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Developing Economic Corridors In Africa Rationale for the Participation of the African Development Bank

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The purpose of this Brief is to provide the rationale for transforming Africa's potential regional transport corridors into economic corridors and to discuss the role of the African Development Bank (AfDB or Bank) in this process. We refer to the Walvis Bay Corridor to illustrate the practicability of corridor transformation.

Recognizing the cardinal role that regional corridors play in fostering regional integration and development, the AfDB has been supporting the development of regional transport (transit) corridors in Africa. The Bank's² support for corridors aims to stimulate intra-regional and global trade and foster market integration. For some land-locked countries, the corridors are a new opportunity to participate in global trade.

In line with the principles of The Bank's Regional Integration Strategy the AfDB's approach to regional corridors covers both the hard and the soft infrastructure components of development. This encompasses construction, maintenance and rehabilitation projects, as well as trade facilitation measures and trade capacity-building programs. It also provides for the crosscutting issues of economic, social and environmental sustainability.³

To capture the full benefits of regional corridors in Africa, two aspects should be considered. First are questions of poverty and social dynamics: projects must honor these realities and cater to the needs of the inhabitants of areas surrounding established and designated corridors. Second, corridors must be viewed as engines of regional development in themselves and not only as conduits to growth and regional integration. This vision can be realized by following the economic corridor development process outlined in this Brief.

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Understanding the economic corridor concept

The concept of using transport corridors as a means to develop the regions around the corridors is known as the economic corridor concept or the development corridor concept.⁴ The economic corridor approach looks at regional transport routes not only as a means of transporting goods and services or as a gateway for land-locked countries, but also as a tool for stimulating social and economic development in the areas surrounding the route. Economic corridors accomplish this by creating industry and social facilities in conjunction with transport infrastructure. In doing so, they develop rural and border areas, increase the earnings of low-income groups, and create employment. Political boundaries thus cease to be economic boundaries and spatial-economic regional planning takes the lead. In short, the economic corridor approach transforms transport corridors into engines of socioeconomic development.

Generally characteristics of economic corridors can be summarised as:

- A smaller, defined geographic space, usually the area straddling a central transport artery such as a road, a rail line, or a canal;
- Bilateral rather than multilateral initiatives focusing on strategic nodes, particularly border crossings between two countries, principally to promote a sense of ownership;
- An emphasis on physically planning the corridor and its surrounding area, to concentrate infrastructure development and maximize benefits;⁵ and
- Strong public-private partnerships, which promote sustainability.

The stages of corridor transformation

I. Physical development

This stage comprises the transport corridor⁶ and the multimodal corridor⁷ stages of development (Annex1). It involves strengthening

the physical facilities needed for efficient and effective transportation and trade by establishing and revamping transport links; improving the quality of infrastructure, increasing carrying capacity, and dealing with related safety issues; upgrading infrastructure associated with priorities such as rural agriculture, agroindustry, and tourism; encouraging multimodal structures; and upgrading border areas.

II. Logistics development

The right logistics can harmonize corridor policies, regulations and institutions, moving people and goods more efficiently and facilitating storage, warehousing, trucking, insurance and freight management, and related services. Good logistics also involve implementing cross-border trade agreements; simplifying, standardizing and harmonizing immigration and quarantine procedures; promoting information and communication technologies; and establishing a logistics center.

III. Economic and social development

This stage promotes investments in areas such as agroindustry and manufacturing, natural resource-based enterprises, small-scale industries, trade (including planned roadside shops), tourism (rest houses and hotels), schooling, and health facilities, all located near the corridor. Other interventions might include the promotion of innovative trade techniques such as fair trade products⁸ and investment forums, again close to the corridor. The economic and social development stage might also market business opportunities in key industries; establish special economic zones where appropriate; publicize investment policies,

² Literature presents various definitions of transport corridors-some refers strictly to physical infrastructure while other cover both the physical and non physical passages such as air passages as well as governance issues surrounding the corridor. For the purpose of this policy paper we adopt the physical approach thus define A transport corridor as a route (generally linear tract of land or water) on which at least one main transport line (a road, a railway or a canal) has been built and which connects centers of economic activity across one or more "neighboring" countries.

³ African Development Bank and African Development Fund. February 2009. ADB Group Regional Integration Strategy, 2009 to 2012.

⁴ Although many authors use "economic corridor" and "development corridor" interchangeably, others describe development corridors as an ingredient necessary for achieving economic corridors. For this paper, the author maintains the term "economic corridor," as it is more encompassing.

⁵ Asian Development Bank. Economic Corridor Development Approach.

⁶ A transport corridor is a route that physically links an area or a region.

⁷ A multimodal corridor is a route that physically links an area or a region with more than one mode of transport.

⁸ "Fair Trade is an organized social movement and market-based approach that aims to promote sustainability and improve the trading conditions in developing countries. The movement advocates paying producers a higher price and respecting certain social and environmental standards. It focuses on exports from developing countries to developed countries, most notably handicrafts, coffee, cocoa, sugar, tea, bananas, honey, cotton, fresh fruit, wine, chocolate, flowers, and gold. In 2008, products certified by FLO International's Fairtrade Certification program were worth approximately US\$4.1 billion (€2.9 billion) worldwide, a 22% increase over the previous year. While this amount represents a tiny fraction of world trade in physical merchandise, some fair trade products account for 20- 50% of all sales in their product categories in some countries. In June 2008, FLO International estimated that over 7.5 million producers and their families were benefiting from fair trade-funded infrastructure, technical assistance and community development projects." Fair Trade Foundation website, accessed January 2011 at http://www.fairtrade.org.uk/what_is_fairtrade/default.aspx

rules and regulations; offer micro-financing; implant special measures for approving business licenses efficiently and effectively; and address other infrastructure deficiencies, such as inadequate water and power.

IV. Integration of crosscutting issues

This stage addresses environmental and institutional capacity concerns and other social issues.

- Environmental concerns can be addressed with a commitment to sustainable development and the use of mechanisms to protect the environment.
- Institutional capacity⁹ building draws on (i) human skills development; (ii) changes in organisations and networks; and (iii) changes in governance/institutional context to remedy human resource constraints and enhanced service/product delivery in public and private sector organisations¹⁰

- Other social issues that affect corridor development are public awareness, trans-boundary diseases, social programs and traffic safety.

In this light, any transit corridor has the potential of transforming into an economic corridor. It should however be mentioned that some corridors naturally present more opportunities than others. Corridor developers must determine each corridor's comparative advantage.

Tracking economic corridor initiatives

The economic corridor idea has been implemented in various parts of the world, including the Americas and Europe. Some of the most successful examples in the developing world can be found in Asia (Box 1).

Box 1. The Impact of an Economic Corridor on Cambodia and Lao Peoples' Democratic Republic

"A study of the Southern Economic Corridor's (SEC) impact on Cambodia conducted by the Mekong Institute found an increase in living standards of those along the corridor. The study reported improved access to healthcare, education, and markets as well as the development of additional public service facilities. It also reported an improvement in trade routes and reduced trade costs at cross-border points."¹¹ Although Cambodia's contribution to subregional trade has been low (1.8%), the SEC is expected to generate opportunities to increase Cambodia's exports to other countries in the Greater Mekong Subregion, contingent upon investments in Cambodia and the resolution of other bottlenecks.¹²

The development of the East-West Economic Corridor (EWEC) in the same line gave the province of Savannakhet in Lao Peoples' Democratic Republic better connectivity and regional integration. It reduced travel times, in some cases from 12 to 3 hours, and cut the cost of transportation, increasing competitiveness. The transportation sector grew, with the number of buses growing from 600 in 2000 to 1,600 in 2005, while the number of transport operators doubled over the same period. Townships and economic activities also grew, and new concrete houses, markets, guesthouses and restaurants, petrol stations, automobile repair shops and other micro enterprises emerged.¹³

⁹ «Capacity is the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.» The terms «capacity building» or «capacity development» describe the task of establishing human and institutional capacity." UNDP 2002, ADB 2004 and DFID 2008

¹⁰ Certified by FLO International's Fair Trade Certification program were worth approximately US\$4.1 billion (€2.9 billion) worldwide, a 22% increase over the previous year. While this amount represents a tiny fraction of world trade in physical merchandise, some fair trade products account for 20- 50% of all sales in their product categories in some countries. In June 2008, FLO International estimated that over 7.5 million producers and their families were benefiting from fair trade-funded infrastructure, technical assistance and community development projects." Fair Trade Foundation website, accessed January 2011 at http://www.fairtrade.org.uk/what_is_fairtrade/default.aspx

¹¹ Stone S and A Strutt. 2009. Transport Infrastructure and Trade Facilitation in the Greater Mekong Subregion. ADBI Working Paper 130. Tokyo: Asian Development Bank Institute. Accessed April 2011 at <http://www.adbi.org/workingpaper/2009/01/20/2809.transport.infrastructur.e.trade.facilitation.mekong/>

¹² Phyrum K, Sothy V, and Horn K S. Social and Economic Impact of the GMS Southern Economic Corridor on Cambodia. Mekong Institute Research working paper Series No. 01/2007. Accessed April 2011 at http://www.mekonginstitute.org/images/stories/Research/working_series/2_007_1.pdf

¹³ Luanglatbandith, R. 2007. Development Impacts of the East West Economic Corridor (EWEC) on Savannakhet Province of the Lao PDR.

Within Africa, the concept of economic corridors started in South Africa as the Spatial Development Initiative (SDI) Program. SDI is an integrated planning tool aimed at promoting investments in regions of South Africa that are underdeveloped but have potential for growth.¹⁴ One of SDI's strategies has been to maximize transport efficiency so as to better equip South Africa to compete in global trade. A great achievement of the SDI has been the initiation of the Maputo Development Corridor. Once a transport corridor that had suffered decline because of the war in Mozambique, the Maputo Corridor has now become the continent's leading example of corridor development.¹⁵

The Southern African Development Community (SADC) took the lead in adopting the SDI concept with a program under which the Walvis Bay Corridor (WBC) and 15 other corridors were earmarked for transformation. In 1998, the African Union followed suit, scaling the concept up to the entire continent with its Resource-Based African Industrialisation and Development Strategy. Later, the SDI concept was endorsed by the Infrastructure Consortium for Africa (ICA), and the New Partnership for Africa's Development (NEPAD) decided to create an SDI unit. This led to the inception of the Northern Corridor of Central and East Africa, among others.¹⁶

"Few other cross-border SDIs have made demonstrated progress in Africa,"¹⁷ especially as regards structural transformation and poverty reduction. This can be attributed in part to an insufficient focus on developing the links between infrastructure planning and actual operations (i.e., social and economic planning);¹⁸ "a scale and a complexity of execution for which the capacities of the regional economic communities (RECs) expected to coordinate corridor activities are inadequate";¹⁹ and often unsystematic development (implementation) processes, as evidenced when a project moves from one stage to the next before the first stage is complete. This does not imply that the stages of corridor development must never overlap, but

rather that the success of one stage is highly dependent on the proper implementation of the stage that preceded it.²⁰

Entry points for the African Development Bank

Most of the interventions required to develop economic corridors are consistent with the Bank's strategies and current activities, and several of the AfDB's entry points would capitalize on its wide expertise and on skills already available within the institution. Those skills cover the fields of human development, agriculture, environmental sustainability, trade, infrastructure and the private sector. Following is a discussion of the AfDB's main entry points for economic corridor development.

I. Research

The Bank can support the development of economic corridors through regional technical assistance for trade and transport studies and the formulation of strategies. It can also help identify and deliver priorities for hard and soft infrastructure, producing statistics, conducting data analysis and generating knowledge products in the process.

II. Capacity building

Building the capacity of Institutions and developing the skills of regional economic communities and other regional and national institutions as regards the economic corridor development process is another important area in which the Bank can intervene. Building capacity in this area would cover skills in the construction and maintenance of infrastructure, the facilitation of trade, investment, the promotion of the private sector, spatial planning, socioeconomic planning, and project planning and design.

¹⁴ SDI was initiated in South Africa with the principal purpose of shifting South Africa from an import-oriented economy, attracting investments, and creating employment. The Maputo Development Corridor. Accessed April 2011 at <http://www.mcli.co.za/mcli-web/mdc/mdc.html>

¹⁵ The Maputo Development Corridor. Accessed April 2011 at <http://www.mcli.co.za/mcli-web/mdc/mdc.html>

¹⁶ USAID east Africa, <http://eastafrica.usaid.gov/en/Article.1143.aspx>

¹⁷ Thomas R. H. for the African Development Bank/John Hopkins University. 2009. Development Corridors and Spatial Development Initiatives in Africa.

¹⁸ Thomas R. H. for the African Development Bank/John Hopkins University. 2009. Development Corridors and Spatial Development Initiatives in Africa

¹⁹ African Development Bank and African Development Fund. October 2010. Southern Africa - Regional Integration Strategy Paper 2011 to 2015». Page 14.

²⁰ Even if border crossing times are reduced, for example, overall road travel times do not fall much if potholes are not fixed

III. Cooperation

In conjunction with regional economic communities, the Bank can offer support and foster bilateral and trilateral initiatives for the implementation and management of economic corridors by building and cementing focused partnerships. Helping organize and maintain forums and working groups for cooperation and coordination—for example, supporting a sub-regional transport forum or a working group on agriculture—are examples of useful activities.

IV. Advocacy and policy dialogue²¹

The Bank can help mobilize political will while promoting measures to avoid political intervention. It can also facilitate an enabling policy framework for investments and actions designed. For example organizing roundtables, workshops, specialized committees, commissions, regulatory negotiations or working groups²².

V. Technical assistance

The AfDB can supply technical assistance that helps to produce feasibility and engineering studies, identify required regulations, construct a framework for possible public-private partnerships, and so forth.

VI. Resource mobilization

The Bank can help mobilize funds using both the traditional way as well as exploring new forms and e.g. using Innovative Development Finance approaches such as engaging with the private sector, thematic trust funds, public guarantees and equity investments and many more²³.

A real example: Transforming the Walvis Bay Corridor

The Walvis Bay Corridor (WBC) is one of the transport corridors that SADC earmarked for transformation into an economic corridor under the SDI initiative.²⁴ The WBC is a network of routes that links the SADC to the Port of Walvis Bay on Namibia's southwest coast, offering the region a gateway to transatlantic trade routes and markets. The WBC is composed of the Port of Walvis Bay, the Trans Kalahari Corridor, the Trans Caprivi Corridor, the Trans Cunene Corridor and the Trans Oranje Corridor. It runs through Namibia, Zambia, Zimbabwe, Botswana, Angola and South Africa and indirectly to the Democratic Republic of Congo. The corridor system consists of roads, railways, and shipping services; it has a potentially wide catchment area of customers and commodities. The Walvis Bay Corridor Group (WBCG), a public-private partnership, was established in 2000 to promote transport and trade along the WBC.²⁵ The WBCG is governed by a board of directors; its day-to-day operations are handled by a technical secretariat.²⁶

The WBC SDI was initiated by the governments of Namibia and South Africa in 2000/2001. Its initial scope was the Trans Kalahari Corridor. The initiative has made significant success in a number of areas, including institutional set-up, the development of infrastructure, and the facilitation of trade. Nonetheless, the corridor remains in the initial stage of development.²⁷

The WBC could be transformed into a full-fledged economic corridor in the manner outlined below. These steps should be viewed as a guide and not as a template. In reality, most transport routes cannot be transformed into economic corridors by strict adherence to any one set of steps, unless they are new constructions. Success lies in strategic planning and a strategic visioning.

Steps to developing a fully functional Walvis Bay Economic Corridor or another corridor:

1. Forming a strong corridor management group to spearhead the process. Although public-private partnerships may have disadvantages, a semi-autonomous public-private partnership, in this case

²¹ Policy dialogues are carefully constructed, deliberative meetings that address both politically controversial and technically complex aspects of an issue in a dispute. Generally speaking, policy dialogues seek to exchange information and build consensus recommendations between the public, private, and civic sectors through leaders who are in a position to forge alliances, make decisions, or strongly influence the trajectory of a possible solution to a challenging issue (Adler, Peter S. and Kristi Parker Celico, 2003).

²² Ibid

²³ non-traditional mechanisms to raise additional funds for development aid through it comprises both innovations in the way funds are raised as well as innovations in the ways funds are spent on international development. (World Bank 2009)

²⁴ De Beer, GRM. 2001. Regional development corridors and spatial development initiatives - some current perspectives on potentials and progress. Paper presented at the 20th

²⁵ The WBCG is composed of representatives of Namibia's transport industry, including Namport and Trans Namib, Roads Authority, and key government ministries. It counts associate members from the region and abroad.

²⁶ SDI was initiated in South Africa with the principal purpose of shifting South Africa from an import-oriented economy, attracting investments, and creating employment. The Maputo Development Corridor. Accessed April 2011 at <http://www.mcli.co.za/mcli-web/mdc/mdc.html>

²⁷ Republic of Namibia-Ministry of Trade and Industry, Launch of WBSDI, Statement by Hon. Mandisi Mphahla, Minister of Trade and Industry of South Africa on the occasion of the launch of the Walvis Bay Spatial Development Initiative (WBSDI) at the Country Club on 6 July 2007; Southern African Media Corridors, Transport corridors website,

the WBCG, is generally well-suited for this role as this ideally would among other issues improve efficiency, accountability for the provision and delivery of quality outputs, capitalise on synergies between public authorities and private sector companies and encourage Innovation and diversity.

2. Ensuring the support of the countries that are served by each route. In the case of the Trans Caprivi, we refer to Namibia, Zambia, and the Democratic Republic of the Congo.

3. Establishing a team of experts that comprises economic, social and spatial planners; environmentalists; and entrepreneurs, for the purpose

of performing a situation analysis of the corridor.

4. Conducting a situation analysis, i.e., a spatial social and economic analysis of each route of the corridor and its immediate surroundings. This can be done with a combination of strategic planning tools, such as a SWOT (strengths, weaknesses, opportunities, and threats) analysis or a PEST (political, economic, social, and technological) analysis.

a - Ascertaining the achievements thus far and analyzing current projects and programs on each route. Some of the WBC's achievements since the formation of the WBDG are summarized in Box 2

Box 2 . Some achievements since the establishment of the Walvis Bay Corridor Group

Since its establishment in 2000, the number of shipping connections to Walvis Bay has increased, enhancing the status of the Port of Walvis Bay and stimulating a more competitive tariff structure for the region's importers and exporters. New international corridors have been opened, which in the long term will reduce the cost of doing business in the region. The Walvis Bay Corridor is now linked to international destinations via direct shipping routes to and from North America, South America, the Far East, Europe, and the Middle East.

The Northern Railway Extension Project from Tsumeb in Namibia to Oshikango at Namibia's border with Angola has also commenced.

The Trans Caprivi Corridor cluster has been welcomed into the Walvis Bay-Ndola-Lubumbashi Corridor Committee, and the development of the Trans Caprivi cluster as a public-private partnership between Namibia and Zambia has made significant progress. This partnership will serve as a trade bridge, addressing non-tariff barriers along the Trans Caprivi route. Feasibility studies of one- stop border posts have been launched along the border between Namibia and Angola, the border between Namibia and Zambia, and elsewhere.

Source: Adapted from the Walvis Bay Corridor Group and African Press International²⁸

²⁸ The Walvis Bay Corridor Group website, accessed 2 December 2010 at <http://www.wbcg.com.na/>. Also, African Press International, Walvis Bay Corridors Serving as an Alternative Trade Route, 13 October 2010, accessed April 2011 at <http://africanpress.wordpress.com/2010/10/13/walvis-bay-corridors- serving-as-an-alternative-trade-route/>

b - Comparing the corridor's achievements thus far with the steps of the economic corridor creation process. This exercise is important for identifying gaps. In terms of infrastructure, for example, the roads of the WBC have been shown to be in good condition. A number of measures to improve logistics have also taken place, suggesting that these areas do not need to be worked on at the beginning but may rather form the basis for improving other interventions and performing other work. In addition, under the SDI, Namibia and South Africa have begun to apply the economic corridor concept on the Trans Kalahari route, and a number of projects are already being implemented. This said, no achievements in structural transformation, poverty reduction and regional transport have yet been documented. Meanwhile, the WBC's other routes, such as the Trans Caprivi, are still at the stage of improving logistics, while the Trans Cunene is still being expanded physically. Each route must therefore be considered separately, in light of the interventions required.

c - Using the findings from the situation analysis to produce a strategy that details how each corridor route can fill the gaps within each stage of the economic corridor development process. The strategy for the Trans Kalahari, for example, might focus on ensuring that the current SDI project fully covers the requirements of an economic corridor. On the Trans Caprivi, in contrast, more attention should be paid to ensuring that the new infrastructure and trade facilitation interventions are at par

and will be supplemented by socioeconomic projects in the future.

d - After establishing the above, designing strategy and structure for implementation.

Conclusion

Transport corridors can accomplish much more than linking point A to point B. With the economic corridor concept, Africa's transport corridors can not only facilitate regional integration and trade but can also reduce poverty, particularly in catchment regions. Planners can achieve this by carefully coordinating the social, economic and physical development of the corridors and their surroundings. Strategic planning tools are essential to this process, as is close cooperation among the countries concerned, which must harmonize their policies and their social and economic strategies and address other common issues. Given the vast expertise of the AfDB and its central role in regional integration, trade, private sector participation and poverty reduction in Africa, it is cardinal that the Bank takes part in transforming Africa's transport corridors into economic corridors. The Bank's areas of intervention in this regard are especially evident for research, advocacy, the facilitation of international cooperation and policy dialogue, technical assistance, capacity building, and resource mobilization. All of these areas fall within current AfDB strategic guidelines and the mandates of actual interventions.

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Annex 1

Stages of Corridor Development					
Stage	Type of corridor	Definition	Instruments	Interventions	Rationale
1	Transport	A route that physically links an area or region	Physical infrastructure—a road, a railway, a river, etc.—that serves to integrate economic activities in a region	<ul style="list-style-type: none"> • The establishment, strengthening and improvement of transport links and associated elements, such as carrying capacity, the quality of the infrastructure, border facilities and safety measures • The encouragement of multi-modalism 	To diversify transport alternatives and use resources such as land and rivers sustainably, so as to move vehicles in an efficient and cost-effective manner
2	Multimodal	A route that physically links an area or region with more than one mode of transport	Several modes of physical Infra- structure—a road, a railway, a river, etc.—that serve to integrate economic activities in a region		
3	Logistics	A corridor that has harmonized its institutional framework to enable the efficient flow of goods and services	Measures to harmonize a corridor's policies, regulations and institutional framework to facilitate cross-border transport and trade	<ul style="list-style-type: none"> • The harmonization of the corridor's policies, regulations and institutional framework • The creation of cross-border trade agreements • The simplification, standardization, and promotion of information and communication technology; the establishment of logistics centers • The upgrading of border areas and the correction of infrastructure deficiencies • The provision of related services such as storage, warehousing, trucking, insurance, and freight management 	To facilitate the efficient movement of both people and goods; to reduce travel times and by extension the cost of doing business within the region and overseas
4	Economic	A corridor that attracts investment and generates economic activity and benefits surrounding regions	Infrastructure and various measures to foster economic, social and spatial development	<ul style="list-style-type: none"> • The promotion and facilitation of investments in industries such as agribusiness and other natural resource-based businesses, both small and large • The encouragement of trade, for example in the form of roadside shops • The promotion of tourism, including rest houses and hotels • The provision of schooling, health facilities, and other social advantages • The improvement of other infrastructure, such as water and power, to link priority areas; the correction of infrastructure deficiencies • The creation of investment forums; the marketing of business opportunities in key industries; the establishment of special economic zones where appropriate; the dissemination of investment policies, rules and regulations; measures to approve business licenses efficiently and effectively; the provision of micro financing; and other measures 	To promote economic and social development by maximizing the use of transport infrastructure and reducing poverty around the corridors

Cross-cutting issues should be considered at each stage. These issues encompass social, environmental and institutional capacity concerns. Social concerns call for mainstreaming public awareness and public participation in decision making, the fight against trans-boundary disease and HIV/AIDS, traffic safety, and other matters into corridor development. Environmental measures focus on sustainable development and environmental protection mechanisms. And institution-building means addressing human resource constraints in the public and private sectors and conducting skills development programs.

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About Us

NEPAD, Regional Integration and Trade Department (ONRI) was established in March 2006 to enable the African Development Bank to play a focused and leading role in supporting the implementation of NEPAD and promoting Africa's regional integration and trade. By supporting and advancing the soft and hard aspects of regional economic and financial integration, trade, investment and regional infrastructures, ONRI contributes to promoting competitiveness, economic growth and poverty reduction in Africa.

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