Advancing Regional Integration in Southern Africa

An evidence-based, forward looking study on regional trade and integration in the Tripartite region, focusing primarily on Southern Africa

Executive Summary

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Introduction

With a number of evaluations of DFID-funded programmes in Southern Africa recently undertaken it is difficult to gain a consolidated, practical overview of: i) the experience and lessons learned in supporting regional integration in the Tripartite and Southern African regions; ii) the current policies, programmes, mechanisms and plans relevant to regional integration as well as other factors impacting regional integration; and iii) how a donor should strategically engage in the region if they wish to apply an innovative and Value for Money (VfM) approach. This has given rise to the demand for an evidence-based study on advancing trade and regional integration in the Tripartite area.

The aim of this study has been to prepare evidence-based recommendations for future interventions in regional trade and economic integration by DFID and other development partners in the Tripartite region, focusing primarily on Southern Africa. After reviewing past experience in supporting regional integration, mapping current policies and plans, and undertaking a horizon scan, this study then recommends innovative interventions and funding modalities for DFID and donors in terms of advancing trade and regional integration in the region.

The study is expected to serve the purpose of informing DFID Southern Africa (SA) and policy-makers in national governments, Regional Economic Communities (RECs), DFID Head Quarters (HQ) and other donor agencies on how to engage strategically and effectively on the regional trade and integration agenda in Southern Africa.

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Recent socio-economic trends

Average annual real per capita economic growth rates for sub-Saharan Africa (SSA) as a whole quadrupled in the 2000s relative to those of the 1990s, rising from around 0.5 percent per year on average to about 2 percent per year. The average growth performance masks wide variation in economic activity, trade levels, incomes and poverty within and between countries in the region. Despite the much better economic performance in Southern Africa and the Tripartite free trade area (TFTA) countries more generally (the TFTA spans the 26 members of the East African Community - EAC, the Southern Africa Development Community - SADC, and the Common Market for Eastern and Southern Africa - COMESA) poverty rates often remain very high and there has been little diversification of production and trade. Exports remain dominated by natural resource-based products and agricultural goods. Growth has been driven by improved macroeconomic management and the very high rapid increases in per capita incomes that have been achieved by Asian countries, most notably China. The associated increase in demand for commodities of all kinds has benefitted the countries in Southern Africa.

Levels of intra-regional trade remain lower than in other parts of the world, reflecting both "thick" borders and the sectoral pattern of investment, which is skewed towards natural resource extraction. The type of supply chain trade and integration into international production networks that has helped drive growth in Asia, Eastern Europe, Turkey, Mexico among other countries, with firms specializing in a wide range of manufacturing activities and related services, has not emerged in the tripartite region. One reason is that such patterns of specialization and trade require integrated markets, allowing companies to source and move goods and services rapidly, reliably and at low cost across borders and along transport corridors.

Slow progress towards integrating Southern African markets

Despite the much greater attention that has been given by governments to regional integration in the last decade and the increase in support by the donor community and development banks for regional integration efforts, progress has been slow and piecemeal. The cost in terms of time and money of moving goods and services within Southern Africa remains much higher than in comparator countries.

While there is a solid economic case for regional integration, progress has been limited as a result of limited political will to implement what has been agreed. National political leaders take policy decisions at RECs without putting in place the institutional arrangements and accountability systems that are needed for follow through and implementation. Too often REC-level commitments and goals are empty statements. Political elites need to support implementation of regional policies for regional integration efforts to progress. A problem is that regional integration is a collective good, whereas leaders and ruling elites tend to be driven by a desire to control what material benefits of state sovereignty they can muster to strengthen their political authority, as well as to benefit personally from policy initiatives. Often regional integration projects may not do so, resulting in a failure to implement or to sustain implementation.

Two factors are important in understanding the dynamics of regional cooperation to date and the prospects for deeper regional integration in the future. First, an economically dominant South Africa is not providing the hub and catalyst role that was played by Japan, the European Union (EU) and the United States (US) in their respective regions to generate the types of investment flows and economic adjustments that drove the expansion of intra-regional manufacturing trade. Second, varying economic and political goals at the national level are a further impediment to the emergence of a regional trade growth dynamic. Both factors reflect underlying political economy forces and associated incentives for political elites that result in a disconnect between stated aims and ambitions and the implementation of regional integration initiatives. The political economy (PE) factors are important to consider in the design of support activities looking forward.

All three regional integration initiatives in Southern Africa have ambitious goals: taken together they aim to establish a customs/economic union and a common market (CM). A consequence of this high level of ambition is that implementation requires substantial administrative resources to be allocated and a high degree of economic policy convergence to be achieved. The poor record of implementation to date is in part a reflection of the failure to satisfy these necessary conditions. While there are serious capacity weaknesses and constraints, a fundamental reason for the limited progress that has been achieved is lack of political will to put in place the necessary conditions.

A positive feature of the Tripartite initiative is that it involves a shift away from the EU integration model that all of the Eastern and Southern African RECs have used as the template for their integration programmes. The Tripartite has rejected the presumption that integration should be pursued as a linear process – free trade agreement to customs union to common market. Instead, a three pillar approach is pursued: the free trade area; regional infrastructure development and regional industrialisation.

Removing tariffs and other barriers to trade

Lack of agreement in some major areas has led to a substantial watering down of ambition with respect to the TFTA: reportedly the TFTA will remove only 60 percent of all tariff lines on entry into force, with a further 25 percent of lines subject to negotiations and implementation over a 6 to 8 year period. It is likely that the TFTA will result in continuing existing trading arrangements within the three RECs, with an added set of new tariff schedules between countries and customs unions that are not in a common REC. In short, significant uncertainty prevails as to when the TFTA will be concluded or what it will entail,

but it seems clear that tripartite intra-regional trade will not be tariff-free for at least another decade. The narrow focus on intra-regional tariff reduction and failure to eliminate nontariff barriers (NTBs) and facilitate trade limits the economic benefits of Southern African regional integration initiatives. Also important is the neglect of services trade and investment, at least in the first phase of the TFTA, given that Southern African countries have high barriers and restrictive policies towards some important services sectors—e.g., air transport.

Confronting the political economy realities of regional integration

Regional integration initiatives need to be properly understood in terms of the motives that drive political elites and the domestic political and institutional support that exists – or could be mobilized through appropriate design of support mechanisms – for integrating markets for goods, services, capital and workers. It is important to analyze and consider the magnitude and distribution of rents that are generated by prevailing policies and situations that result in barriers to trade, and the types of power plays that any redistribution of rents may generate among different stakeholders. Those who stand to lose may act as blockers through different channels (including elections).

A political economy analysis (PEA) helps unpack the decision logics at play. Landlocked Zambia, for example, set priorities for investments that prioritised tarring rural roads over investing in the regional transport flagship of the Tripartite initiative, the North South Corridor (NSC). Despite the fact that this corridor is essential for unlocking Zambian transport and reducing transport costs, the government in a pre-electoral context prioritised rural road development, reflecting strong incentives for political elites to engage in short-run electoral harvesting by spreading out investments spatially rather than for prioritising the longer-term return from investing in the regional corridor.

A PE informed approach to regional integration in Southern Africa requires flexibility, a tolerance for risks related to experimentation, a focus on knowledge sharing and partnership development, engagement with national state and non-state stakeholders, and support for mechanisms that promote greater transparency regarding regional integration barriers and of outcomes. It requires embracing a multi-pronged support strategy and suggests delivering a diversified support portfolio for regional integration and cross-border cooperation through a network of DFID offices in the region as opposed to one centralized location.

Regional integration and poverty reduction

Regional integration has a strong potential positive impact on poverty through the effect it has on economic growth. The weight of evidence from the economic literature suggests that greater trade openness is an important element in expanding growth and history shows that this has been a central component of successful development strategies. The potential positive impacts of the TFTA on vulnerable groups and poor households could be substantial if it resulted in significant reductions in the costs of crossing borders for small traders, many of whom are women, and if it created greater opportunities for small and medium enterprises (SMEs) to link to regional value chains, provide services to newly established enterprises, and so forth.

The main links between regional integration and poverty are through higher household incomes associated with new employment opportunities and greater sales and through higher real incomes as prices of consumption goods decline. Of course, trade opportunities will not benefit everyone equally, and workers in protected industries and those that currently benefit from rents created by thick borders may confront a loss in income.

Much also depends on action in other policy areas – e.g., to ensure small firms have access to credit and the institutions governing women's access to land and other productive assets. To date the regional integration processes have not had significant impacts on poorer households and small-scale businesses.

Regional industrialisation

The Tripartite initiative has industrialisation as its third pillar, alongside market integration through an FTA and infrastructure development. Regional integration can help to promote greater industrialisation in Southern Africa by increasing the size of the market and reducing costs for firms through trade facilitation initiatives and improvements in regional infrastructure. The industrial pillar of the Tripartite initiative is relatively underdeveloped compared to the two others and is more of a framework to make the TFTA more attractive to governments concerned about potential trade and economic polarisation following the removal of intra-regional trade barriers.

The Tripartite initiative plans to build upon regional industrial policies that have been identified by EAC and SADC. The EAC's Industrialisation Policy and Strategy, adopted in 2011, targets six industries and value-chains as well as a number of potential regional pilot projects, including an Industrial Park along the Northern and Central Corridors. SADC's Industrial Development Policy Framework, adopted in 2014, focuses on exploiting regional synergies in value-added. No information is available on the progress made to implement these regional industrialisation programmes.

Prospects for greater manufacturing activity and agro-industrial processing are a function of many factors that relate to the investment climate more generally. They also depend importantly on progress under the two other pillars of the Tripartite. Even if tariffs are removed, they will continue to impede cross-border movement of goods as a result of the need to comply with often restrictive rules of origin and associated documentation requirements and verification procedures. While restrictive rules of origin can encourage regional sourcing of inputs and industrial expansion within a region, to date the prevailing rules benefit South African industries to the detriment of industrialisation prospects for neighbouring countries. Efforts to promote regional value chains through regional infrastructure, development corridors or other spatial development zone approaches have yet to bear fruit.

Regional infrastructure development

Infrastructure development is a critical determinant of growth in Southern Africa. Major disparities in populations and economies, many of which are landlocked and dependent on neighbours for materials and factors of production, makes well-connected regional infrastructure essential to unlock economies of scale, connect markets, boost competitiveness and facilitate intra-regional trade and exports. If the region's infrastructure would be improved to the level of the strongest-performing country in Africa (Mauritius), regional per capita growth performance would be boosted by around 3 percent.

Narrowing Africa's infrastructure deficit requires major investment in regional transport networks and power pools. However, the investment response has not been forthcoming. Poor commercial rationales, high risk profiles and imprecise outcomes also contribute to projects not being "bankable", leading to a need for better project preparation. In addition, countries often lack the regulatory framework conditions for private investment, demonstrating macroeconomic instability, poor governance, political instability, weak public administration, corruption, weak legal frameworks and a lack of policy harmonisation across countries. Resolving these issues is hampered by a lack of comparative data, such as costs and delays in corridors, the impact of power pools on energy prices and the effects of truckers' cartels on transport costs.

Regional infrastructure projects also suffer from the inherent complexity of multi-country, public-private partnerships: the regional development corridor/ growth pole approach requires port, road, rail and industrial infrastructure to be provided in an integrated and coherent fashion for and by public and private stakeholders in different countries among whom benefits and costs are not shared symmetrically. An alternative to the current practice

would be to decompose the project into its component parts, identifying who would benefit and who would bear the costs for each component, allowing stakeholders to assess who benefits from the component relative to the costs that they bear.

There is also potential to do more to leverage extractive industries to provide the backbone for corridor development in some regions given the willingness (need) for investors to develop the required transport infrastructure on an enclave basis. Cooperating with companies to open their corridors to agriculture and industry would generate development benefits in regions where it is not economical to invest in infrastructure.

Limited private sector engagement

A key challenge for regional integration in Southern Africa and the Tripartite region is the relatively low level of private sector engagement in regional integration processes. Although there is an increasing interest of the private sector in investing in SSA, especially in Southern Africa, limited regional integration is among the major constrains hindering further investment flows in the region. Primarily, lack of stability and predictability of macroeconomic policy, and unfavorable investment climate are the main obstacles behind sustaining and attracting new business investment. Several stakeholders that have been consulted as part of this study have also stressed that efforts to promote a more enabling environment, especially for trade, have been focused on border crossings, but little has been done to support SMEs to increase production and integrate regional value chains through affordable long-term finance and technical support.

While the EAC and COMESA have private sector focal points in the region, SADC seems unable to facilitate dialogue with regional business organizations. At national level there have been several attempts over the years to establish trade negotiation fora with private sector representation but none of these initiatives seem to have been successful. In South Africa, business associations have more power to represent member's interests. However these groups are divided between companies that have successfully invested in eastern and southern Africa, but are reticent about initiatives to improve regional integration, and groups whose primary interest is to prevent import liberalization.

Our consultations revealed that the private sector is generally sceptical about engaging in dialogues with the RECs and are more inclined to work with local companies and national business associations, as well as supporting initiatives such as *Southern Agricultural Growth Corridor of Tanzania* (SAGOT) and Grow Africa. More effective partnerships with the private sector to address policy barriers to regional integration would clearly be beneficial.

The role of DFID and other international partners

DFID has played an important role in Southern Africa's development. Recently, TradeMark Southern Africa (TMSA), the main trade and regional integration programme for Southern Africa, was however closed following external reviews that argued that the programme had several weaknesses in terms of design and implementation. Looking forward, two projects are worth closer attention: the Mozambique Regional Gateway Programme (MRGP) and TradeMark East Africa (TMEA). MRGP has successfully combined a national and a regional component promoting synergies between DFID's country and regional offices to catalyse inclusive growth and economic development around main transport corridors in Mozambique. TMEA has been able to been able to attract and harmonise bilateral donor funding, and it has built up considerable institutional expertise and experience in working linking regional programmes for coordinated regional integration work,

Among multilateral donors, regional integration efforts have been focused on hard infrastructure financing and private sector development, while bilateral donors have more diverse portfolios that include trade facilitation, trade policy, energy and environment, governance, health and education. Most of the development partners consulted for this

study demonstrated strong positive interest in enhancing collaboration with DFID SA and other donors, as well as to engage in innovative partnerships.

Several Development Assistance Committee (DAC) donors have extensive portfolios of projects in Southern Africa and Danida and USAID's priorities for the region seem to be well-aligned with DFID SA's plans. Furthermore, several private financing institutions (such as Private Infrastructure Development Group - PDIG and African Agriculture Development Company - AgDevCo) have been created to overcome market failures to enable private sector investment in Africa and they have been appearing as innovative and efficient mechanisms to support economic growth in Africa. Finally, international private sector organisations, although facing difficulties to incorporate regional integration issues in their agendas, seem to be increasingly interested in promoting intra-trade and integration Africa which offer opportunities for future engagement.

Recommendations

Two over-arching lessons emerge from the findings in this study.

Firstly, the evolution of current DFID-thinking and corporate priorities on transformational economic growth and poverty reduction can be well-linked in the context of future programming on regional trade and integration in Southern African. Interviews with DFID staff across the organisation have confirmed that trade will continue to be a priority theme within DFID's work on growth and within the forthcoming economic development strategy. At the same time, there will be a stronger emphasis on working with the private sector and through DFID's bilateral programmes in priority countries and regions.

Taken together with the positive feedback from the private sector regarding DFID's continued engagement on the regional trade agenda in Africa,[1] it would be a wasted opportunity if, in the wake of the criticisms of TMSA in the recent Independent Commission for Aid Impact (ICAI) report, DFID SA did not move to develop and lead an ambitious, innovative and contemporary major new engagement on regional trade and integration over the next DFID programming cycle.

Secondly, the importance of understanding the PE framework and how PE issues can be included in future programming relate to – for example – negotiation and implementation of regional trade agreements, harmonising trade facilitation systems at borders, and accelerating regional infrastructure development. Indeed, PEA may help in the feasibility assessment of future directions of DFID's, as well as other donors, engagement on trade and regional integration in the region. In relation to future corridor work for example, more fine-grained political economy analysis on prospects, challenges, and entry points for supporting port reform and modernization would be important. Likewise, in relation to future support for the negotiation and implementation of regional trade agreements, a richer understanding of the dynamics between key players would allow identification of areas where there may be more traction for donor support.

Against the backdrop of these general findings, some more specific emerging lessons and potential directions for future support by DFID on regional trade and integration in Southern Africa are set out below. To varying degrees, these maybe more or less relevant to other DFID-supported vehicles (eg PIDG, AgDevCo, CDC, Public Private Infrastructure Advisory Facility - PPIAF, TMEA) and other development partners (World Bank, African Development Bank, IFC, as well as bilateral donors such as USAID, BIZ, EC and JICA).

[1] See for example the submission to the recent G8 Summit by Business Action for Africa.

Targeting DFID support in the Tripartite region. DFID and other donors support to regional trade and integration in Southern Africa will continue to be important, but due to differences in development levels across the region, there should be a more explicit focus on the countries that require assistance the most, namely Malawi, Zimbabwe, DRC, Mozambique and Zambia. Programming goals further need to be more realistic and better aligned with each donors' capabilities and focus countries. A promising potential option for the future would be to concentrate efforts on developing regional value chains, reducing trade barriers and building more efficient trade facilitation infrastructure in the Zambia-Mozambique-Malawi sub-region to connect better with the faster integrating East Africa (including fast-growing Ethiopia, South Sudan and the DRC) rather than the traditional focus on the slower-integrating Southern cone and slower-growing South Africa.

Opportunities for increased regional integration may also lie in initiatives established by "coalitions of the willing" to implement the agenda more quickly. This is emerging in the EAC region and in the form of the Accelerated Programme for Economic Integration (APEI) among five (non-SACU) SADC countries. Opportunities may also arise from harnessing the extractive sector through promoting wider investment to promote both vertical and horizontal linkages to the broader economy. This may mean building on "new" initiatives such as the APEI currently being pursued by Mauritius, Mozambique, Malawi, the Seychelles and Zambia. It could also mean DFID seeking to expand the coverage of the innovative, durable platform provided by TMEA which allows multiple donors and their different regional and country offices to work in a highly joined-up manner on a comprehensive suite of regional trade and integration interventions.

Coordinating with DFID programmes & country offices. DFID support on regional trade and integration in Southern Africa (via TMSA) has operated very much at the regional level with COMESA, SADC and the Tripartite and there has been little cross-engagement between regional and country teams. There have been some notable successes. But there are major limitations in the implementation capabilities and mandates of the RECs (especially at the level of the Tripartite) across the range on programming areas on the regional trade and integration agenda.

Indeed, achieving impact-level results from initiatives like the TFTA process and the Tripartite industrialization and infrastructure pillars will be for the long term. TMSA support to the TFTA negotiations has been successful to a degree in its work to establish a strong negotiation platform and a framework for future progress in reducing barriers to trade and deepening regional integration. It has however also been found that TMSA has been perceived by some interviewees as being 'too close' to the negotiations and that it has underestimated some key PE issues (e.g. South Africa's defensive and protectionist negotiating position).

Moving forward, DFID SA should seek to link with and scale-up relevant new DFID bilateral and global programmes in the region which can provide potentially high-impact, quick-delivery interventions on the regional trade and integration agenda. This will require a new, more joined-up approach to planning and managing the DFID SA regional programme alongside the on-going country programmes, some of which already have a cross-border dimension e.g. the MRGP.

Predicting the outcome of the TFTA negotiations is difficult at this early stage. As suggested by the TMSA Mid-Term Evaluation (MTE), support to TFTA negotiations could therefore perhaps be more efficiently supported through other means. A particular focus on DFID priority countries could be more explicitly made. This support could be channelled through specialist DFID (or other) facilities that may be better placed to provide this kind of specialised technical assistance support. The DFID Trade Advocacy Fund (TAF) is for example already supporting the TFTA negotiations.

Effectively supporting infrastructure & trade facilitation. DFID and other donors must consider specifically and strategically how to engage on regional infrastructure and development corridors going forward, including the levels of its potential investment, the value they can add, the skills required and the timeframes within which programmes will expect to deliver impact. One potential avenue is for DFID to concentrate on using its convening and coordination power to harness private sector participation in regional infrastructure projects, and involve the private sector at a very early stage of project programming to understand private sector interests. This role has already been performed by DFID as the lead Infrastructure Consortium Africa (ICA) donor on the North South Corridor.

A new paradigm for multi-country projects with private sector involvement finds that the challenge is to ensure that all the regional partners, public and private, as well as their external partners, have sufficient information to allow them to understand the benefits, costs and risk that will accrue to each partner. This suggests that one possible avenue for DFID and other donors to engage on regional infrastructure development through attracting private finance is to create an advisory facility that, at a very early stage of project design, could carry out a preliminary, rapid assessment of the regional costs and benefits of the project and of the potential for involvement of the private sector.

Furthermore, as suggested in the TMSA MTE, the Tripartite Project Preparation Implementation Unit (PPIU) could play a critical role in providing ongoing support to the preparation, packaging and promotion of regional infrastructure projects but it will need to be sufficiently capacitated and funded. DFID and other partners should engage with the RECs with a view to developing a sustainable work programme for the PPIU, either on its own or as a branch of a continental network of PPIUs anchored centrally by the AfDB. Also, some successes were made by TMSA on trade facilitation that DFID SA could continue to support/scale up (e.g. facilitating reform at borders and the NTB reporting mechanism) and demand for support in this area remains strong from the private sector. TMEA has also developed considerable expertise in the area of trade facilitation along corridors, at ports and through one-stop border posts (OSBPs) which DFID SA could seek to leverage.

Engaging the private sector. DFID SA and other donor’s engagement with the private sector on the regional trade and integration agenda have not been extensive to date. This applies to local and international business as well as private sector organisations (PSOs). The report has found that extractive industries still dominate to a large extent the makeup of economic activity in the region. Apart from diversification and linking up with global value chains being essential in the region, the importance of scaling up investment for agriculture development through support to SMEs and their integration to nascent regional value chains has also been noted. Furthermore, business organisations can be key in taking the regional integration agenda forward with their advocacy efforts and putting pressure on Member States on implementation of trade agreements.

There are excellent opportunities for enhancing engagement with the private sector for expanding regional trade and investment in Southern Africa. The private sector sees Southern Africa as a growth market and business opportunity and there is appetite to engage (in the right way), potentially through more of a brokering and coordinating role, an approach that is being used to some extent in the SAGCOT and BAGC corridors and from which more might be learnt.

DFID and other donors can probably engage more with the private sector most easily and productively in the areas of (i) identification, advocacy and completion of priority trade and investment climate regulatory reforms at country level; (ii) regional infrastructure finance and (iii) impact funds investing with firms integrating into regional value chains (including those regional value chains managed by major South Africa or European corporates like Shoprite

or Unilever who may have supplier diversity objectives for small-scale or women-owned businesses).

A potentially promising way to combine all three of these would be around Spatial Development Initiatives (SDIs) or sections of key corridors in DFID priority countries in Southern Africa, simultaneously increasing potential returns and reducing risks for a raft of related-investments and bringing into play a number of different vehicles in a co-ordinated manner. There seems immediate scope for more progressive alignment between the impact investment and aid communities. It would be possible to leverage and crowd in well-established returnable capital vehicles such as PIDG, CDC and AgDevCo, which are often already operating in SDIs in the region and may include multiple donors as well as DFID.

Improving linkages to poverty reduction. The TMSA MTE found that the potential impact of the TFTA on vulnerable sectors and countries in the region had not been adequately considered in programming. This study has attempted to provide some evidence-based guidance on the linkages between trade, growth and poverty reduction. It has been found that at an aggregate level, openness to trade has a potential positive impact on poverty alleviation through the effect it has on economic growth. The study has also found that the potential effects of supporting women and trade through targeted interventions may be particularly impactful.

The study recommends that DFID SA and other donors should more thoroughly assess the poverty impact of its activities on trade and economic integration in the and in key priority countries. DFID SA should also learn from its past involvement in activities with potentially only weak links to poverty reduction. DFID should for example not necessarily engage on the Tripartite regional industrialisation agenda before further rigorous assessment of the potential effects of a common regional approach to industrial development is undertaken.

Given the well-documented links between informal trade, poverty and gender equality, DFID SA and other donors should also consider how to integrate women and trade in future programme design. A focus on women and girls is further currently a key strategic priority for DFID. With regards to this agenda, it is worth exploring the work being undertaken by the DFID-funded ITC Women & Trade programme as there may be opportunities for enhanced collaboration specifically in Southern Africa.

Working with other partners. A key issue to explore is how DFID and the Foreign Commonwealth Office (FCO) can engage with South Africa on the regional trade and integration agenda, despite the ending of the UK's bilateral aid programme. The study has also mapped the large and diverse portfolio of activities related to regional trade and integration undertaken in the region by traditional DAC donors as well as BRICS, and specifically South Africa, in the region.

There is much scope to improve coordination and enhance collaboration going forward in DFID programming on regional trade and integration. There is also excellent scope for enhanced collaboration with bilateral donor partners especially with Danish International Development Agency (Danida) and USAID as both agencies are currently working on the development of their new regional integration programmes in Southern Africa, with a strong emphasis on selected regional value chains.

DFID should also consider how best to engage the AfDB and WB going forward in Southern Africa. DFID has well-established working relationships with the World Bank across a range of sectors elsewhere, but there is room to do much more together in Southern Africa. The World Bank has signalled that it would welcome an approach from DFID and sees intrinsic, distinct value-added to be gained in working with DFID on regional trade and integration. DFID and other partners should also consider how to engage with the IFC which is currently

working on trade facilitation at national level in the region, but it is seeking partners to develop a regional trade programme in Southern Africa.

The AfDB's approach and priorities for the Southern African region focuses on two pillars that closely align with DFID priorities: regional infrastructure and capacity building in support of infrastructure interventions. On regional infrastructure, AfDB focuses on the areas of transport, energy, and ICT, all anchored in the corridor approach. In the area of capacity building, the Bank has supported the Tripartite in developing the FTA road map and is also providing technical assistance to countries and RECs strengthening their ability to design, manage and monitor infrastructure programmes. There are challenges in working with the AfDB, but this may be a good solution for larger regional infrastructure projects.

Inside South Africa, scope for co-ordination and collaboration could include the potential for engaging with the relevant key parastatals – Development of Southern Africa (DBSA), Eskom and Transnet – as well as central government ministries as these actors have a strong stake and growing footprint in cross-border regional infrastructure co-operation and investments. DFID SA would need a different trajectory of approach to working with South African parastatals to be effective as they are a non-traditional partner. Some initial investment up front would be required to better understand these agencies interests and existing plans for engagement in the Southern African region, as well as to build stronger relationships with the leadership of these organisations. Another option is to work collaboratively with South Africa in delivering its own aid programme through SADPA (South African Development Partnership Agency) that is expected to be operationalised in the near future. An important issue to explore in future programming is how DFID and other donors' future engagement on the regional infrastructure agenda in Southern Africa can take more explicit account of investments coming in from the BRICS (especially China).

Finally, there should be an explicit assessment by DFID SA in its future programming exercises of the potential to invest ear-marked funds through TMEA. As noted above, in contrast to TMSA, TMEA has been able to crowd-in and harmonize bilateral donor funding. DFID started to fund TMEA from a £20m regional programme in 2008. By 2013, TMEA had developed programmes based on a budget of USD $500m. TMEA has also developed considerable institutional expertise and experience in working on a wide range of regional trade and integration activities and its design in terms of linking regional and national programmes is very functional for co-ordinating regional integration work (even intra-DFID coordination). One option that could therefore be explicitly considered is for DFID SA and DFID priority countries in SA (Malawi, Mozambique and Zambia) to make investments into earmarked country and sub-regional "funding windows".

At the same time, it is noted that TMEA clearly has a strong historical focus and mandate on East Africa, which some stakeholders may prefer to preserve and not extend. Moreover, TMEA's independent governance structure would mean that DFID SA and country offices would have to negotiate and agree any new partnership and funding arrangements with TMEA's top management and Programme Investment Committee.