were directly awarded under framework agreements.

- 2.68 TMSA did not collect, analyse or publish key statistics on procurement until April 2013. For example, TMSA was not able to provide us with either a breakdown of restricted tenders by single source or, for restricted competition, to give us the average number of companies submitting proposals.⁵²
- 2.69 DFID's Management Assurance Review highlighted several other concerns regarding TMSA procurement procedures during its subsequent review. It noted that there is no procurement plan in place and that, for single source contracts, consultants are not asked to provide a reduced rate to reflect that they do not have to take part in a competitive exercise. It also raised concerns over failings in normal practices, including that tender documents are not stored securely and that there is no separation of duties between the teams that evaluate the technical and commercial proposals.

The depth and quality of the technical support provided by TMSA has been weak

- 2.70 As of March 2013, TMSA had a total of 28 staff, with the recruitment of a further 6 staff members planned. It will be very difficult for newly-recruited team members to contribute meaningfully to the programme with such a short time in post.
- 2.71 The majority of technical work is undertaken in-house. We would expect, however, very technical, complex analysis of the impact of negotiations to be undertaken by high-level specialist international experts. Most government negotiators and the REC technical teams told us that the technical contribution of TMSA to the negotiations had limited use. The role of programmes such as this should be to stimulate debate during the negotiations by providing technical inputs and analysis, especially in areas where the negotiations have stalled. Such support can improve the degree to which the parties understand the likely implications, enabling them to negotiate more effectively. We saw no evidence

⁵² TMSA purchased a new procurement management system in December 2012 and designed and configured it during February 2013. Since April 2013, with only 18 months left in the programme, TMSA has started to produce monthly management reports for DFID that include information on procurement. TMSA does not, however, publish this information.

2 Findings

that TMSA is able or willing to provide this sort of support. Although TMSA has recently started to provide training courses for negotiators, the format of these courses is short term and unlikely to increase negotiating capacity.

- 2.72 We also found evidence that the quality of TMSA's support for project preparation for priority trade infrastructure projects along the North-South Corridor was poor. The aim of the DFID £67 million investment in funding for the North-South Corridor was to attract other funding. Governments and financiers told us that, until very recently, the project preparation work supported by TMSA was insufficient to secure third-party funding. TMSA has since accepted that the standard of project preparation was low and has now established a Tripartite Project Preparation and Implementation Unit to carry out and support this work. Discussions with key stakeholders and our own review of programme materials suggest that project preparation is now of an acceptable standard. In the meantime, however, there has been considerable delay in progress on planned infrastructure projects.

TMSA's risk management is weak

Risks are not adequately analysed

- 2.73 For long-term, highly political programmes such as this, management of the risks is essential to ensure that the programme remains relevant and on track.
- 2.74 In its reports to COMESA and DFID, TMSA lists the risks to the programme and describes how it intends to manage these risks. We consider that TMSA's risk assessment is unrealistic, as it underplays large risks and overplays low risks. For example, TMSA assesses the risk of weak political commitment to the Tripartite as being medium. Based on our discussions with key stakeholders in governments in the region and with many observers, we believe that the risk is high. Although positive declarations are made at summits, the reality is that regional integration is fairly low on national agendas in most countries. The commitment in resources to the Tripartite from its member states is negligible and reflects this low priority.

TMSA's risk management strategies are weak, irrelevant or not undertaken

- 2.75 TMSA's risk management strategies are inadequate. For example, TMSA's response to the perceived risk of political instability is weak. It simply cites 'flexibility in programme design'. This is neither a response to the risk nor a strategy to overcome it.
- 2.76 In some cases, TMSA does not undertake the risk management strategies that it claims are in place to address political commitment to Tripartite negotiations. For example, TMSA states that it is working to raise awareness of the benefits to business and civil society of the Tripartite. In fact, most business and civil society representatives we interviewed told us that they were unaware of TMSA's activities or that TMSA had rebuffed them when approached.
- 2.77 Despite the weakness of TMSA's risk analysis and its strategy to manage risk, we saw no evidence that DFID is tracking or checking these or requiring TMSA to improve its performance.
- 2.78 What DFID has done is identify the principal risks at the strategic level in TMSA's operational plan, with clear mitigation strategies. At the intervention level, however, there is no risk matrix, with the accompanying measurement of impact, likelihood and risk owners. Instead, TMSA and DFID rely on monthly management reports, which we observed to be of a poor standard, as noted from paragraph 2.49.

DFID Southern Africa is now responding to concerns regarding the delivery of TMSA

DFID Southern Africa's response has been swift

- 2.79 Since ICAI alerted DFID to its concerns in May 2013, DFID Southern Africa held a two-day workshop with COMESA and TMSA within a month of receiving the DFID Management Assurance Review. During this workshop, they discussed ICAI's draft findings and the recommendations of DFID's Management Assurance Review in order to agree specific action points and a timetable for implementation. Figure 10 provides a summary of the key actions agreed by DFID, COMESA and

2 Findings

TMSA in light of the issues raised by ICAI and DFID's Management Assurance Review.

2.80 DFID Southern Africa, TMSA and COMESA have agreed to amend the programme management manual in order to strengthen governance, procurement and management reporting and control of TMSA spending levels.

The effectiveness of these remedial actions is unknown

2.81 DFID Southern Africa is now looking to address the governance and management issues raised by

ICAI and DFID's Management Assurance Review. It is too early to judge if this response is adequate.

2.82 The programme management manual is currently being revised. Without sight of the content, we are unable to judge whether it will be sufficient to address the concerns raised but we are satisfied that the relevant issues are being considered. We look forward to following up on DFID's progress in due course.

Figure 10: Summary of actions agreed by DFID, COMESA and TMSA

| Area | Recommendations from DFID's Management Assurance Review | DFID Southern Africa Response |
|-------------------------------------|---|--|
| Governance | Improve structures and clarity of roles | <ul style="list-style-type: none"> ■ Establish an operational committee (chaired by COMESA) to discuss technical and operational issues and propose agenda items to the executive committee ■ Document both executive committee and operational committee meetings ■ Clarify roles and responsibilities |
| Reporting | Improve reporting and increase scrutiny, especially in risk areas of procurement and high expenditure | <ul style="list-style-type: none"> ■ Establish new reporting mechanisms and requirements (including templates) ■ Prepare extended terms of reference for auditors to review finances during the annual audit process |
| Payment in advance of need | Establish a clear plan for the commitment and disbursement of funds held in the Tripartite Trust Account | <ul style="list-style-type: none"> ■ Convene regular Tripartite investment committee meetings ■ Work with DBSA to agree timelines and future plans |
| Control environment | <p>Develop a procurement plan that is linked to the work plan and budgets with executive committee oversight</p> <p>Improve security for all tender documentation</p> <p>Create a conflict of interest register and declare any conflicts of interest</p> | <ul style="list-style-type: none"> ■ Develop new procurement procedures and a procurement plan ■ Ensure that all procurement is approved by the new operational committee ■ Provide guidance on ways to broaden the advertising of tenders ■ Develop a conflict of interest register |
| Controlling high levels of spending | Improve scrutiny through enhanced risk management and governance | <ul style="list-style-type: none"> ■ Develop a value for money policy (including review of spending 'norms' such as per diems) ■ Develop a benefits/savings tracker system reporting to the executive committee |
| Management risk | Develop a risk register to be included in the executive committee meeting agenda | <ul style="list-style-type: none"> ■ Establish a risk register (DFID to provide best practice example and half day workshop) ■ Draw on DFID to provide guidance on anti-bribery, anti-fraud and anti-corruption best practice |

2 Findings

Impact

Assessment: Amber-Red 

- 2.83 In this section, we consider whether DFID's trade development work in Southern Africa is delivering clear, significant and timely benefits.
- 2.84 We recognise that the impact of programmes such as these will only be realised in the long term. The adoption of international agreements takes several years, followed by implementation of commitments which, commonly, takes anything from one to ten years. Once these commitments are in place, businesses need to invest and adjust to take advantage of the resulting opportunities. Only then can the intended beneficiaries start to benefit from these activities through lower prices of goods, greater employment opportunities, increased demand for their products and increased social spending by governments.
- 2.85 We look at the intended and actual results of the programmes and give our assessment of the impact and sustainability of the benefits delivered and/or likely to be delivered. We would expect to see the costs of trade falling across the region as a whole.

TMSA is not delivering against its main core targets

- 2.86 The core purpose of TMSA is to reduce the costs of trade, through greater regional integration within the Tripartite, for the benefit of the poor. The original programme design was highly ambitious and it was always unlikely that its goals would be achieved by the end of the programme (31 October 2014).
- 2.87 Even so, TMSA's rate of progress has been slower than we would have expected in each of the three core areas (tariffs, border delays and transport costs) described in Figure 11 on page 25.⁵³ The programme is nowhere near achieving its original goals.
- 2.88 TMSA should have revised its expectations by extending the period to achieve its original goals. Instead, DFID and TMSA have responded by

lowering their ambitions, as shown by the targets in TMSA's revised project plan of 2012.

- 2.89 TMSA has, however, failed to meet these new targets (see Figure 11 on page 25). As a result, the impact of TMSA's programme at the time of our initial fieldwork has been limited.

The Tripartite trade negotiations have not started in earnest

- 2.90 Given the complexity of negotiations, which involve 26 countries and 3 RECs with overlapping memberships, finalising the Tripartite Free Trade Area negotiations within five years (2009-14) was highly unlikely. The only progress made has been to agree on a timetable and negotiation modalities. Although the original negotiating time frame was unrealistic, based on experience of other trade negotiations in the developing world, we would still expect that actual negotiations would be well underway after almost three years, even if final agreement was still several years away.
- 2.91 As things stand, member states have yet to begin discussions on the substance of the Tripartite Free Trade Area negotiations. Critical issues, such as the elimination of tariff and non-tariff barriers, rules of origin,⁵⁴ customs and technical barriers to trade have not yet been tabled. Given the time left before the current phase of TMSA ends, the goal of an agreed Tripartite Free Trade Area is, therefore, wholly unrealistic.
- 2.92 Many key stakeholders told us, however, that without the impetus provided by TMSA, the Tripartite Free Trade Area process would not have started at all. In addition, TMSA's work to establish negotiation options has put in place a framework for future progress.

⁵³ The three fields of activity shown in Figure 11 are the core of TMSA's work and, therefore, are deserving of most attention. A more comprehensive summary of the full range of TMSA's activities is provided in Figure A5 in the Annex.

⁵⁴ Rules of origin are used to determine the country of origin of a product for purposes of international trade. Only originating products benefit from preferential or free access under trade agreements.

2 Findings

Figure 11: Achievements in TMSA's core areas of activity⁵⁵

| TMSA's Intervention | Planned Direct Impact | Planned Trade Impact | Milestone for 2012-13 | Programme Target for 2014 | Results |
|--|---|---|---|--|--|
| Support to trade negotiation processes | Agreement and removal of tariff and non-tariff barriers | Reduced cost of regionally traded goods | Agreement reached on most negotiation issues | Tripartite Free Trade Area, agreed by 13 member countries of the Tripartite | Preparatory phase of negotiations ongoing. Key issues, such as the elimination of tariff and non-tariff barriers, have yet to be negotiated. |
| Support to border agencies | Improved trade facilitation processes | Lower trade transaction costs | Implementation of improved processes and procedures taking place at four border crossings | Four border crossings improved within the SADC and COMESA regions, resulting in at least 30% average reduction in border-crossing times at these improved border sites | Chirundu, which was launched less than a month after the establishment of TMSA, is now operational. It should be noted, however, that the majority of work on this border post was undertaken under the previous RTFP project and not TMSA. Changes in clearance times at Chirundu are discussed from paragraph 2.96. Work has yet to begin at other border crossings. |
| Funds and pre-feasibility studies for the North-South Corridor | Improved transport infrastructure | Lower freight costs | 853 km of regional transport corridor trunk road built, rehabilitated and/or under construction along the North-South Corridor in Southern Africa. Twenty-one projects underway with £44 million of capital financing committed | 1,040 km of regional transport corridor trunk road built, rehabilitated and/or under construction along the North-South Corridor in Southern Africa | 386 km of road built, rehabilitated and/or under construction along the North-South Corridor in Southern Africa (none of which is yet complete). Ten projects underway, nine of which are roads, with £24 million of capital financing committed |

⁵⁵ Based on the latest evidence which was provided to us at the time of our original fieldwork.

2 Findings

Border delays: little progress on regional harmonisation of trade measures

- 2.93 Seeking to agree common customs documentation and procedures, simplified procedures for small traders and harmonisation of standards across 26 countries by the end of 2014 was also highly ambitious. Little progress on the adoption of any regional agreement has been made.
- 2.94 Even at the country level, TMSA's progress on improving four actual border crossings has been limited. Work on the first one-stop border post at Chirundu began in 2005, under DFID's previous programme, RTFP, with the Japan International Cooperation Agency. Chirundu was opened in 2009.
- 2.95 TMSA has since invested a further £1 million in Chirundu. This is one of the region's busiest crossings, on the border between Zambia and Zimbabwe. We visited Chirundu in order to assess progress and the prospects for rolling out this model to other border crossings in Southern Africa.
- 2.96 Chirundu is regarded as a success story by DFID and government counterparts in both countries. Monitoring data collected by TMSA between 2010 and 2012 suggest that average border crossing times have fallen by one third while the number of vehicles using Chirundu during the same period has increased by two thirds. Our discussions with transport associations across the region, however, suggest that the actual impact has been less than that claimed by TMSA. At best, the results at the Chirundu border post are disputed and many stakeholders, including road hauliers, told us that delays at Chirundu were still not noticeably better.
- 2.97 Our consultations also suggest that, while half of vehicles pass across the border within 24 hours, a significant proportion continue to lag well behind. A number of factors may explain this situation. Recent World Bank research, regarding the problems faced by cross-border traders in Africa, suggests that bribes are their most significant concern.⁵⁶ A culture of bribery within border

agencies can slow crossing times but, despite the long list of 50 ambitious sub-projects being pursued by TMSA, there is no sign that the programme has sought to explore the issue of border bribery further. Given the significance of such bribery, as identified by the World Bank, we are concerned that this is not one of DFID's objectives or part of TMSA or MRGP.

- 2.98 We also note that TMSA has yet to start work at the three other planned border crossings. TMSA focussed on two such border posts at the beginning of the programme. The first of these is Nakonde/Tunduma, a key transit point between Tanzania and Zambia which links Dar es Salaam to the Zambia Copperbelt and the Democratic Republic of the Congo (DRC). The second is the Kasumbalesa border post between DRC and Zambia.
- 2.99 The Zambian Government later decided that both border posts should be funded and operated as partnerships between the public and private sectors. The role of the company which entered into agreement with the Government was unclear and was subsequently investigated through a Commission of Enquiry under President Sata. All work at the border posts had to be put on hold.
- 2.100 TMSA has since re-opened discussions with the Ministry of Finance in Zambia, in the expectation that the Chirundu model can be replicated at the Nakonde/Tunduma border post. Similar discussions have also begun again regarding Kasumbalesa.
- 2.101 These discussions are, however, at a very early stage. The experience of Chirundu shows that the development of one-stop border crossings is a political process that requires the investment of considerable time and effort to succeed. Work at Chirundu began in 2005 and continues to this day. It seems highly unlikely, therefore, that TMSA will be able to bring about improvements at three more border crossings before the end of the programme in 2014. It is unrealistic of TMSA to expect such progress to be made, though the programme's own management reporting suggests that these

⁵⁶ *Risky Business: Poor Women Cross-Border Traders in the Great Lakes Region of Africa*, World Bank Africa Trade Policy Notes, January 2011,

<http://siteresources.worldbank.org/INTAFRREGTOPTRADE/Resources/11RiskyBusinessREFORMAT2.pdf>.

2 Findings

improvements will take place before TMSA's current phase ends in 2014. This is an instance of misreporting, which we have addressed in detail in the Delivery section of this report.

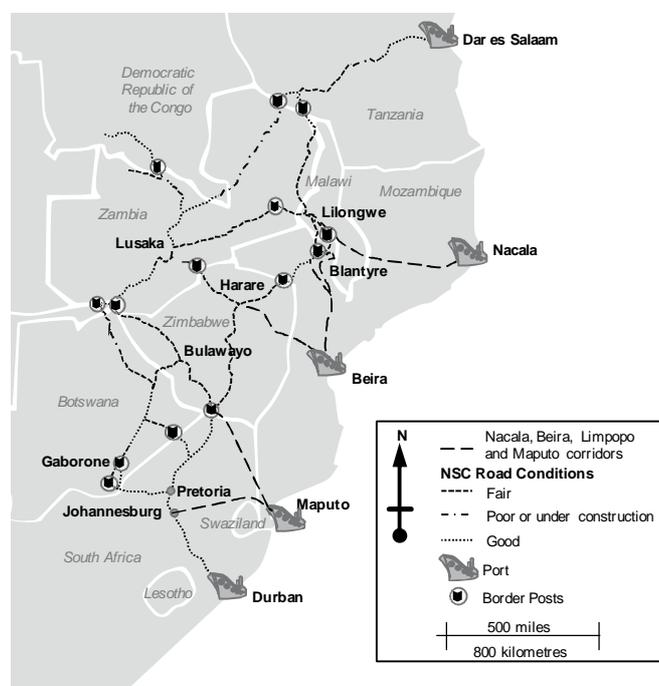
2.102 Discussions with trade specialists and academics suggest that it may, in any event, be more beneficial and quicker to address efficiency on one side of the border only (with, for example, a single window for border transactions) rather than try to deal with both sides of the border. In most cases, this could eliminate 80% of the delays.⁵⁷

TMSA provides effective co-ordination to the development of the North-South Corridor

2.103 Stakeholders informed us that TMSA plays a useful role in co-ordinating the rehabilitation of the North-South Corridor, illustrated in Figure 12 on page 27. This involves tracking the planned projects along the Corridor, through both the preparation and implementation phases, to ensure a joined-up approach that will pay attention to each component of the network. This is a job which no other donor or entity appears to be able or willing to fulfil. The North-South Corridor is a large road network of 3,820 km, which is comprised of 47 individual construction projects. TMSA and DFID drive the Friends of the Tripartite (a donor and investor forum) to:

- ensure a holistic approach to the development of the North-South Corridor, so that all components of the road network are rehabilitated;
- kick-start the rehabilitation process by highlighting pre-investment needs, either undertaking project preparation itself or encouraging others to do so; and
- prioritise and encourage investment and rehabilitation of sections of the North-South Corridor.

Figure 12: North-South Corridor and Eastern cluster corridors



DFID's capital funds have not attracted significant infrastructure financing

2.104 TMSA supports the development of infrastructure along the North-South Corridor and has made available £67 million for project implementation through the Tripartite Trust Account. Progress in financing the rehabilitation of the corridor is shown in Figure 13 on page 28. This shows the resources required for the preparation and implementation of corridor infrastructure projects and indicates the funds committed at the time of this review. It shows the degree to which DFID's support is leveraging resources from other donors and national governments within the region and the extent of the current financing gap.

⁵⁷ *Review of the Impact of Trade Facilitation Instruments, 2012*, <http://www.trademarka.com/download/Review-of-the-impact-of-trade-facilitation-instruments-Final03082012.pdf>.

2 Findings

Figure 13: Progress in financing the North-South Corridor⁵⁸

| | Project Preparation (US\$ millions) | Project Implementation (US\$ millions) |
|---|-------------------------------------|--|
| Resource needs | 28.6 | 4,748.9 |
| DFID funds | 7.5 ⁵⁹ | 100 ⁶⁰ |
| Other funds | 11.7 | 481.2 |
| Total committed resources (including DFID) | 19.2 | 581.2 |
| Shortfall | 9.4 | 4,167.8 |
| 'Leverage' (ratio of funds unlocked from other sources, relative to DFID funds) | 1:1.6 | 1:4.8 |

2.105 As Figure 13 highlights, progress on rehabilitation along the North-South Corridor is less than expected at this point in the programme. The total target is for 1,040 km. TMSA's target for 2012-13 is for 853 km of regional transport corridor trunk road to be either built, rehabilitated or under construction along the North-South Corridor. At present, the figure under construction is 386 km. It should be noted, however, that an infrastructure project is loosely defined by DFID as 'under construction' from the point at which a contract is issued to the construction company. Actual progress on the 386 km road is, therefore, limited and none of this construction work is yet complete. This is less than half the target for 2012-13 and leaves TMSA with a shortfall of more than 600 km to make up if it is to meet the target of 1,040 km by the programme's end in 2014.

2.106 TMSA's target for 2012-13 is to have 21 projects underway along the North-South Corridor, with two-thirds of DFID's US\$100 million for project

implementation committed. As of 30 April 2013,⁶¹ approximately one-third of this US\$100 million has been committed and the overall financing gap for project implementation along the North-South Corridor exceeds US\$4 billion. It is not surprising that infrastructure work is behind schedule. Governments and financiers require bankable projects to be prepared prior to financial commitment. The total funding required for preparation of these priority projects is US\$28.6 million, with commitments and spending of US\$19.2 million (67%) from DFID and the European Development Fund.⁶² We assess that it may be possible to prepare bankable projects for the majority of the infrastructure work before the programme comes to an end.

2.107 DFID expected that TMSA's US\$100 million capital investment fund would leverage other finance for priority trade infrastructure in the region. This would involve either bringing in additional contributions to the £67 million held in the Trust Account managed by DBSA or attracting joint financing (where DFID's grant component reduces the cost of finance, thus making projects viable). Potential providers of finance complained to us that, in the period before the establishment of the Project Preparation and Implementation Unit, project preparation documents were not of a sufficient standard to persuade them of the projects' commercial viability. Although project preparation has improved, DBSA informed us that additional finance has not been forthcoming and is unlikely to be raised.

2.108 At the time of our review, no monies from the Trust Account had been disbursed and the account was idle, earning interest. We found that the fund management had approved two projects for funding, amounting to 36% of the fund. The funds are not being used to mobilise other finance but simply to fill shortfalls in projects that would not otherwise have been completed. Examples include completing a road link started by the World Bank and construction of a weighbridge, required at an already rehabilitated border.

⁵⁸ As at the time of our fieldwork. For ease of comparison, we have used US-dollar figures throughout this section. Translation into sterling is not appropriate, as funding for the North-South Corridor originates from a variety of sources across different time periods.

⁵⁹ Funds made available by DFID for project preparation work along the North-South Corridor through its Project Preparation and Implementation Unit.

⁶⁰ Funds made available by DFID for project implementation through the Tripartite Trust Account, a capital investment fund administered on DFID's behalf by the Development Bank of Southern Africa.

⁶¹ *Tripartite Infrastructure Project Matrix*, prepared for the Friends of the Tripartite, March 2013.

⁶² As at the time of our original fieldwork.

2 Findings

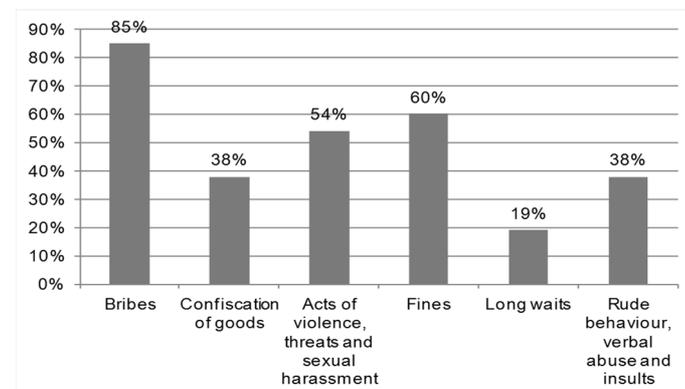
TMSA fails to identify short- and medium-term winners and losers and to establish a clear line of sight between its activities and impact on the poor

2.109 Although TMSA's newly developed theory of change (as of February 2013) makes reference to international research on the links between trade and poverty, it does not take into account the well-documented short- and medium-term adjustment costs of trade, in terms of its impact on the poor. TMSA's programme memorandum states that 'trade liberalisation can, of course, have a negative impact where the poor are engaged in uncompetitive economic activities or where market determination leads to high price volatility in staple food prices'.⁶³ Neither TMSA nor DFID, however, showed any interest in exploring these likely risks when consulted during this review or in identifying ways of mitigating them. In the design of TMSA, DFID referenced literature on the trade impact and the assumed trickle down to the poor. During implementation, we would have expected more detailed measurement of the actual impacts on trade and the poor. DFID works on the assumption that, in the long term, trade will lead to growth, which it assumes will, in turn, benefit the poor.

2.110 If TMSA is to have the desired poverty impact, we would also expect to see a clearer line of sight between its activities and the opportunities for poverty alleviation. In the case of Chirundu, TMSA's monitoring focusses exclusively on the time it takes for traders to cross the border. Research from the region indicates, however, that traders can face a range of risks at such border posts, as illustrated in Figure 14 on page 29. These risks might include demands for bribes, the confiscation of goods, as well as threats of violence or sexual harassment. Women traders are particularly vulnerable to these dangers and long waiting times may not be their primary concern.

2.111 In a programme, such as TMSA, we would expect to see greater evidence that such risks have been analysed and taken into account during design and implementation. This would improve the likelihood of outcomes favourable to the poor.

Figure 14: Reported frequency of risks by cross-border traders⁶⁴



2.112 Since our initial fieldwork, TMSA has commissioned an economic modelling exercise in order to assess the likely economic impact of the Tripartite Free Trade Area. The modelling work was finalised in August 2013 and is discussed in Figure A6 in the Annex. According to the experts and academics with whom we spoke, models such as these can provide an aggregate picture of the likely impact of trade negotiations on the poor.

2.113 While we are encouraged to see this exercise being undertaken, it is our view that this kind of analysis should have been done either during the design stage or at the start of the programme, to enable TMSA to use it as a guide for deeper analysis, disaggregating the broader impacts to generate a better understanding of the effects on the poor.

2.114 It is, however, interesting that the model's predictions of the effects of complete tariff liberalisation and extensive and widespread implementation of harmonised trade facilitation measures (best-case scenario analysed) would result in welfare gains to the region of only 0.4%.⁶⁵

2.115 We also consider that TMSA is not doing enough to use the results of the modelling exercise to enable countries to participate more effectively in negotiations. TMSA told us it plans to send this

⁶³ TMSA Programme Memorandum, DFID, 2009, paragraph 2.2.14.

⁶⁴ *Risky Business: Poor Women Cross-Border Traders in the Great Lakes Region of Africa*, World Bank Africa Trade Policy Notes, January 2011, <http://siteresources.worldbank.org/INTAFRREGTOPTRADE/Resources/11RiskyBusinessREFORMAT2.pdf>.

⁶⁵ *General Equilibrium Analysis of the COMESA-EAC-SADC Tripartite FTA*, Institute of Development Studies – TMSA Programme, 2013, page 41.

2 Findings

report, in its present form, directly to the RECs and to DFID country offices, without highlighting the key findings or presenting them in a way that would be intelligible to the stakeholders concerned. At 80 pages, the report is highly technical in its nature. Countries will require practical assistance to understand and interpret its contents if the modelling work is to have any meaningful effect or application.

2.116 We conclude that DFID is not doing enough to consider the different impacts of its trade development work on intended beneficiaries, especially the poor. This is particularly disappointing, given the scale of the investment which the UK Government is making in trade development work in Southern Africa.

TMSA focusses too heavily on non-core activities to show short-term impact

2.117 DFID's trade development work has the potential to bring about significant improvements for intended beneficiaries in the region. Its goal is to reach one million poor households throughout the region. Such improvements will, however, only be realised in the long term. The impact on trade expansion and poverty reduction will not be visible for several years to come. There is, however, pressure for TMSA to demonstrate impact within the programme's time frame. As a result, TMSA has pursued short-term impacts on the poor through a range of non-core activities, many of which have already been completed so are not on-going or scaled up. We have identified 17 such projects, averaging £70,000 each.⁶⁶ These non-core projects include:

- in Mozambique, TMSA has supported three smallholders to understand and meet EU and organic standards. One of these smallholders is now certified (complete);
- in Zambia, TMSA is supporting with DFID Zambia and Coca-Cola the distribution of anti-diarrhoeal medicine (on-going);

⁶⁶ This conclusion is drawn from the comprehensive analysis of TMSA's activities, provided in Figure A5 in the Annex. This analysis is based on the most recent TMSA quarterly management reports available at the time of the team's initial visit.

- in South Africa, TMSA has developed a web-based carbon calculator for food miles for the fruit and wine sectors (complete);
- in the Seychelles, TMSA has undertaken an assessment of the competitiveness of the broiler industry (complete);
- in Zambia, TMSA has helped the national development agency to design an export strategy (complete);
- in Zambia, TMSA has transformed the activities of approximately 60 small-scale avocado growers, helping them to move from subsistence to more commercial activity (complete); and
- in Mozambique, TMSA has provided training and support to 490 artisanal fishermen on EU food safety requirements to enhance their export potential (complete).⁶⁷

2.118 DFID acknowledges that some of these activities have been used by TMSA to demonstrate some direct benefit to the poor. These activities are, however, neither linked to each other nor to the overall objective of using the Tripartite regional integration process to increase income levels for one million low-income households. The impact of these non-core activities is very small, compared with the potential impact (both positive and negative) of activities at the regional level. These may well be good small projects but they are inappropriate in this programme in terms of scale and time frame and do not contribute meaningfully towards TMSA's core goal: to reduce the costs of trade in Southern Africa through regional integration.

Impact will be further reduced because TMSA is watering down its targets

2.119 In February 2013, with 19 months of the project remaining, TMSA adjusted its core targets and goals for the project with approval from DFID. This adjustment constitutes a watering down of the

⁶⁷ TMSA's quarterly progress reports indicate that Mozambique's National Institute of Fisheries Inspection (INIP) was also the recipient of financial support under a previous DFID programme. In 2007, INIP received a grant from the ComMark Trust to assist it to implement a number of standards-related projects to ensure that Mozambique was not removed from the EU's approved list of suppliers of fishery products.

2 Findings

original targets. For example, an original goal was for the adoption and implementation of harmonised customs documentation, procedures and laws across the Tripartite. The revised goal states that only eight countries implement those measures agreed at the Tripartite. Agreeing something amongst a small group could actually be counter-productive to regional integration, as this is setting up rules for a few that may then contradict regional rules or rules set in other regions. On paper, therefore, TMSA could achieve a success but, in reality, there would be little progress towards closer regional integration, lower trade costs, increased trade, economic growth or poverty reduction.

There is no evidence of sustainability or of an exit strategy

2.120 We are concerned that DFID and TMSA are not taking adequate steps to ensure the sustainability of their actions. This concern applies in two of the three core areas in which TMSA is working:

- **Tripartite Free Trade Area negotiations:** sustainability of the negotiation process will depend on the implementation of commitments made. We found that TMSA is doing little to address implementation at the country level within the 26 member states. National capacities are weak and there has been slow and limited implementation of the COMESA and SADC agreements; and
- **Trade facilitation:** TMSA has developed a web-based monitoring and reporting mechanism, which the public can use in order to notify national and regional authorities of non-tariff barriers to trade.⁶⁸ The aim of this reporting system is to eliminate red tape but it is not a legal mechanism and does not filter out legitimate trade barriers. A more sustainable approach to tackling red tape would involve work on regional harmonisation agreements but this is not being addressed by TMSA.⁶⁹

⁶⁸ For further information on the mechanism for reporting, monitoring and eliminating non-tariff barriers, see <http://www.tradebarriers.org/about>.

⁶⁹ Government officials stated to us that many of the issues they are pressured to resolve through the monitoring and reporting mechanism are legitimate non-tariff measures rather than non-tariff barriers. People complain, for example, that they

2.121 The Tripartite processes, which underpin activities in each core area, are meant to be supported by the RECs with a rotating Secretariat. TMSA effectively takes this role, at present, as the RECs themselves have no capacity to do so. It is recognised that the Tripartite processes would collapse or slow down without DFID's continuing support through TMSA. DFID, however, has no exit strategy and assumes that support will continue.

Learning

Assessment: Red 

2.122 In this section, we look at the way in which DFID monitors its regional trade programmes. We examine the extent to which DFID and its programmes consider and include global best practices, especially in relation to ensuring that trade benefits the poor.

TMSA monitors activities, not impacts

2.123 DFID and TMSA are not doing enough to consider the different impacts of their trade development work on intended beneficiaries, especially the poor. DFID is undertaking a mid-term evaluation of TMSA, the first phase of which will evaluate programme performance and value for money to date. While this evaluation will help DFID to understand TMSA's impact, it is not yet completed, so will be too late to affect the programme's direction. At present, TMSA measures activities rather than impacts and calculates impacts by using background sources instead of measuring them on the ground. For example, at Chirundu TMSA is monitoring average traffic crossing times and estimating inflated cost savings to trade, based on figures provided by South African road hauliers. Instead, it should be monitoring the cost of the transport of goods between two points in the region that use Chirundu to see if actual prices of transport and goods have fallen.

2.124 We found that the emphasis is on reporting and communicating TMSA's activities and immediate outputs, without looking further down the results chain. For example, TMSA is monitoring improved infrastructure along the North-South Corridor through a web-based Geographic Information System, yet there is no attempt to assess the

have to pay VAT or comply with Sanitary and Phytosanitary Measures (SPS) requirements but these fall under the former category and not the latter.

2 Findings

impact of this rehabilitation work on transaction costs and trade.

Using knowledge and best practices on trade and poverty linkages

DFID is failing to apply its own research and learning

2.125 DFID centrally has invested in understanding the links between trade and poverty, dating back to 2001.⁷⁰ Since then, it has commissioned numerous studies, briefings and toolkits for trade development, focussed on the poor. Many other donors, academics and think tanks look to DFID's work to guide their own research and use of best practices. DFID is seen as a global leader in this field. We found, however, that staff responsible for trade in DFID Southern Africa have a poor level of understanding of trade and poverty linkages.

2.126 Trade is also a highly technical, complex and specialist area. Trade-related infrastructure, for example, requires knowledge of infrastructure development and capital financing. While DFID and TMSA have people with the relevant knowledge, the feedback which we received from financiers suggests that this expertise is not being applied effectively. This, in turn, has affected TMSA's early efforts to attract new sources of infrastructure financing, as described in the previous section. Although the staff learn rapidly, they do not have the depth of knowledge and understanding to enable them to drive a proactive relationship with project implementers.

TMSA has not benefited from DFID's knowledge base

2.127 There are a number of ways in which trade development programmes, such as TMSA and MRGP can reduce poverty, as described in paragraph 2.8.

2.128 DFID does not apply its own guidance on poverty and social analysis. We found that DFID did not adequately use this knowledge base in the implementation, monitoring and supervision of

TMSA and MRGP, including the toolkits developed for DFID by ODI.⁷¹

There is more evidence of learning in MRGP

2.129 We saw more evidence of a willingness to learn in the MRGP. We find MRGP's approach to be more convincing than that of TMSA and more appropriately based on learning. Even so, there is little sign that the short- and medium-term adjustment costs have been adequately explored.

DFID's approach lacks flexibility, with insufficient consultation and learning

There is insufficient consultation with key stakeholders

2.130 We saw little evidence of a willingness to listen and learn, either in DFID Southern Africa or in TMSA. We met with a number of regional and national governments, business and civil society representatives, including organisations funded partly by DFID, such as the Southern Africa Trust and FinMark. Some told us they had never heard of the programme or had not been involved in any substantive discussions. In other cases, they told us that they had approached DFID and TMSA with contributions to the regional trade debate but were ignored.

DFID and TMSA have not been flexible in their approach to implementation

2.131 In recent years, there has been a move away from supporting regional processes in isolation towards supporting regional and national processes in parallel. Staff from the United States Agency for International Development (USAID) and the EU, with whom we met, recognised that anything agreed regionally has no effect, unless it is implemented nationally. National implementation of the Tripartite process in COMESA, EAC and SADC is poor. As a result, there has been a major shift by most donors, including the EU and USAID, from simply supporting regional structures to supporting both regional and national structures, simultaneously. The EU Commissioner has stated this at a policy level throughout Africa.⁷²

⁷⁰ *Trade Liberalization and Poverty: A Handbook*, DFID, 2001, http://vi.unctad.org/tapcd/papers_documents/mcculloch_winters_cirera_2001_trade_liberalization_poverty.pdf.

⁷¹ *Aid for Trade: Promoting Inclusive Growth and Poverty Reduction – Phase 2*, ODI, 2009-10, <http://www.odi.org.uk/projects/1055-aid-trade-promoting-inclusive-growth-poverty-reduction-phase-2>.

⁷² A. Piebalgs, *EU Support for Regional Integration and Regional Economic Communities in Africa in Light of the Upcoming 11th EDF*, 2012,

2 Findings

2.132 USAID, in its regional flagship programme, Trade Hub (2002-14), has evolved from working exclusively with regional institutions towards working at both the regional and national levels. Its bias now is more towards national authorities. DFID's other large trade programme in Africa, TMEA, looked at TMSA in its project design and stated that it learned from TMSA that a combined regional and national approach is required. TMSA has not learned this same lesson itself during implementation and continues to operate only at a regional level.

TMSA and DFID are also not learning from other experiences of good practices within the region

2.133 The national component of MRGP, for example, follows a model in which private sector development projects are closely linked to the rehabilitation of infrastructure. This integrated approach to corridor planning and management is designed to unlock development potential and was first, successfully, introduced in South Africa in 1996.⁷³

2.134 The financial case for the MRGP's national component is based on the business of transporting minerals to the ports for export markets. The MRGP national component, therefore, addresses transport infrastructure requirements. It also examines the wider benefits along the route to communities, farmers, informal traders and other businesses. In this way, the project will develop 'economic' and not just transport corridors. By comparison, both TMSA and the regional component of MRGP are dealing only with the trade transport elements and do not deal with any broader analysis. In our view, this means that a development opportunity has been missed.

http://www.ecdpm.org/Web_ECDPM/Web/Content/Navigation.nsf/index2?readform&http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/0/98A6046230BC6374C1257AAD0033183C?OpenDocument.

⁷³ Overview of the Spatial Development Initiative methodology, Maputo Corridor Logistics Initiative, <http://www.mcli.co.za/mcli-web/mdc/sdi.htm>.

3 Conclusions and Recommendations

Conclusions

- 3.1 DFID's trade development work has the potential to be transformational, with a long-term impact on economic growth and poverty reduction in the region. This potential is, however, unlikely to be realised unless the weaknesses which we found in the delivery and oversight of TMSA are addressed.
- 3.2 **DFID's programme objectives are appropriate but the timetable is too ambitious.** We found that the objectives of both TMSA and MRGP fit well with the UK's broader policy to encourage trade development. We also recognise that they complement the regional integration agenda within Africa itself. The expected completion of international trade negotiations within the project time frame is too optimistic and unrealistic. For example, agreeing to common rules of origin across the three RECs and harmonising customs laws and procedures in all 26 countries is highly complex and technical. Some of TMSA's interventions directly address the major constraints to trade expansion but there are too many non-core activities included in the programme design.
- 3.3 TMSA stated that the programme is on track and that negotiations will be completed within the time frame of the project, whilst DFID told us that this is unlikely. Since the Tripartite Free Trade Area negotiations have yet to start, there is no likelihood of them being concluded in the near future. DFID and TMSA appear to have limited understanding of the required tasks and timings for all the programme's activities. For example, the Chirundu one-stop border post initiative began in 2005 and TMSA is still working on improving its operations. TMSA still believes it can replicate the initiative at three further borders in the time remaining before the end of the programme but this is highly unrealistic, given that work has not yet started.⁷⁴
- 3.4 We consider it unlikely that TMSA will have a significant impact in the short to medium term, due to major deficiencies in DFID's delivery and management. It is too early to judge the probable impact of MRGP.
- 3.5 **The quality of many of the activities undertaken by TMSA is poor.** TMSA has played a useful role in certain areas, for example, by co-ordinating the rehabilitation of the North-South Corridor and helping to establish a framework for Tripartite Free Trade Area negotiations. We found, nevertheless, that many of the activities undertaken by TMSA were low level, lacked depth and were aimed at presentation rather than substance. For example, a large part of the resources that TMSA has invested in addressing non-tariff barriers to trade is being channelled into an online Tripartite monitoring and reporting mechanism. In developing this online system, TMSA has made no attempt to distinguish between legitimate measures and actual trade barriers that need to be addressed. As a result, beneficiaries told us that TMSA wasted time dealing with complaints, such as payment of taxes due, which are not genuine barriers to trade.
- 3.6 **DFID's management and supervision of TMSA has been ineffective.** DFID has accepted, without effective challenge, management reporting by TMSA. It has done so, despite serious issues and concerns regarding procurement, targets and progress. Regarding financial scrutiny, DFID has challenged on some aspects but, due to the previous governance structure, had limited ability to influence. This has led to wasteful spending that contributes little to overall goals and has resulted in an unauthorised grant agreement with and money disbursed to the Government of Zimbabwe.
- 3.7 **TMSA is not sufficiently focussed.** We found that TMSA is distracted from its key role of supporting the Tripartite processes by undertaking a broad range of non-core activities. Figure A5 in the Annex shows that, of the 50 projects which comprise TMSA, only 18 (36%) are directly relevant to the overall goals of cutting red tape, improving infrastructure or reducing tariff and non-tariff barriers. 17 projects (34%) may have some broader developmental benefit but do not contribute directly towards these goals. For

⁷⁴ Discussions with the Government of the DRC and the Government of Zambia have begun as a first step towards the establishment of one-stop border posts at Nakonde-Tunduma and Kasumbalesa but there is a limited period left before the programme ends. In contrast, it took four years to open the Chirundu one-stop border post, following the start of negotiations in 2005.

3 Conclusions and Recommendations

example, TMSA⁷⁵ decided to pay for the planting of 4,000 avocado trees to support 60 farmers in Zambia. We could not see how this would contribute to its overall goal of reducing trade costs or harmonising standards for the whole Tripartite area. Neither would this significantly help to meet its target of assisting one million poor households.

- 3.8 **DFID and TMSA are not assessing the specific needs of the poor.** TMSA has recently commissioned a modelling exercise in order to explore the likely economic impact of the Tripartite Free Trade Area. This model provides a starting point for understanding the poverty impact of TMSA but should have been undertaken much earlier. DFID and TMSA make limited attempts to analyse anything beyond their own activities and they have not put in place mitigating measures that take account of the poor. They do not adequately consult with representatives of intended beneficiaries or stakeholders throughout the delivery chain, even though there are well-organised, articulate and representative regional organisations in place.
- 3.9 **DFID is now taking steps to address governance and management weaknesses within TMSA.** DFID is now using our findings and those of the subsequent Management Assurance Review to change the governance and management reporting structures of TMSA. DFID is currently making changes to the programme management manual with the inputs of its Internal Audit Department, external experts and other relevant departments. It is too early to tell whether this will be completed promptly and sufficiently to have an impact on the remainder of the programme.

Recommendations

- 3.10 Recommendations 1 and 2 are designed to address the serious implementation issues which must be dealt with immediately. The remaining recommendations seek to improve effectiveness and value for money of any future programmes.

- 3.11 Immediately following our initial fieldwork to South Africa, ICAI alerted DFID senior management of the need to take immediate action to improve its management of TMSA, in advance of publication of this report. This is essentially Recommendation 1.

- 3.12 We are pleased that DFID has responded and has begun to change the governance and management structures of TMSA. It is too early, however, to judge the effectiveness of these changes and so our recommendation still stands.

Recommendation 1: DFID should continue to take swift action, as it started to do when we raised our concerns, to ensure effective management of TMSA, including financial oversight, procurement, target setting and monitoring.

- 3.13 DFID urgently needs to improve its management and to take steps to ensure that TMSA focusses solely on technical and logistical support to the Tripartite processes. It should:

- improve its financial oversight of TMSA's expenditure, to ensure that it is appropriate and proportional in areas, such as the cost of meetings;
- ensure that TMSA's procurement processes are much more competitive, so that broader expertise is brought into TMSA;
- scrutinise TMSA's reporting to ensure that what is presented in higher-level management reports reflects actual progress; and
- look more closely at TMSA's targets to check that they are real targets rather than activities; and that they are ambitious but realistic and contribute to the overall goals of the programme.

Recommendation 2: DFID should urgently work to raise awareness of the results of TMSA's recent economic modelling to countries of the Tripartite, undertake further analysis and support poorer countries to address the potential negative impacts of trade growth.

- 3.14 The recent economic modelling exercise is a good start towards understanding the impact of the Tripartite Free Trade Area negotiations on

⁷⁵ TMSA Quarterly Project Sheets, TMSA, December 2012.

3 Conclusions and Recommendations

vulnerable countries and sectors. Our analysis of the modelling exercise highlights the need for much more work to be undertaken but TMSA told us that it has no intention of making use of this opportunity.

3.15 DFID needs to do more to build on the economic modelling exercise by:

- raising awareness in a form that can be readily understood and used by a broader audience (government, business and civil society throughout the Tripartite area);
- undertaking further analysis to investigate the likely impacts of these negative effects on the poor and vulnerable of each country concerned; and
- supporting poorer countries (including both governments and business associations) to enable them to develop stronger negotiating positions. This should include product exclusions and tariff phasing-down periods and the development of mitigation policies to counteract any remaining negative impacts.

Recommendation 3: If DFID decides to continue with its support to regional integration in Southern Africa, it should identify a more suitable mechanism to deliver technical assistance to the Tripartite, with a focus on accelerating progress and drawing, as appropriate, on international expertise.

3.16 DFID's funding of TMSA is due to end in 2014. DFID should ensure that any future programme concentrates only on the core areas of supporting the Tripartite processes. These include tariffs, harmonisation of border procedures and facilitating the creation and rehabilitation of regional trade infrastructure (facilitating, not engaging in, infrastructure financing).

3.17 The key characteristics of a follow-up programme should include:

- a focus on providing support to the Tripartite Secretariat, whether this is a permanent Secretariat or a rotating one across the three RECs;

- a more appropriate mechanism to deliver technical support to the Tripartite. In our view, this is best delivered through a small project team, contracted through an international tender. This team should include the right experts to facilitate the process from both within and outside the region;
- a more rigorous system for oversight and scrutiny to ensure that the programme stays focussed and remains on track;
- the incorporation of best practices across all activities; for example, the provision of evidence-based stimulus to the Tripartite negotiations to facilitate open and honest debate and more effective agreements, rather than just the provision of logistics;
- proper analysis and consultation with civil society, workers and private sector representatives to provide better understanding of the potential positive and negative effects on the poor and to mitigate any adverse effects that are identified, at the regional and national levels;
- recognition that the Tripartite process is complex and long and that targets and objectives need to be more realistic to reflect this;
- separation of the management, responsibility and delivery of any capital-spending component from technical support; and
- assistance at both the regional and national level to align and support national partners, as well as regional bodies, since part of the Tripartite process relies on national capacities.

Recommendation 4: As a prerequisite of any future trade development programme, DFID should undertake comprehensive analysis of the impact on trade and the poor, both at the outset and throughout implementation; and build in mitigating actions to alleviate any negative effects.

3.18 DFID has gathered a broad knowledge and understanding of trade development methodologies, focussed on how trade can benefit the poor. Many donors and agencies around the

3 Conclusions and Recommendations

world use this to good effect. DFID should ensure that it makes the best use of this knowledge in the design, management and implementation of its own trade and related programmes.

3.19 In particular, DFID Southern Africa should undertake proper analysis and consultation to ensure a better understanding of the specific benefits and adverse effects on the poor, as a result of the Tripartite trade agreements and instruments. If any adverse effects are identified, DFID needs to ensure that mitigating measures are put in place at both the regional and national levels.

3.20 This should include action to:

- analyse the opportunities, constraints and risks which trade interventions will bring about for the poor and incorporate such indicators and targets into monitoring and evaluation;
- identify sectors in each country that are likely to be negatively affected by changes in the trade regime (statistical analysis of imports and levels of protection of domestic industry from high transport costs and tariffs);
- map participation of the poor in these sectors, either as producers (especially small-holders) or employees;
- ensure that plans are tabled for mitigating any negative impacts on the poor (such as longer periods to dismantle tariffs on sensitive products); and
- use toolkits to guide implementation, including those developed by others. For example, the World Bank's trade facilitation toolkit covers issues such as including glass doors in administrative buildings at borders to safeguard women traders from abuse. It also recommends small storage facilities to enable informal traders to protect their stock.

Annex

This annex sets out a range of more detailed background information to the review. This includes:

- an explanation of the linkages between trade expansion, economic growth and poverty reduction (Figure A1);
- further detail on Aid for Trade, its origins and scope (Figure A2);
- a summary of DFID's portfolio of trade-related programmes in Southern Africa (Figure A3);
- a timeline of DFID's trade development programmes that are the focus of this review (Figure A4);
- an analysis of TMSA's portfolio of activities (Figure A5);
- a review of the economic modelling which DFID and TMSA have undertaken in the period following our initial fieldwork, in order to assess the potential impact of the Tripartite Free Trade Area (Figure A6); and
- a list of interviews held through the course of this review (Figure A7).

We have also prepared a bibliography of published and unpublished documents used for this review. The bibliography supports the references noted directly in the body of the text and can be found on the ICAI website.

Annex

Figure A1: Linkages to trade and poverty

Trade liberalisation to economic growth and poverty reduction

International trade is important for long-term economic growth and development.⁷⁶ Trade improves a nation's economic welfare by allowing specialisation and economies of scale in production, providing consumers with greater choice, increasing employment opportunities and giving access to foreign knowledge and technology. Few countries have enjoyed long-term economic growth without – at the same time – experiencing a significant expansion in trade. Most developing countries with high rates of economic growth have also benefited from an overall reduction in the level of poverty.

It is clear, however, that not all trade contributes equally to growth and not all trade-related growth results in poverty reduction.⁷⁷ Some developing countries and regions have been more successful than others in harnessing the potential of trade for improved growth performance and raising the livelihoods of the poor.⁷⁸ For some countries, especially in East Asia and Latin America, trade expansion has resulted in an immediate increase in national income but this has not been translated into a sustained increase in the underlying rate of growth. Other countries have recorded more modest trade and growth performance, while achieving significant progress in poverty reduction.

Recent research on the relationship between trade and growth suggests that it may be rapid economic growth that causes an expansion in trade and investment, rather than the other way around.⁷⁹ An economy's institutional and governance characteristics may well be more important for economic growth than trade orientation. Differences in these factors can help to explain why the impact of trade on economic growth varies between countries.⁸⁰

Initially, it was assumed that the benefits from trade-induced economic growth would 'trickle down' and result in a general reduction in poverty. This simplistic view of the trade and poverty reduction relationship has been discredited by recent research, which has highlighted the dangers of assuming that trade expansion will always result in poverty reduction. Opening the economy to trade and investment requires that resources shift in response to changes in demand and supply. In the short term, these adjustment costs can be significant, particularly for workers and small-scale producers. The ultimate impact of trade on poverty will depend on many factors, including the precise trade development measure that is undertaken, the structure of production and the pattern and the source of income of poor households.⁸¹

Designing trade development programmes

A trade development policy intervention that works in one country will not necessarily succeed in a different context. The early thinking on trade impacts assumed that 'opening' the economy through trade liberalisation would increase the demand for exports, accelerating the rate of economic growth.⁸² Weak growth in exports, however, has focussed recent attention on the effect of domestic constraints, which can prevent countries from fully harnessing the potential gains from trade.⁸³ These include cumbersome customs and port clearance procedures and deficiencies in trade-related infrastructure, which increase private sector trade costs. Institutional factors, including property rights, corruption and the regulatory framework, can also influence trade performance. Policy options for stimulating trade

⁷⁶ R. Wacziarg and K. H. Welch, *Trade Liberalisation and Growth: New Evidence*, World Bank Economic Review, 2008.

⁷⁷ H. Jallilian and C. Kirkpatrick, *Can Financial Development Contribute to Poverty Reduction in Developing Countries*, Journal of Development Studies, 2005, 41 (4): 636-656.

⁷⁸ C. Michalopoulos and F. Ng, *Trends in Developing Country Trade 1980-2010*, Policy Research Working Paper 6334, World Bank, 2013.

⁷⁹ R. Wacziarg and K. H. Welch, *Trade Liberalisation and Growth: New Evidence*, World Bank Economic Review, 2008, vol. 22, no2, 187-231.

⁸⁰ P.K. Goldberg and N. Pavcnik, *Distributional Effects of Globalization in Developing Countries*, Journal of Economic Literature, 2007, vol. XLV, March, 39-82.

⁸¹ A. Winters, N. McCulloch and X. Cirera, *Trade Liberalisation and Poverty: A Handbook*, Centre for Economic Policy Research, 2001.

⁸² J. Thurlow, *Trade Liberalisation and Pro-Poor Growth in South Africa*, IFPRI, 2009.

⁸³ I. Elbadawi, T. Mengistae and A. Zeufack, *Market access, supplier access and Africa's manufactured exports: an analysis of the role of geography and institutions*, World Bank Policy Working Paper, 3942, 2006.

Annex

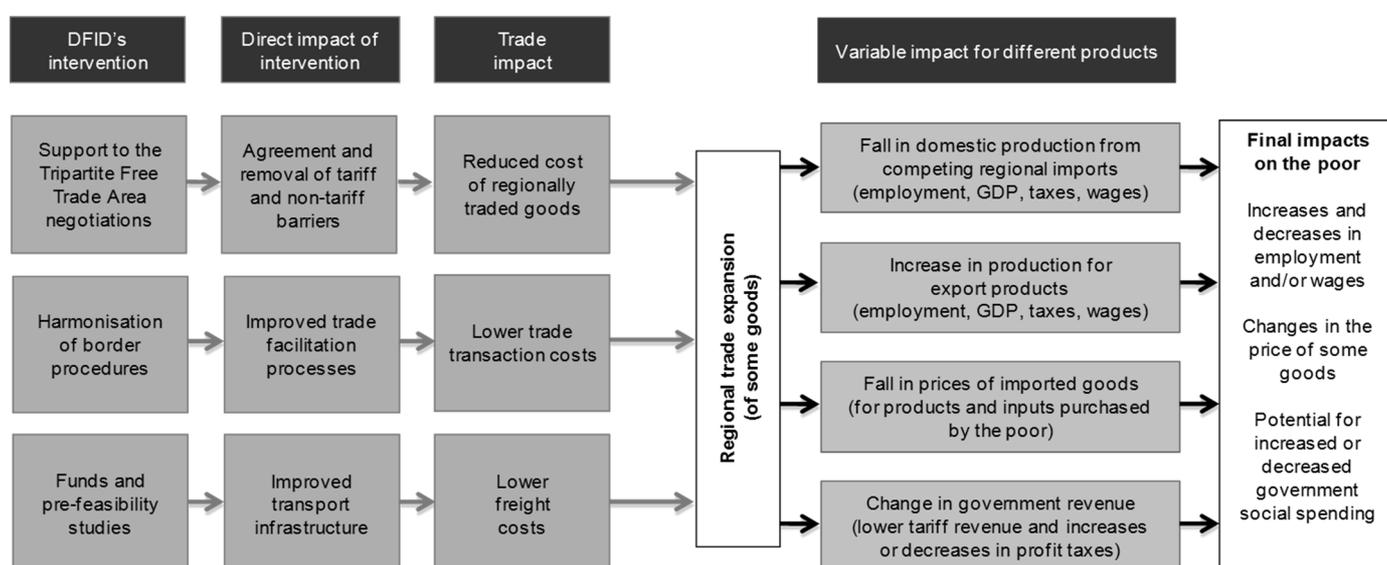
performance - including tariff and non-tariff reductions, export promotion and investment incentives - will work differently, depending on an economy's political, institutional and economic characteristics.

For most donors, including DFID, the objective of trade support is not simply trade expansion but trade as a means for achieving poverty reduction. The poverty reduction impact of trade development programmes, however has often been disappointing. To understand why trade growth does not always translate into a welfare improvement for the poor, we need to examine the channels through which trade gains can reach the poor. The impacts of changes in trade flows on poor households come about in three ways:⁸⁴

- trade liberalisation will affect the prices of goods and services. Some will increase, others will fall and price variability can rise;
- changes in trade will affect the income that households receive in the form of wages and profits; and
- changes in government revenue from trade may be passed on to households as a change in social expenditure.

The figure below provides a template for gathering and testing evidence on the complex transmission channels linking trade changes to poverty reduction for the three specific forms of trade development assistance being provided by TMSA. The final impacts on the poor may only become evident after the programme has ended. This means that the evaluation of a trade development project may have to rely on evidence on intermediate impact indicators (shown in pink), supported by past experience and expert opinion, to estimate the likely impacts on the poor.

Figure A1.1: Transmission channels from trade intervention to impact on intended beneficiaries



⁸⁴ A. Winters, N. McCulloch and X. Cirera, *Trade Liberalisation and Poverty: A Handbook*, Centre for Economic Policy Research, 2001.

Annex

Figure A2: What is Aid for Trade?

In the run up to and during the launch of the WTO negotiations at Doha in 2001, developing countries were resistant to engage in new multilateral trade negotiations. This resistance stemmed from their inability to take advantage of market opportunities provided by the WTO agreements. Market access is, however, not the only issue which developing countries face in attempting to integrate into the global economy. Supply-side constraints and internal capacity issues present a further challenge. It was agreed at Doha that such issues would be addressed and would form an integral part of the negotiations, which were then launched as the Doha Development Agenda.

Discussions at the International Monetary Fund (IMF) and the World Bank were subsequently held with WTO Members. At the WTO Ministerial conference in Hong Kong, Aid for Trade (AfT) was launched: 'Aid for Trade should aim to help developing countries, particularly LDCs, to 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'.⁸⁵

The WTO Taskforce identified six categories of AfT:

- **Category 1: Trade Policy and Regulation:** includes trade policy and planning, trade facilitation, regional trade agreements, multilateral trade negotiations, multi-sector wholesale/retail trade and trade promotion. It also includes training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-off, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards.
- **Category 2: Trade Development:** includes investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development. Trade Development is included also in the building-productive-capacity category and so, in effect, is a subset narrowed down to the trade-related percentage.
- **Category 3: Trade-Related Infrastructure:** includes physical infrastructure, such as transport and storage, communications and energy generation and supply.
- **Category 4: Building Productive Capacities:** includes business development and activities, aimed at improving the business climate, privatisation, assistance to banking and financial services, agriculture, forestry, fishing, industry, mineral resources and mining and tourism. It also includes trade- and non-trade-related capacity building.
- **Category 5: Trade-Related Adjustment:** was created by the Organisation for Economic Co-operation and Development's Development Assistance Committee at the end of 2007. It covers contributions to the government budget to assist the implementation of recipients' own trade reforms and adjustments to trade policy measures by other countries and assistance to manage shortfalls in the balance of payments, due to changes in the world trading environment.
- **Category 6: Other Trade-Related Needs:** includes related support not captured under the categories above. The 2005 European Consensus on Development highlights trade as a crucial element of the broader development policies pursuing the Millennium Development Goals. In October 2007, the EU (both

⁸⁵ Article 57, WT/MIN(05)/DEC Ministerial Declaration, Hong Kong, 2005.

Annex

Commission and Member States) adopted a joint Aid for Trade Strategy⁸⁶ to help developing countries integrate into the rules-based world trading system and, more effectively, to use trade in promoting the overarching objective of poverty reduction: 'The Strategy will help [the EU] to support all DCs [developing countries], in particular LDCs [least developed countries], to integrate better into the rules-based world trading system and to use trade more effectively in promoting the overarching objective of poverty reduction, in the context of sustainable development'. The EU, including member states, committed to increase significantly their combined spending on trade-related assistance (trade policy and regulation support and trade capacity building). Specifically, the commitment was to increase trade-related assistance to €2 billion per year by 2010 (€1 billion from Commission institutions and €1 billion from EU member states' bilateral aid).

Previously, the UK Government (November 2005) had pledged to increase its trade-related assistance to £100 million by 2010. A second UK commitment (September 2006) pledged to increase total support for Aid for Trade (broader spending to include trade-related infrastructure and private sector development) by 50% to US\$750 million a year by 2010.⁸⁷

Data on Aid for Trade are taken from the OECD Creditor Reporting System database broken down into four main categories. The database provides information on official development assistance (ODA) and other official flows to developing countries. Aid for Trade disbursements have increased annually at 11-12% since 2006, reaching \$29 billion in 2006. The share of least developed countries in Aid for Trade increased from 26% in 2006 to 30% in 2009, with almost two-thirds of new commitments provided as full grants. Africa is the largest regional recipient with 41% of total Aid for Trade flows.

Since the launch of the Aid for Trade Initiative in 2006, 44% of commitments have gone to building productive capacities, 53% to economic infrastructure and the remainder to trade policy and regulations and trade-related adjustment.

By 2009, UK commitments had been met. Aid for Trade rose from US\$690 million (£375 million) a year (average 2002-05) to US\$1.9 billion (£1.2 billion) a year and actual disbursements rose from US\$389 million (£216 million) a year to US\$1.3 billion (£820 million) a year.⁸⁸ By region, UK Aid for Trade commitments focus primarily on Africa, with 49% of total UK Aid for Trade, followed by Asia with 36%.

⁸⁶ *EU Strategy on Aid for Trade: Enhancing EU support for trade-related needs in developing countries*, Doc. 14470/07, 2007, http://trade.ec.europa.eu/doclib/docs/2008/november/tradoc_141470.pdf.

⁸⁷ *Aid for Trade – how to deliver more and better aid for trade*, DFID, 2007,

<http://webarchive.nationalarchives.gov.uk/http://www.dfid.gov.uk/Media-Room/News-Stories/Aid-for-Trade-how-to-deliver-more-and-better-aid-for-trade/>.

⁸⁸ *Aid for Trade at a Glance 2011: Showing Results*, joint WTO–OECD publication, 2012, http://www.wto.org/english/res_e/publications_e/aid4trade11_e.htm.

Annex

Figure A3: Summary of DFID portfolio of trade-related programmes in Southern Africa⁸⁹

In the table below, we set out a summary of previous and current DFID trade development projects in Southern Africa. It should be noted that TMSA follows and builds directly on three previous projects: the Regional Trade Facilitation Programme; Making Commodity and Service Markets Work for the Poor; and the Regional Standards Programme.

| Project Title | Budget | Expenditure | Period | Description |
|--|---|--|---------|---|
| Regional Trade Facilitation Programme | £16.1 million | £15.9 million | 2003-09 | <p>Purpose: to facilitate increased trade in Southern Africa for the benefit of the poor</p> <p>Procurement: international call for tender</p> <p>Activities:</p> <ul style="list-style-type: none"> ▪ streamlining customs/border procedures and common regional transit systems ▪ supporting the negotiation of pro-poor trade agreements at the WTO ▪ improving the functioning of regional trade agreements ▪ increasing participation by local communities in the production and exports of selected pro-poor commodities ▪ improving trade policy capacity |
| Making Commodity and Service Markets Work for the Poor | £10.5 million | £10.5 million | 2004-09 | <p>Purpose: to facilitate the development and improved operation of commodity and service markets for the benefit of poor people in Southern Africa</p> <p>Procurement: international call for tender</p> <p>Activities:</p> <ul style="list-style-type: none"> ▪ improving legal and regulatory frameworks in specific commodity and service sectors ▪ investigating and overcoming barriers to entry for farmers and small businesses ▪ facilitating linkages between large and small enterprises, many of the latter being from previously disadvantaged communities ▪ enabling the establishment of commercial public-private partnerships |
| Regional Standards Programme | £4.1 million | £4.1 million | 2006-09 | <p>Purpose: to facilitate increased and sustainable trade in Southern Africa for the benefit of low-income women and men in targeted sectors</p> <p>Procurement: international call for tender</p> <p>Activities:</p> <ul style="list-style-type: none"> ▪ helping producers in Southern Africa to increase their ability to comply with industry grades and standards ▪ ensuring that Southern African interests are reflected in decisions by international product-standards-setting bodies |
| TradeMark Southern Africa (TMSA) | £100 million Capital allocation: £67 million | £85 million (this includes £67 million capital allocation) of | 2009-14 | <p>Purpose: to improve Southern Africa's trade performance and competitiveness for the benefit of poor women and men</p> <p>Procurement: COMESA Project Management Unit, recruited on an individual basis (31 employees)</p> |

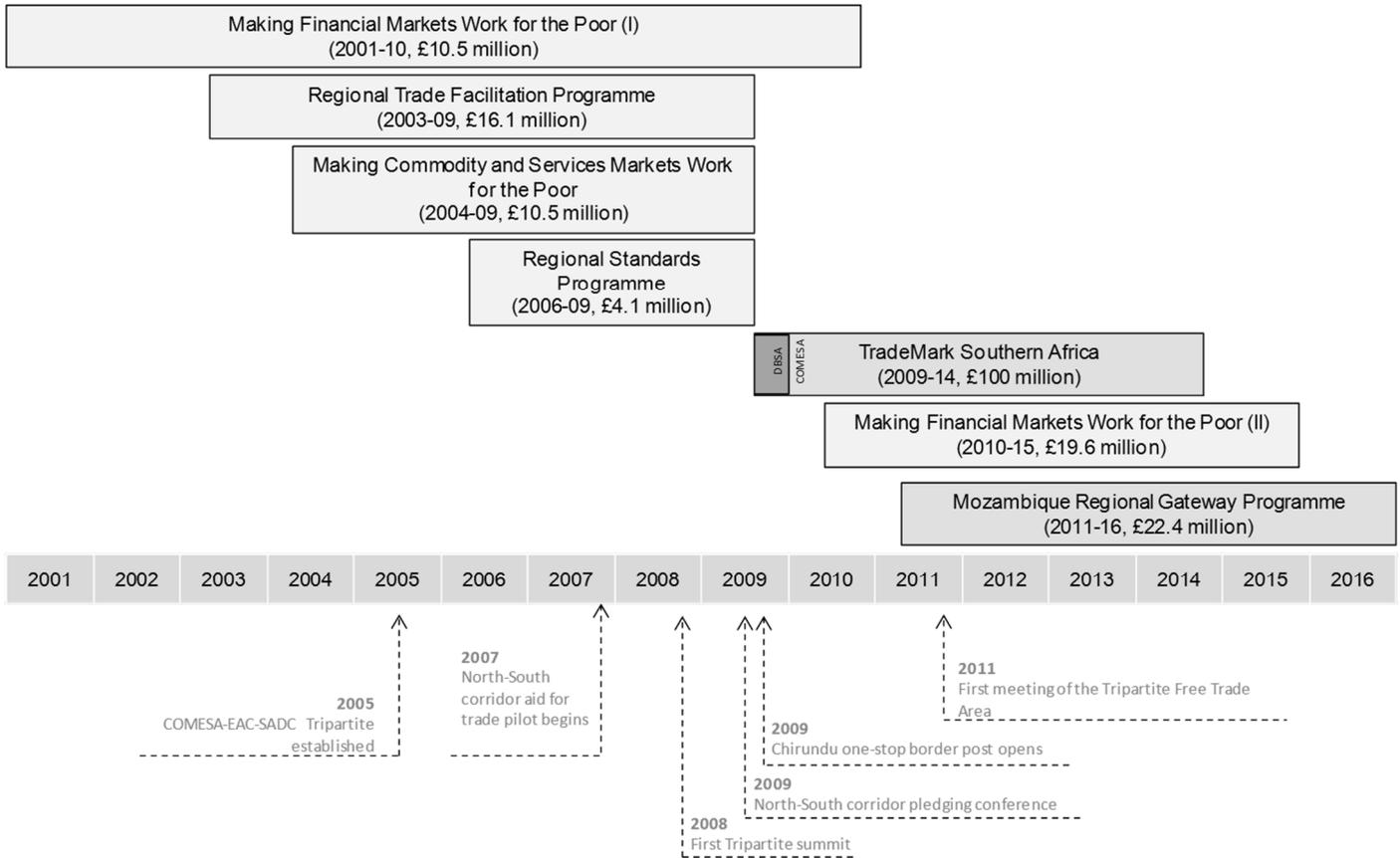
⁸⁹ The information contained in this table is based on the programme documents for each project shown.

Annex

| Project Title | Budget | Expenditure | Period | Description |
|---|--|---|---------|---|
| | Technical assistance: £33 million | which £47 million remains uncommitted) | | Activities: <ul style="list-style-type: none"> helping Regional Economic Communities and national governments to develop better trade policies and strengthening their capacity to negotiate more favourable trade deals improving the efficiency of regional trade corridors, with a particular focus on infrastructure development along the North-South Corridor addressing the regulatory issues that affect the regional economic environment and which, in turn, influence trading and investment patterns increasing market access for agricultural products by improving standards compliance |
| Mozambique Regional Gateway Project (MRGP) | £22.4 million DFID Southern Africa: £8.85 million DFID Mozambique: £13.5 million | DFID Southern Africa (regional component): £0.6 million DFID Mozambique (national component): £1 million | 2011-16 | Purpose: to ensure that communities benefit from infrastructure development in Mozambique and to link neighbouring countries, using Mozambique as a transit route for international trade Procurement: national component implemented through a budgetary contribution to the Government of Mozambique. Regional component implemented by a programme unit under COMESA Activities: <ul style="list-style-type: none"> strengthening transport policy, economic planning and regulations along the Beira and Nacala corridors undertaking project preparation to link these transport corridors to neighbouring landlocked countries |
| Other related programmes | | | | |
| Making Financial Markets Work for the Poor (phase one) | £10.5 million | £10.5 million | 2001-10 | To expand the provision of appropriate and affordable financial services to the poor in South Africa and in the wider Southern Africa region |
| Making Financial Markets Work for the Poor (phase two) | £19.6 million | £10.4 million | 2010-15 | Development of innovative financial services, aimed at the marginalised in Southern Africa |
| EU Africa Infrastructure Fund | £27 million | £27 million | 2009-12 | Finance to reduce interest rates on development/commercial loans and, thus, increase infrastructure spending in the energy, transport, ICT and water sectors |
| Infrastructure Project Preparation Programme (African Development Bank) | £15 million | £3 million | 2011-14 | Support for project preparation in order to improve the quality of electricity, transport, water and telecommunications infrastructure across Africa |
| East and Southern Africa Staple Food Markets Programme | £35.2 million | £0.2 million | 2011-18 | Support to increase the amount of staple food traded and the number of people trading in national and cross-border markets |

Annex

Figure A4: Timeline of DFID Southern African Trade programmes⁹⁰



⁹⁰ Note: TMSA project management under DBSA for first seven months (November 2009-May 2010) until transfer to COMESA.

Annex

Figure A5: Summary of TradeMark Southern Africa activities

Based on our analysis of the programme design documents, DFID’s brief to ICAI and the overall aims as set out in the TMSA Programme Memorandum, TMSA seeks to address three major obstacles to trade:

- 1) **Market access:** reducing tariffs and non-tariff barriers (non-tariff measures that restrict imports, such as quotas and onerous licensing requirements) through regional negotiations among the Regional Economic Communities;
- 2) **Border delays:** reducing bureaucracy through harmonising regional documentation requirements, regulations, official procedures and standards in the region; and
- 3) **Poor trade-related infrastructure:** improving transport (road, rail and ports) and energy infrastructure through accelerating project preparation, leveraging private donor and public sector financing and trying to ensure that investment in infrastructure also benefits neighbouring countries and marginalised producers.

The table below provides an overview of TMSA’s 50 projects, identifying those which contribute substantially to the overall objectives. In each case the table summarises the project’s aims and key results, with the latter taken from the most recent TMSA quarterly management reports available at the time of this review. Our analysis of these reports indicates that:

- of the 50 projects that comprise TMSA, only 18 (36%) are directly relevant to the overall goals of the programme. DFID Southern Africa themselves acknowledge that several of the projects under Output 4 of TMSA are non-core and have, therefore, been closed early. Our view, however, based on the analysis below, is that the extent of non-core work being undertaken by TMSA is significantly wider. 17 (34%) may have some broader developmental benefit but do not contribute towards and are therefore, unrelated to TMSA’s goals. In our judgement, the remaining 15 (30%) are partially relevant in terms of contribution to regional trade in general but do not substantially contribute to the overall objectives set out in the programme memorandum; and
- of the 18 directly relevant projects, all but 4 (improved infrastructure) have shown limited progress to date. TMSA has, therefore, achieved far less to date than we would have expected in two of these core areas (tariffs and border delays) and is nowhere near achieving any of its original targets. Even though progress has been made on TMSA’s logframe objectives in infrastructure, when judged against the progress on rehabilitation and/or construction along the North-South Corridor, only 386 km of road has been built or rehabilitated (none of which is yet complete).

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|---|---|---|---|
| Strengthened trade policy capacity | | | |
| 1. Tripartite Free Trade Area Support | To build a single Free Trade Area covering the 26 countries of the three RECs by consolidating, strengthening and expanding the benefits of the RECs’ own Free Trade Areas (FTAs) on a wider basis. | <ul style="list-style-type: none"> ■ FTA Roadmap finalised and agreed by member states ■ Negotiating principles, structures and frameworks agreed | Yes: goal 1. This is central to TMSA’s first goal and, although it is recognised that without TMSA’s intervention nothing would have happened to date, progress has been limited to agreeing to a timetable and negotiation modalities. |

Annex

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|---|--|--|---|
| 2. COMESA Trading Arrangements | To strengthen COMESA's trading regime by assisting COMESA FTA countries to utilise trade preferences and safeguard provisions and assisting non-FTA countries in making efforts to join the FTA. | <ul style="list-style-type: none"> ■ Capacity building provided to DRC stakeholders on issues relating to the COMESA and Tripartite FTAs ■ Study undertaken on the implications of the COMESA FTA on Ethiopia's economy ■ Disputes on trade-related issues resolved ■ Raised awareness on potential benefits of the Tripartite FTA to stakeholders in Zambia, Zimbabwe and DRC | Yes: goal 1. In order to integrate COMESA into the wider Tripartite Free Trade Area, its own FTA must first be operational. |
| 3. SADC Trading Arrangements | To consolidate the SADC Free Trade Area by providing technical assistance in several fields, including tariff and non-tariff barriers and harmonisation of customs and trade facilitation instruments. | <ul style="list-style-type: none"> ■ Progress made in the further consolidation of the SADC Free Trade Area, particularly the completion of tariff phase-down commitments by member states ■ Market-friendly regional industrial development policy framework and work programme developed | Yes: goal 1. In order to integrate SADC into the wider Tripartite Free Trade Area, its own FTA must first be operational. |
| 4. Trade Policy and Negotiation Capacity | To develop collaborative partnerships with regional training institutions to address the challenges associated with inadequate regional trade policy capacity. | <ul style="list-style-type: none"> ■ Training modules on rules of origin and trade liberalisation developed ■ Post-graduate class on trade policy and management launched | Yes: goal 1. TMSA plans to provide training courses for negotiators to build capacity for effective negotiation of the Tripartite Free Trade Area. We found, however, that the scope and quality of these courses is unlikely to increase negotiating capacity. |
| 5. Trade Analysis, Statistics and Information Sharing | To monitor the improvement of the Tripartite's trade performance and inform trade negotiations through impact analysis of various trade reform scenarios. | <ul style="list-style-type: none"> ■ Tripartite trade database built | Partially: goal 1. Other global databases exist to fulfil this function, including the UN ComTrade database ⁹¹ and the World Bank World Integrated Solution database. ⁹² Further analysis and modelling which has been started could, however, contribute to more effective negotiations. |

⁹¹ Please refer to the following organisation website: <http://comtrade.un.org>.

⁹² Please refer to the following organisation website: <http://wits.worldbank.org>.

Annex

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|---|--|--|---|
| 6. Support to WTO LDC Group | To assist the WTO LDC Group to prepare and negotiate an LDC package at the 9th WTO Ministerial Conference in Bali in December 2013. | <ul style="list-style-type: none"> ■ Support provided to the LDC Coordinator ■ Proposed changes made to December 2011 Chairman's Text ■ Proposals for implementation by LDCs of the Trade-Related Intellectual Property Rights agreement of WTO ■ collaboration with International Lawyers and Economists Against Poverty (ILEAP) to support the LDC Group | No. This affects the global trade regime but does not contribute to the goals of the programme. |
| 7. Seychelles Country Programme | To support the Government of Seychelles by: reviewing its new Customs Management Bill; assisting with its accession process; and carrying out a study to determine how to revive the broiler industry. | <ul style="list-style-type: none"> ■ Initial assessment of what can be done to assist the Seychelles Government carried out | No. This affects national trade policy but does not contribute to the goals of the programme. |
| 8. Zambia Trade and Export Strategy | To prepare a national trade and export strategy for Zambia. | <ul style="list-style-type: none"> ■ Terms of reference for the trade and export strategy prepared and ready for approval by the Government of Zambia | No. This affects national trade policy but does not contribute to the goals of the programme. |
| Harmonised trade and transport facilitation measures | | | |
| 9. Customs Legislation and Procedures | To harmonise customs documentation, procedures, practices and regulations in the Tripartite region. | <ul style="list-style-type: none"> ■ Scoping of status of member states' legislation completed ■ Scoping of status of Tripartite countries' customs capacity building programmes completed ■ Work programme to support projects in selected countries developed | Yes: goal 2. This is core to TMSA's second goal but little progress has been made to date, with more concentration on individual borders. |
| 10. Integrated Border Management | To develop and pilot a Tripartite strategy for Integrated Border Management in four countries on the North South Corridor. | <ul style="list-style-type: none"> ■ Member states' awareness of Integrated Border Management improved | Partial: goal 2. If rolled out to every border post in the region, this would support TMSA's second goal but little has been done beyond limited awareness raising. |
| 11. Customs Transit Management Systems | To develop a SADC/COMESA regional bond guarantee scheme and to put in place a SADC/COMESA regional transit management system. | <ul style="list-style-type: none"> ■ Discussion documents for consideration at SADC technical meeting prepared ■ Meeting to discuss system funded | Yes: goal 2. These five projects are core to TMSA's second goal but little progress has been made to date. |
| 12. Vehicle Overload Control | To harmonise and enforce axle load and vehicle dimension limits in the Tripartite region. | <ul style="list-style-type: none"> ■ Project is yet to commence | |

Annex

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|---|--|---|---|
| 13. Harmonised Road User Charges | To implement harmonised road user charges in the Tripartite region. | <ul style="list-style-type: none"> Project is yet to commence | |
| 14. Vehicle Regulations and Standards | To develop harmonised standards and systems for vehicle fitness in the Tripartite region. | <ul style="list-style-type: none"> Terms of reference prepared and request for proposals issued for a study on road transport market liberalisation in the region | |
| 15. Third Party Motor Vehicle Liability Insurance | To harmonise third-party motor vehicle insurance schemes in the Tripartite region. | <ul style="list-style-type: none"> Harmonisation framework prepared and implementation proposals for seven target countries developed | |
| 16. Road Transport Market Liberalisation | To develop a multi-lateral road transport agreement in the Tripartite region. | <ul style="list-style-type: none"> Harmonisation proposals for road transport market liberalisation developed | Yes: goal 2. This is core to TMSA's second goal but little has been achieved beyond the development of project concepts. |
| 17. Self Regulation in Road Transport Management | To design and implement a regional Road Transport Management System (RTMS) based on self-regulation. | <ul style="list-style-type: none"> Project proposal on the RTMS prepared and reviewed by SADC | Partial: goal 2. This could be relevant to the achievement of TMSA's second goal but relates to road transport market operations as opposed to regulatory harmonisation and little has been done. |
| 18. Joint Competition Authority on Air Transport | To support the establishment of the Joint Competition Authority (JCA) on Air Transport Liberalisation. | <ul style="list-style-type: none"> Proposals for the establishment of the JCA developed | Partial: goal 2. This could be relevant to the achievement of TMSA's second goal but relates to operations, as opposed to regulatory harmonisation and little has been done. |
| 19. Chirundu One Stop Border Post | To improve the efficiency of border operations so as to reduce transit times and the cost of trading at the Chirundu border crossing. | <ul style="list-style-type: none"> Chirundu now operational | Partial: goal 2. This is relevant to TMSA's second goal and Chirundu is recognised as an important border crossing on the North-South Corridor. It is, however, only one border point and most of the progress to date was achieved under TMSA's predecessor programme. |
| 20. Nakonde-Tunduma Border Post | To improve the efficiency of border operations so as to reduce transit times and the cost of trading at the Nakonde-Tunduma Border Post. | <ul style="list-style-type: none"> Resumption of one-stop border post activities negotiated with the Zambian Ministry of Finance, through COMESA | Partial: goal 2. These three projects are relevant to TMSA's second goal but, to date, no substantial work has been undertaken with the exception of initial discussions with the relevant governments. |
| 21. Kasumbalesa Border Post | To improve the efficiency of border operations so as to reduce transit times and the cost of trading at the Kasumbalesa Border Post. | <ul style="list-style-type: none"> Discussions with the DRC and Zambian governments have begun, as the first step towards re-launching one-stop border post implementation | |

Annex

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|---|---|--|--|
| 22. Other Border Posts | To improve the efficiency of border operations so as to reduce transit times and the cost of trading at other border crossings. | <ul style="list-style-type: none"> Discussions with the South African and Zimbabwean governments have begun, as the first step towards improving the efficiency of operations at the Beitbridge border crossing | |
| 23. Zambia Immigration Systems | To upgrade the Zambia Immigration Department's immigration management system so that it can participate and contribute to the success of the One-Stop Border Post initiative. | <ul style="list-style-type: none"> System deployed at Chirundu Border Control, Mfuwe Airport, Lusaka Region Office and Lusaka Immigration HQ | No. While helpful as a means to improve efficiency at a border crossing, this work lies outside the scope of the overall objectives. |
| 24. Non-Tariff Barrier Resolution and Enforcement Mechanism | To support the development of a Tripartite web-based non-tariff barrier reporting, monitoring and elimination mechanism. | <ul style="list-style-type: none"> System implemented and refined for access by a wide range of potential users Online reporting and monitoring mechanism publicised in member states through print and electronic media to ensure accessibility by stakeholders | Yes: goal 2. Identification and removal of non-tariff barriers could contribute to improved trade facilitation throughout the region. The system in place, however, is merely a border complaints system that does not differentiate between legitimate trade measures and non-tariff barriers. The system can be onerous to government officials tasked with the operation of it. |
| 25. Technical Standards | To facilitate the development of a Tripartite Standardisation, Quality Assurance, Accreditation and Metrology work plan and to support the implementation of common projects. | <ul style="list-style-type: none"> Framework on principles and procedures for efficient transparent harmonisation of Tripartite standards finalised and adopted | Yes: goal 2. If many of the technical regulations and standards are harmonised across the region, trade within the region will become easier. To date, however, they have only agreed to prioritise five products for harmonisation and no work on actual harmonisation has begun. |
| 26. Sanitary and Phytosanitary Measures (SPS) and Tripartite Work Programme | To support the development of a common tripartite SPS work programme and to develop harmonised Tripartite SPS measures for selected products. | <ul style="list-style-type: none"> SPS work programme for the Tripartite developed | Yes: goal 2. If many of the SPS measures and conformity assessment procedures are harmonised across the region, trade within the region will become easier. To date, however, they have only developed a work programme, which is yet to be fully agreed. |
| 27. Fruit Fly Eradication Project | To support the eradication of fruit fly and thus enhance trade in fresh fruit and vegetables, improving the livelihood of fresh fruit and vegetable growers and exporters in Zimbabwe and Malawi. | <ul style="list-style-type: none"> National fruit fly committee established in Malawi Public understanding of the fruit fly problem raised | No. Although this programme may have helped producers in affected regions to continue to trade, it is a specific pest issue rather than one which contributes to regional harmonisation. |

Annex

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|---|--|---|---|
| 28. Support to Freight Forwarders | To build the capacity of regional clearing and freight forwarding industries, enabling them to service traders more effectively and to implement trade and transport facilitation programmes. | <ul style="list-style-type: none"> Work plan developed | Partial: goal 2. If freight forwarders and transporters operate more effectively, this should contribute towards more effective trade facilitation. This is, however, more in operations (quality assurance and codes of practise) than in harmonisation of regulation. As of December 2013, only a work programme and some meetings have been undertaken, with almost a year since agreeing work plans with no follow on activity. |
| 29. Support to Transporters | To build the capacity of the Federation of East and Southern Africa Road Transport Associations, helping it to participate in Tripartite trade and transport facilitation programmes. | <ul style="list-style-type: none"> Truckers forum in March 2012 supported and work plan developed | |
| Improved regional trade infrastructure networks | | | |
| 30. Tripartite Project Planning, Preparation and Implementation Unit (PPIU) | To establish a Project Preparation and Implementation Unit which will: <ul style="list-style-type: none"> build a pipeline of infrastructure projects for the Tripartite; assist with the development and implementation of the Tripartite Infrastructure Master Plan; develop relationships with the various project preparation facilities and relevant donors; assist with preparation of tender documents and management of works and supervision contracts for large infrastructure projects. | <ul style="list-style-type: none"> PPIU staffed and operational | Yes: goal 3. This contributes towards the more effective technical project preparation along the North-South Corridor. The Unit, however, has only recently been established and the motivation for it came from UK ministerial declarations rather than from strategic involvement on the part of TMSA. |
| 31. Infrastructure Financing | To use grant funding to leverage additional commercial and concessional funds for priority regional infrastructure projects, thereby strengthening infrastructure networks across the Tripartite. | <ul style="list-style-type: none"> Project pipeline developed, with 27 projects in identification and feasibility phase, seven projects in structure and transaction phase and two in implementation phase | Yes: goal 3. These three projects contribute towards more effective project development and implementation along the North-South Corridor. |
| 32. Infrastructure Planning | To establish a Tripartite project pipeline, by finalising a SADC Regional Infrastructure Development Master Plan and GIS-based projects database. | <ul style="list-style-type: none"> SADC Infrastructure Master Plan presented to regional Summit in August 2012 | |
| 33. Tripartite Infrastructure Project Preparation and Implementation | To support the preparation and implementation of infrastructure projects along the North-South Corridor. | <ul style="list-style-type: none"> Ten projects underway, nine of which are roads, with £24 million of capital financing committed | |

Annex

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|---|---|---|---|
| 34. North-South Corridor Management Structure | To establish a legal framework for corridor management institutions that can coordinate infrastructure development, trade and transport facilitation along the North-South Corridor. | <ul style="list-style-type: none"> Memorandum of Understanding to provide a framework for the joint management of corridor infrastructure development agreed | Partial: goal 3. A MoU will provide a framework for the joint governance and management of corridor infrastructure development along the North-South Corridor. This MoU, however, has not been agreed and signed. |
| 35. North-South Corridor Performance Monitoring | To implement a robust and cost-effective system for measuring the performance of corridors. | <ul style="list-style-type: none"> Method of data gathering via GPS tracking established | No. A GPS system is installed in trucks of large (mainly South African) freight companies to monitor clearance times. This is not, however, directly applicable to all truckers and does not provide any data on trade costs - only the delays experienced by some established companies. |
| 36. PPP Capacity | To support the restructuring and transformation of the PPP Unit in the Zambian Ministry of Finance and National Planning. | <ul style="list-style-type: none"> Dialogue opened with the Ministry Assistance provided to design the intervention. | No. This is a national-level project and therefore does not contribute substantially towards the objective of improved regional infrastructure. |
| 37. Railways Revitalisation | To develop a business plan and strategy for the Tanzania Zambia Railway Authority, enabling it to offer a more efficient and competitive service to its clients. | <ul style="list-style-type: none"> Draft business plan prepared | Partial: goal 3. This could potentially have a benefit to other countries in the region if effective links with other countries are established. To date, however, this is a project concept. |
| 38. Nacala Corridor | To support the development of the Nacala Corridor by: <ul style="list-style-type: none"> fostering regional integration through reliable, efficient and seamless transport infrastructure; modernising transport infrastructure linking DRC, Zambia and Malawi to the port of Nacala in Mozambique; facilitating trade and transportation through simplified and harmonised trade and transport laws, policies, regulations and standards. | <ul style="list-style-type: none"> Platform for coordinating the interests of Nacala corridors states established Agreement on corridor action plan that reflects priority issues reached | Partial: goal 3. TMSA's core objective is to support the development of the North-South Corridor. The work undertaken through these two projects along the Nacala and Beira corridors has the potential to link in to the North-South Corridor but it is not the role of TMSA but rather of MRGP, which has created confusion in some countries over the delineation of programme roles and responsibilities. |

Annex

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|--|---|--|---|
| 39. Beira Corridor | To support the development of the Beira Corridor by: <ul style="list-style-type: none"> ■ fostering regional integration through reliable, efficient and seamless transport infrastructure; ■ modernising transport infrastructure (road and railways) linking DRC, Zambia, Zimbabwe and Malawi to the port of Beira in Mozambique; ■ facilitating trade and transportation through simplified and harmonised trade and transport laws, policies, regulations and standards. | <ul style="list-style-type: none"> ■ Platform for coordinating the interests of Beira corridors states established ■ Agreement on corridor action plan that reflects priority issues reached | |
| 40. Lobito Corridor | To support the development of the Lobito Corridor by: <ul style="list-style-type: none"> ■ fostering regional integration through reliable, efficient and seamless transport infrastructure; ■ modernise transport infrastructure (road and railways) linking Angola, DR Congo and Zambia to the port of Lobito in Angola; ■ facilitating trade and transportation through simplified and harmonised trade and transport laws, policies, regulations and standards. | <ul style="list-style-type: none"> ■ Technical committee of senior officials convened and agreement on an agenda and program of activities reached | Partial: goal 3. TMSA's core objective is to support the development of the North-South Corridor. The work along the Lobito corridor has the potential to link in to the North-South Corridor but to date only a meeting has been convened to agree activities. No actual activities have taken place as yet. |
| 41. South West Indian Ocean Maritime Corridor (SWIOMC) | To support the implementation of the SWIOMC, in order to reduce the costs of inter-regional transport. | <ul style="list-style-type: none"> ■ Terms of reference for a scoping study developed | No. This has no connection to the North-South Corridor and is, in any case, in its earliest stages, with little more than terms of reference for a scoping study. |
| Enhanced productive and export competitiveness | | | |
| 42. Tripartite Industrial Development Framework | To support the Tripartite RECs and member countries to prepare a regional industrial development framework, roadmap and work programme. | <ul style="list-style-type: none"> ■ Industrial Development Sub-Committee established ■ Draft diagnostic studies completed | No. Whilst competitiveness and production capacity is important in realising international and regional trade, these nine projects are not core to any of the goals set out in the programme memorandum. |
| 43. Market Access for COMESA Horticulture Exporters | To support four COMESA countries (Ethiopia, Kenya, Madagascar and Zimbabwe) to address the phytosanitary constraints restricting selected exports. | <ul style="list-style-type: none"> ■ Inception visits and consultations with the South African Department of Agriculture, Forest and Fisheries initiated | |

Annex

| Project | Objective | Key Results to Date | Contributes to Primary Goals (yes/partial/not at all) |
|--|---|--|---|
| 44. IPEX Global GAP and organic honey certification | To support the Mozambican horticultural sector in order to improve its ability to comply with commercial supermarket export standards such as GlobalGAP and organic regulations. | <ul style="list-style-type: none"> Three smallholders supported to better understand organic honey certification requirements | |
| 45. Smallholder Production of Hass avocados in Zambia | To transform the activities of some 60 Zambian small-scale growers, helping them to move from subsistence to more commercial activity and thus increase farmers' income. | <ul style="list-style-type: none"> 60 small-scale avocado growers supported, helping them to move from subsistence to more commercial activity | |
| 46. Shoprite-Checkers | To assist 200 small-scale farmers (located in KwaZulu Natal, Swaziland, Namibia and Zambia) to meet minimum food safety standards as prescribed by Shoprite-Checkers. | <ul style="list-style-type: none"> 65 small-scale and semi-commercial farmers were assisted, helping them to participate in a food safety development programme in order to comply with minimum food safety standards and thereby grow as suppliers | |
| 47. ColaLife Operational Trial | To explore the potential of novel distribution chains, harnessing the Coca-Cola secondary distribution chain to reach remote and hard-to-reach communities | <ul style="list-style-type: none"> Helped to provide mothers in rural Zambia with basic medicines through the use of established Coca Cola retail chains | |
| 48. Mozambique National Institute of Fisheries Inspection (INIP) Lab | To improve the capacity of Mozambique's INIP to perform its functions as the competent authority, responsible for the safety and quality of fisheries products sold locally and in the international market. | <ul style="list-style-type: none"> Training and support provided to 490 artisanal fishermen on EU food safety requirements in order to enhance their export potential | |
| 49. Carbon Calculator Tool for South African fruit and wine Industry | To develop a web-based, industry-wide carbon calculator tool for the South African fruit and wine industry in response to the 'food miles' debate and the need to reduce the industry's negative impact on the environment. | <ul style="list-style-type: none"> Carbon calculator tool developed | |
| 50. Marine Stewardship Council (MSC) Certification | To increase market opportunities for fisheries through sustainability certification. | <ul style="list-style-type: none"> 59 new MSC-labelled products now available on the local South African market | |

Annex

Figure A6: Economic modelling of the Tripartite Free Trade Area

Introduction and background

Since our initial fieldwork, TMSA has commissioned the Institute of Development Studies (IDS) to undertake an economic modelling exercise in order to assess the likely economic impact of the Tripartite Free Trade Area and regional harmonisation in trade facilitation measures. The modelling work was finalised in August 2013.

Economic modelling is too little and too late

The economic model provides a starting point for understanding TMSA's poverty impact but should have been done at the programme's outset

Economic models of the type undertaken for TMSA are often used prior to negotiations. The European Commission, for example, routinely undertakes similar analysis before negotiations begin, in order to make them more sustainable by:⁹³

- 'informing negotiators of the possible social, environmental and economic consequences of a trade agreement'; and
- 'providing guidelines for the design of possible flanking measures, the scope of which can extend beyond trade policy and which are intended to maximise the positive impacts and reduce any negative impacts of the trade negotiations in question'.

Such models, however, provide an aggregate picture of the likely impact on the poor. As the IDS report notes: 'the approach enables a predictive evaluation of sectoral production and employment impacts, aggregate income and welfare effects of changes in trade barriers.'⁹⁴

This kind of analysis should have been undertaken, either during the design stage or at the start of the programme, to enable TMSA to use it as a guide for

deeper analysis, disaggregating the broader impact to generate a better understanding of the effects on the poor. We consider this to be a missed opportunity. TMSA could have made a real contribution to the broader understanding of the Tripartite Free Trade Area on specific groups within each country, especially the poor and vulnerable.

Indeed, in every scenario except for complete liberalisation combined with large gains in trade facilitation, the poorest countries (Malawi, Rwanda, Zambia and Zimbabwe) experience a net welfare loss to their economies. This highlights the need for a better understanding of winners and losers to enable countries to negotiate exemptions and develop mitigation policies.

The economic model indicates that the Tripartite Free Trade Area could leave some countries vulnerable

Further investigation is required to better understand the likely impact of the Tripartite Free Trade Area on the poor

A country-level examination of the sectors that are likely to see a significant fall in production from complete tariff liberalisation is shown in the figure below. The analysis, by IDS, highlights a number of vulnerable sectors.

Figure A6.1: Sectors likely to experience falls in production^{95,96}

| Sectors | Countries Affected | Likely Fall in Production (%) |
|---------------------------------------|---|-------------------------------|
| Sugar cane | Kenya, <i>Uganda</i> and <i>Tanzania</i> | 3-25 |
| Refined sugar and sugar products | Kenya, <i>Rwanda</i> , <i>Tanzania</i> , <i>Malawi</i> , <i>Uganda</i> | 3-50 |
| Textiles | <i>Mozambique</i> , <i>Zimbabwe</i> , <i>Swaziland</i> and <i>Lesotho</i> | 3-5 |
| Chemical, rubber and plastic products | <i>Mozambique</i> | 3 |
| Transport equipment | <i>Malawi</i> | 4 |
| Machinery and equipment | <i>Mozambique</i> | 3 |
| Other manufacturing | <i>Zimbabwe</i> | 15 |

⁹³ See: http://ec.europa.eu/trade/policy/policy-making/analysis/sustainability-impact-assessments/index_en.htm.

⁹⁴ *General Equilibrium Analysis of the COMESA-EAC-SADC Tripartite FTA*, Institute of Development Studies, 2013.

⁹⁵ *General Equilibrium Analysis of the COMESA-EAC-SADC Tripartite FTA*, Institute of Development Studies, August 2013, page 64.

⁹⁶ Countries shown in italics are those classified as the poorest in the region.

Annex

Although it is recognised that some of these countries would gain in other sectors, identifying the losers to allow for mitigation is important.

This is a first look at the type of winners and losers that needs to be further examined in order for better, pro-poor negotiations to be had at the Tripartite Free Trade Area and mitigation policies put in place to protect against these negative impacts. It would also enable government and business to identify potential benefits, which they need to plan for in order to exploit.

TMSA's dissemination plans are neither comprehensive nor proactive

TMSA is not doing enough to use the results of the modelling exercise to stimulate better negotiations

TMSA plans to link this work with some World Bank modelling but this will not give any further useful detail that might assist or inform the negotiation process.

TMSA does not intend to carry out deeper analysis and follow-up of these issues, claiming these are tasks for the RECs and the country governments themselves.

TMSA told us they plan to send this report, in its present form, directly to the RECs and to DFID country offices, without highlighting the key findings or presenting them in a way that would be intelligible to the stakeholders concerned. At 80 pages, the report is highly technical in nature. Countries will require practical assistance to understand and interpret its contents, if IDS's work is to have any meaningful effect or application.

The economic modelling exercise is a good start. It was, however, driven by DFID rather than by TMSA and is necessary but late as a tool for understanding the winners and losers and overall likely poverty impact of TMSA.

Our analysis of the modelling exercise highlights the need for much more work to be undertaken but it is apparent from discussions with TMSA that it does not plan to make good use of this opportunity.

Annex

Figure A7: List of interviews

The review team interviewed a range of organisations as part of the literature review and fieldwork. The latter took place over a period of three weeks in March 2013, after which a follow-up review took place in September 2013. During this fieldwork the review team visited Botswana, Malawi, Mozambique, South Africa and Zambia.

| | |
|---|---|
| Netherlands | Spatial Planning Unit, Ministry of Transport and Communications |
| European Centre for the Development of Policy and Management (ECDPM) | Ministry of Industry and Trade |
| Canada | Maputo Port Authority |
| North-South Institute | Mozambique Confederation of Business Associations (CTA) |
| UK | Mozambique Federation of Road Transport Associations (FEMATRO) |
| Imani Development Pvt. Ltd. | Mozambique National Farmers' Union (UNAC) |
| DFID Trade Policy Unit | Botswana |
| DFID Africa Regional Department | Southern African Development Community (SADC) |
| DFID East and Central Africa Division | Ministry of Trade and Industry |
| DFID Chief Economist | EU Delegation |
| Overseas Development Institute | Botswana Investment and Trade Centre |
| University of Nottingham | British High Commission |
| University of Sussex | National Strategy Office |
| Institute of Development Studies | USAID Trade Hub |
| Sanna Consulting | Botswana Confederation of Commerce, Industry and Manpower |
| WYG International | Japan International Cooperation Agency |
| South Africa | Malawi |
| DFID Southern Africa | DFID Malawi |
| TMSA | Ministry of Transport and Communications |
| Southern Africa Trust | Ministry of Industry and Trade |
| African Development Bank (AfDB) | Malawi Roads Authority |
| Development Bank of Southern Africa (DBSA) | Indigenous Business Association (informal) |
| Finmark Trust | Consumers Association of Malawi |
| Federation of East and Southern African Road Transport Associations | Malawi Congress of Trade Unions |
| Cargo Carriers Pvt. Ltd. | Zambia |
| Federation of Clearing and Forwarding Associations of Southern Africa | DFID Zambia |
| Business Unity South Africa (BUSAs) | COMESA Secretariat |
| Bi-lateral Economic Relations Department (Department of Trade and Industry) | EU Delegation |
| South African Institute of International Affairs | Zambia Revenue Authority |
| Southern African Confederation of Agricultural Unions | Cacitex Logistics (Z) Ltd. |
| World Bank trade facilitation consultant | Zambia Freight Forwarders Association |
| DNA Economics | Tripartite Project Preparation and Implementation Unit |
| European Investment Bank | |
| Mozambique | |
| DFID Mozambique | |

Abbreviations

| | |
|---------|--|
| AfDB | African Development Bank |
| AfT | Aid for Trade |
| COMESA | Common Market for Eastern and Southern Africa |
| DBSA | Development Bank of Southern Africa |
| DFID | Department for International Development |
| DRC | Democratic Republic of the Congo |
| EAC | East African Community |
| EU | European Union |
| FinMark | Making Markets Work for the Poor Programme |
| FTA | Free Trade Area |
| G8 | Group of Eight Industrialised Countries |
| G20 | Group of Twenty |
| GDP | Gross Domestic Product |
| ICAI | Independent Commission for Aid Impact |
| IDS | Institute of Development Studies |
| IMF | International Monetary Fund |
| INIP | National Institute of Fisheries Inspection |
| JCA | Joint Competition Authority |
| LDC | Least developed countries |
| MRGP | Mozambique Regional Gateway Programme |
| MSC | Marine Stewardship Council |
| ODA | Official development assistance |
| ODI | Overseas Development Institute |
| OECD | Organisation for Economic Co-operation and Development |
| PPIU | Project Preparation and Implementation Unit |
| PPP | Public-private partnership |
| REC | Regional Economic Community |
| RTFP | Regional Trade Facilitation Programme |
| RTMS | Road Transport Management System |
| SADC | Southern African Development Community |
| SPS | Sanitary and Phytosanitary Measures |
| SWIOMC | South West Indian Ocean Maritime Corridor |
| TMEA | TradeMark East Africa |
| TMSA | TradeMark Southern Africa |
| USAID | United States Agency for International Development |
| WTO | World Trade Organisation |

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