Trade and Transport Facilitation Due Diligence Tool
“Efficient trade and transport infrastructure... enables economies to benefit from larger and more efficient markets for goods, services, labor and capital and leads to more investment, increased productivity and greater regional and global competitiveness.”
Enhancing regional integration within Africa to deliver broad-based economic and human development is a core part of the Bank’s mandate. Mainstreaming regional integration promises to deliver transformative economic development and increased security.

Realizing the vision of increased regional integration requires investment in transport corridors along major routeways to enable goods, services, and people to move between regional and between countries. Efficient trade and transport infrastructure along multi-country corridors link landlocked countries to regional and global markets. This enables economies to benefit from larger and more efficient markets for goods, services, labor and capital and leads to more investment, increased productivity and greater regional and global competitiveness. This will result in larger markets, increased trade, more inter-country value chains linkages and more jobs.

Evaluation outcomes of Bank transport infrastructure projects have consistently highlighted how, following the completion of the physical transport infrastructure, key elements of trade facilitation had not been addressed. Bank management has noted that delays in addressing soft infrastructure-defined as trade and transport policies, regulations and institutional governance and capacity-have resulted in projects underperforming and delivering lower than expected economic and social benefits. Ensuring soft infrastructure is mainstreamed throughout the design and implementation of the physical infrastructure is necessary for realizing the wider economic benefits.

The Bank’s Regional Integration Coordination Office (RDRI) has collaborated with the Industrial and Trade Department (PITD) and the Infrastructure and Urban Development Department (PICU) to develop the Trade and Transport Due Diligence Tool for use by infrastructure project teams to integrate elements of soft infrastructure through the physical infrastructure project cycle. The Tool was launched at a series of regional workshops with Bank staff and representatives from the RECs, in Arusha, Johannesburg and Abidjan. These workshops generated valuable insights which have been incorporated in the final version. The Tool is designed to assist Project Staff to identify the key policy, regulatory, administrative and capacity issues that should be considered when developing transport infrastructure. It is intended to complement the Bank's Operation Manual.

RDRI hopes the Due Diligence Tool will assist Project Staff to better inform the design, development and implementation of transport infrastructure projects. It should be considered a living document which will be updated over time.

Moono Mupotola
Director, Regional Integration Coordination Office
African Development Bank
ACKNOWLEDGEMENTS

The Trade and Transport Facilitation Due Diligence Tool was prepared by the Regional Development and Regional Integration Department (RDRI) in close collaboration with the Industrial and Trade Department (PITD) and the Infrastructure and Urban Development Department (PICU) of the African Development Bank Group.

The development of the Tool benefited from the expert guidance of Ms Moono Mupotola, Director, RDRI, Mr Abdu Mukhtar Director, PITD and Andoh O. Mensah, Manager PITD 2. The PICU team, led by Mr Jean Kizito Kabanguka made an invaluable contribution. SNSP and SNOQ2 lead by Victoria Chisala and Penelope Jackson respectively gave invaluable support too.

The Task Managers for this work were Zodwa Mabuza, Principal Regional Integration Officer and Gerald Ajumbo, Chief Trade Facilitation Officer. Profound gratitude goes to the teams from RDRI, PICU and PITD in the Bank: Patrick Kanyimbo in RDGE, Youssouf Kone, RDGC, Rafika Amira, RDGN, Mokati-Sonkutu Rosemary Bokang, RDGS, Omoluabi -Davies Ometere, Nigeria Office, Jean-Guy Afrika, PITD, Lydie Ehuman, PICU and Stefan Atchia, PICU.

The team is also indebted to the participants who took part in the training at the Bank’s Regional Resource Centres in Eastern, Southern, Western and Central Africa in March 2020. These include Mumina Wa-Kyendo, Chief Transport Engineer, RDGE; Marie-Hellen Mechior Minja, Principal Transport Engineer, Country Office, Tanzania; Jumba Naligia Katala, Senior Transport Engineer, RDGE; Eriso Garbado, Country Office, Ethiopia; George Makajuma, Principal Transport Engineer, RDGE; Zerfu Tessema, Chief Transport Engineer, RDGE; Gerard Nimpa, Task Manager; Jovin Mwemezi Transport Director, TMEA; Kamugisha Kazaura, Director of Infrastructure, EAC; Hosea Nyangweso, Corridor Advisor, EAC; Bokang Makati-Sunkutu, Regional Integration Coordinator, RDGS; Memory Dube Senior Trade Officer, PITD; Kararach, Auma George, Lead Economist, ECVP; Mwila, Aaron Katambula, Transport Engineer, PICU 1; Malinga, Richard, Principal Transport Engineer, RDGS0; Makasa, Davies Bwalya, Principal Transport Engineer, Country Office Malawi; Nyirubutama, Jean-Jacques, Chief Transport Economist, RDGS4; Mambo, Joao, Infrastructure Specialist, Country Office Mozambique; Lufeyo Banda, Infrastructure Finance and RI Expert (cont.), RDGS, Lovemore Bingandadi, Program Coordinator-Tripartite Transport and Transit Facilitation Program; Bernard Dzwandum, Senior Economist, Transport; Sheila Akyen, Transport Engineer, Ghana, RDGW; Prince Tambah Transport Engineer, Liberia, RDGW; Abu Sandy Bockarie Transport Engineer, Sierra Leone, RDGW; More Pierre, Transport Engineer, RDGC; Jean Felix Edjodjon’Ondo, Senior Transport Engineer, Gabon, RDGC; Amelle Njoukou, Young Professional; Abou Fall, Trade Facilitation Officer, PITD; Mena Eremutha, Senior Trade Policy Analyst, PITD 2; Diouf Mahkfol, Senior Competition Policy Officer; Briggs Inye, Trade Regulations Officer, PITD 2; Legre Ade Jocelyne, Principal Investment Climate Performance Officer; Leones Yapo, Principal Country Economist.

This report was written by Mr Robert Kirk, who also conducted in-depth interviews with Bank staff and benefited from input made by the technical team.
TABLE OF CONTENTS

Foreword ............................................. 1
Acknowledgements ................................. 2
1. BACKGROUND AND RATIONALE  
FOR THE TRADE AND TRANSPORT  
DUE DILIGENCE TOOL .............................. 4
What is the Trade and Transport  
Facilitation Due Diligence Tool? .............. 4
Figure 1. Elements That Make Up Soft  
Infrastructure ...................................... 4
Rationale for the Due Diligence Tool .......... 6
Figure 2. Cascade of Benefits for Transport  
Projects ............................................. 6
Strategic approach ............................... 7
2. MAINSTREAMING TRADE AND TRANSPORT  
FACILITATION .................................... 8
Table 1. Mapping soft infrastructure  
information requirements during  
project design ..................................... 9
2.1 Module 1. Assessment of  
the Political Economy ......................... 10
2.2 Module 2. Trade Agreements  
for Goods and Services ......................... 11
2.3 Module 3. Trade and Transport  
Facilitation ........................................ 11
Table 2. Trade facilitation: trade policy,  
border posts, customs modernization  ......... 13
Table 3. Trade facilitation: non-tariff  
measures, transport policy .................... 13
2.4 Module 4. Complementary  
Policies ........................................... 14
Table 4. Complementary policies:  
the business-enabling environment ........... 14
Table 5. Complementary policies:  
factor and sector markets ...................... 14
2.5 Module 5. Corridor Governance and  
Management ........................................ 15
Table 6. Corridor governance  
(institutional and administrative) ............. 15
2.6 Cross-cutting Issues in Trade and  
Transport Facilitation ........................... 16
2.7 The Project Cycle .............................. 16
2.7.1 Project Identification ....................... 16
Box 1. Integrating Soft Infrastructure  
Issues during Project Identification .......... 17
2.7.2 Concept Note ................................ 17
2.7.3 Project Preparation ......................... 17
Logical Framework (log frame) ............... 18
Table 7. Integrating Trade and Transport  
Facilitation into the Results-based  
Log Frame ......................................... 18
2.7.4 Project Appraisal ........................... 18
2.7.5 Implementation ............................ 20
2.7.6 Project Implementation/  
Supervision ....................................... 20
2.7.7 Project Completion  
and Evaluation .................................. 20
REFERENCES ........................................ 22
ANNEX 1. Soft Infrastructure and  
the Logistics Performance Index ............... 24

ACRONYMS
ADB  African Development Bank
AfCFTA  Africa Continental Free Trade Agreement
ICT  Information Communication and  
Technology
NTM  Non-Tariff Measure
PCN  Project Concept Note
PICU  Infrastructure and Urban Development  
Department
PITD  Industry and Trade Department
RDRI  Regional Integration Coordination Office
REC  Regional Economic Community
RISF  Regional Integration Strategic Framework
RMC  Regional Member Country
SMART  Specific, Measurable, Acceptable,  
Realistic and Time-Bound
SNOQ  Quality Assurance Department
SSATP  Sub-Saharan Africa Transport  
Policy Program
WTO  World Trade Organization
1. BACKGROUND AND RATIONALE FOR THE TRADE AND TRANSPORT DUE DILIGENCE TOOL
1.1 **What is the Trade and Transport Facilitation Due Diligence Tool?**

The Bank’s Trade and Transport Facilitation Due Diligence Tool is a framework for collecting information and data for the review of policy, regulatory, legal, and institutional issues relevant to the facilitation of trade and transport (see Figure 1). The tool is designed to guide Bank staff in mainstreaming trade and transport facilitation issues, also referred to as soft infrastructure issues, throughout the physical infrastructure project cycle.

The tool is intended to complement the Bank’s Operations Manual. As an integral part of the Bank’s project cycle, its use starts at the identification stage and runs through to project completion. At the identification stage, teams use it to consult with the borrower, with stakeholders, and with beneficiaries to take stock of critical regulatory, legal, institutional, and policy-related assessments of soft measures on trade and transport. When performed collectively using established methodologies, these assessments constitute a mechanism through which the Bank’s experts conduct due diligence for the facilitation of trade and transport.

![Figure 1. Elements that Make Up Soft Infrastructure](source: African Development Bank)
1.2 Rationale for the Due Diligence Tool

Investments in transport infrastructure seek to promote economic growth through lowering trade costs, stimulating trade and increasing efficiencies. The rationale for the Due Diligence Tool is to ensure soft infrastructure, defined as trade and transport policies, trade-related services, regulations and procedures, improvements in the business environment, and capacity-building activities are mainstreamed throughout the physical infrastructure project cycle.

Including elements of soft infrastructure in project design supports regional integration and economic development through encouraging government agencies at the national, bilateral, or regional level (depending on the project scope) work in an integrated manner to enforce common transport policies and regulations, enhance corridor efficiency through monitoring and benchmarking, and increase multi-modal efficiency. The Due Diligence Tool reinforces the rationale for investing in hard infrastructure through tracing the broader economic benefits (see Figure 2).

Figure 2. Cascade of Benefits for Transport Projects

Source: African Development Bank

Evaluations of Bank transport infrastructure projects over the past decade have frequently reported how, upon completion of the physical infrastructure, key elements of trade facilitation were not addressed. Further Bank Management has highlighted delays in providing soft infrastructure as major constraints to the overall achievement of the objectives of the Bank’s regional integration strategic papers, which results in projects underperforming and delivering lower-than-expected economic and social benefits. These observations are consistent with the consensus, based on experience and research, that mainstreaming soft infrastructure throughout the physical infrastructure project cycle is necessary to widen the benefits of greater integration and more intra-regional trade1.

The Bank’s Regional Integration Strategic Framework (RISF) requires investments in regional infrastructure explicitly to address i) policy dialogue at all levels (central, regional, and local) and across sectors, and ii) institutional capacity-building (e.g., among regional economic communities (RECs) and RMCs). The Bank’s Regional Integration Strategy Paper for Eastern Africa (2018-2022) urges addressing soft governance issues of regional integration and trade, particularly at the design stage.

---

1. The recent World Bank (2014), Trade and Transport Corridor Management Toolkit, Robin Carruthers and Charles Kunaka, noted “soft aspects of corridor projects may not cost a lot of money, but they can be the most important.” p.25.
The Trade and Transport Facilitation Due Diligence Tool is aligned with the RISF (2018), the Bank’s new Development and Business Delivery Model, and all of the Bank’s cross-cutting policies, including policies on gender, the environment, and climate change. The tool takes account of recent advances in multilateral and regional agreements, including the Vienna Programme of Action (2014-2024; Annex 2), the entry into force of the World Trade Organization (WTO)’s Trade Facilitation Agreement in February 2017, and the entry into force of the AfCFTA in 2020.

1.2 Strategic Approach

The Trade and Transport Facilitation Due Diligence Tool assesses soft infrastructure and contributes to programmatic focus and design from the identification stage, ensuring the quality of the Bank’s operations and infrastructure projects. Anchored in the Bank’s project cycle, the tool employs a systematic method to examine and analyze the borrower’s and/or the beneficiary’s project proposals and intended outcomes to determine if their rationale is sound and if the strategies proposed are likely to have the impacts intended. The tool was developed using a rigorous, thoughtful, and well-researched approach along the lines of the approach that produced the Results Measurement Framework and the Theory of Change on the execution of Bank-funded infrastructure projects.

The tool is grounded in a systematic review of relevant Bank evaluations and project completion reports, lessons learned from non-Bank projects, and the literature. The annexes to this paper provide additional information on due diligence and how the information thus obtained can be useful to mainstreaming soft infrastructure into hard infrastructure operations and projects.

The tool is predicated on the conclusion that project identification must take a holistic approach, comprehensively reflecting policy, regulatory, legal, and institutional priorities while identifying the capacity-building and technical assistance “add-ons” necessary to enhance soft infrastructure inputs and complement the Bank’s infrastructure investments overall.
2. MAINSTREAMING TRADE AND TRANSPORT FACILITATION
The Trade and Transport Due Diligence Tool mainstreams soft infrastructure throughout the project cycle, from identification; preparation of the concept note; project design/preparation; project appraisal; project implementation/supervision; and project completion/evaluation.

The Due Diligence Tool is organized in five modules:

- Political Economy
- Trade Agreements
- Trade and Transport Facilitation
- Complementary Policies
- Corridor Governance and Management

The soft infrastructure checklist shown in Table 1 below is the starting point for effectively mainstreaming soft infrastructure into hard infrastructure projects. Throughout the project cycle, this analysis will be applied in order to ensure soft infrastructure issues are integrated effectively.

<table>
<thead>
<tr>
<th>Module</th>
<th>Information Requirements</th>
<th>Indicative Project Intervention Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>MODULE 1. Assessment of the Political Economy</td>
<td>Identify key stakeholders and assess their interests and power relationships.</td>
<td>Identification of the principal potential “winners” and possible “losers” (enables compensatory measures to be developed)</td>
</tr>
<tr>
<td>MODULE 2. Trade Agreements for Goods and Services</td>
<td>Document how trade is governed along the length of the route covered by the proposed infrastructure investment? Identify existing regulations for transport and logistics service providers (national and regional) Status of national and regional digital regulations</td>
<td>Policy and regulatory reforms required to improve market access</td>
</tr>
<tr>
<td>MODULE 3. Trade and Transport Facilitation</td>
<td>Operation and capacity of maritime ports, customs and other cross-border procedures along the length of the transport corridor; transit and transport operations</td>
<td>Institutional strengthening and capacity development Support for implementing international and regional trade facilitation</td>
</tr>
<tr>
<td>MODULE 4. Complementary Policies</td>
<td>Business-enabling environment: requirements for starting, operating and closing a business, internal trading regulations, contract enforcement Existing market structures and trade along the route Access to finance, labor training, availability of commercial land</td>
<td>Policy and regulatory reform and institutional strengthening Institutional strengthening and capacity development</td>
</tr>
<tr>
<td>MODULE 5. Corridor Governance and Management</td>
<td>Proposals for managing the operation and maintenance of the corridor</td>
<td>Inter-government commitment to finance corridor and/or infrastructure management and maintenance Corridor secretariat for management and performance monitoring</td>
</tr>
</tbody>
</table>

Source: African Development Bank
The analyst responsible for the political economy diagnostics will be responsible for stakeholder identification and analysis. This will require consultation with the wide range of stakeholders who have an interest in the proposed infrastructure investment. This will include government officials and political representatives, state owned firms, private sector firms, civil society, and international cooperating partners.

It is important to consult with citizens and residents who live along and close to the route. The African Development Bank’s regional integration strategy papers and RMCs’ strategy papers provide a useful background for understanding key political economy issues. The political economy analysis may wish to consider the list of indicative questions shown below:

■ Does the proposed project have the active support of heads of state from all the countries along the corridor? The analyst should aim to understand the nature of each country’s buy-in. For example, have public comments been supported by the executive office, allocating time and personnel to advance the project?

■ Has the Regional Economic Community (REC) endorsed the proposed project as a regional priority?

■ Is the proposed project reflected in relevant national-level planning and development documents and in the national budget? Specifically, do national governments along the corridor commit to allocating technical and financial resources to the project?

■ Can REC commitments be leveraged to facilitate trade?

■ To what extent have national and local governments along the length of the transport corridor committed to implementing measures that will reduce trade costs?

■ Which stakeholders are involved in the corridor? Parties may include central government, front-line staff for border agencies, local/municipal governments, cross-border traders, logistics service providers, transport companies, the population living along and adjacent to the corridor, and the corridor secretariat, if any.

■ Are initiatives planned or underway to reduce informal behavior that increases the cost of trade? Examples are corruption and inefficient front-line administration at border crossing points.

■ What challenges constrain the private sector from responding to the opportunities created by the new infrastructure?

■ What are the investment’s potential costs and benefits to the population (disaggregated by gender and age) that lives adjacent to the corridor? What measures will ensure that this population benefits from the project?
2.2 MODULE 2. Trade Agreements for Goods and Services

Information on trade agreements and trade policies may be found in a range of documents, including the WTO’s Trade Policy Review Mechanism, diagnostic trade integration studies, the planning reports of regional member countries and regional economic communities, and annual reviews. Project staff should include senior trade officials in regional member countries and regional economic communities, RDRI, and international cooperating partners.

Information on the regulations governing the transport and logistics sector and other service sectors may be contained in service sector reviews and transport sector assessments. Project staff should consult with senior trade officials in RMCs and RECs, with private sector logistics providers, and with network industries (telephone companies, mobile services, information and communication technology (ICT) providers). The analyst may wish to consider the list of indicative information requirements and questions shown below:

- **Identify all trade agreements in the countries along the corridor.** What is the current structure of tariffs? What tariffs are levied on trade along the route of the planned infrastructure? Are there plans to remove or reduce tariffs? Are there quantitative restrictions on the movement of goods (for example, the movement of sugar)?

- **Identify restrictions on the cross-border supply of services, commercial presence requirements, and regulations governing the temporary movement of service professionals.**

- **Is the national or regional legal, regulatory, and institutional framework for ICT conducive to investment and competition?**

2.3 MODULE 3. Trade and Transport Facilitation

This category of questions requires the analyst to identify additional investments in transport and trade facilitation that have the potential to leverage the benefits of the infrastructure being developed. Questions may address secondary access roads that link with the main trunk road, collection centers, warehouse facilities, and upgrades to border infrastructure. Soft infrastructure investments may also include investments in human capital, process re-engineering, institutional reforms, and regulatory and legal changes.

In addition to drawing on reports on transport and connectivity and on trade facilitation assessments, the analyst should consult key stakeholders in government and the private sector. A list of indicative questions and information relating to trade and transport facilitation that the analyst should consider are shown below:

- **Identify how the policy and regulatory framework impacts the movement of goods and people along the corridor.** Are cross-border transport agreements in place?

- **Non-tariff measures:** Identify restricted products (regulations), technical regulations, and sanitary and phytosanitary-related (quarantine) policies and procedures. Can approval procedures be simplified, automated, and harmonized across the region or along the corridor?

- **Identify any technical capacity constraints in the participating countries that could impact the efficiency of the proposed investment.** For example, a shortage of testing laboratories may add to the time required to release agricultural and food products at the border.
Do the countries along the corridor have memorandums of understanding or other legal agreements relating to trade facilitation? If yes, what do they include? Do they address information-sharing? Is there a dedicated point of contact, or hotline, for addressing cross-border queries?

What are the institutional arrangements for addressing non-tariff measures? Is there a formal framework? Is the regional economic community responsible or does the corridor have its own institutional mechanism?

Transport policy and regulations: Are there cross-border transport agreements? What regulations apply to foreign trucks/drivers? Are there visa restrictions on foreign truck drivers?

Identify the licensing requirements for trucks along the route. Are foreign trucks allowed to transport third-country cargo along the corridor?

Regulation of logistics providers: Do the revenue or customs authorities evaluate the performance of customs brokers? What regulations govern the registration of foreign logistics providers? Are there professional standards for logistics service providers (for example, customs clearing agents)?

Trade facilitation: If all the countries along the corridor are members of the WTO and signatories to the WTO Trade Facilitation Agreement, the articles of the agreement may be used as a framework for reducing trade costs along the corridor. Articles of the Trade Facilitation Agreement address transparency, the publication of information, advance clearance, risk assessment, a trusted trader scheme that increases the use of electronic clearance, and integrated border management.

Integrated border management: Assess the agencies present at the border posts along the corridor and ask whether they may be further streamlined.

Identify the processes used to exchange and disseminate information among actors along the transport corridor. Do ICT platforms exist for operators to communicate? Is the ICT used at the borders along the corridor standardized? Identify opportunities for automating data exchange to streamline information requirements.

For goods in transit along the corridor, how are customs risk addressed? Is a corridor-wide transit bond available (a regional bond scheme)? Is the TIR carnet used?

Are goods stopped multiple times along the route at weigh bridges and for redundant document checks? Are informal payments required along the route? Do these trade costs and informal payments differ by the gender of the trader or the volume of goods?

What is the layout at the border? Is there a separate green (fast track) for transit goods?

Tables 2 and 3 suggest additional considerations.
### Table 2. Trade Facilitation: Trade Policy, Border Posts, Customs Modernization

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>INFORMATION REQUIRED</th>
<th>INDICATIVE RESPONSE/INTERVENTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are tariffs applied at border posts along the corridor?</td>
<td>World Trade Organization Trade Policy Review Mechanism reports, diagnostic trade integration studies</td>
<td>Tariff reforms, implementation of regional economic commissions’ free trade agreements and the African Continental Free Trade Area</td>
</tr>
<tr>
<td>Are the border facilities adequate for the anticipated increase in transactions?</td>
<td>Number of agencies present at the border; Border processing procedures (flow chart) and gender responsiveness; Current state of automation/simplification</td>
<td>Institutional reform (integrated border management), one-stop border posts, single window, gender mainstreaming at the border</td>
</tr>
<tr>
<td>Implementation of the WTO Trade Facilitation Agreement</td>
<td>Trade Facilitation Agreement needs assessment</td>
<td>National trade portal, authorized economic operator scheme, advance clearance, etc.</td>
</tr>
<tr>
<td>Transit regime</td>
<td>Benchmark of the transit regime</td>
<td>Regulatory reform/increased cross-border cooperation, regional bond scheme</td>
</tr>
<tr>
<td>Availability of trade-related information; key performance indicators</td>
<td>Identification of trade and commodity flows along the corridor; Data on clearance times, transport times, transport costs</td>
<td>Financing for performance monitoring, support for a transport corridor secretariat (e.g., the Northern and Central Corridors)</td>
</tr>
</tbody>
</table>

Source: African Development Bank

### Table 3. Trade Facilitation: Non-Tariff Measures, Transport Policy

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>INFORMATION REQUIRED</th>
<th>INDICATIVE RESPONSE/INTERVENTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical regulations</td>
<td>List of controlled commodities and the requirements for certification; Review of the NTM (non-tariff measure) database (Eastern and Southern Africa); Status of technical regulations for goods moving along the transport corridor</td>
<td>Recommendations for streamlining and simplifying procedures; Harmonization of technical regulations, mutual equivalence within regional economic communities</td>
</tr>
<tr>
<td>Sanitary and phytosanitary arrangements</td>
<td>Review of the NTM database (Eastern and Southern Africa); Status of technical regulations for goods moving along the transport corridor</td>
<td>Recommendations for streamlining and simplifying procedures (automation and the allowance of electronic submission); Harmonization of sanitary and phytosanitary measures, mutual equivalence within regional economic communities</td>
</tr>
<tr>
<td>Tax treatment of goods traded internally</td>
<td>Identification of taxes on internal trade</td>
<td>Possible policy reforms</td>
</tr>
<tr>
<td>Competitiveness of the trucking sector</td>
<td>Transport regulations governing entry to the sector, cabotage, use of foreign drivers, transport safety</td>
<td>Regulatory reforms, capacity building</td>
</tr>
</tbody>
</table>

Source: African Development Bank
To assess issues in this category, the project analyst may use internationally accepted benchmarks such as Doing Business indicators and logistics performance indicators in conjunction with regional member countries’ and regional economic communities’ measures of the business environment. The analyst should also consult investors and officials responsible for mobilizing private investment. When conferring with the private sector, the analyst should follow the Bank’s “big tent” approach and meet with a range of investors. The analyst may wish to consider the list of indicative questions shown below:

- Use existing publications to benchmark the regulations for registering and operating a business (Doing Business indicators).
- Is the tax administration onerous and inconsistent?
- Are contracts enforced consistently?
- Are the legal frameworks appropriate for mobilizing investment and promoting competitiveness?
- Are investors able to access essential infrastructure (electricity, water, factory shells) at competitive prices?
- Do the government agencies responsible for promoting investment and trade require institutional strengthening?

### Table 4. Complementary Policies: The Business-Enabling Environment

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>INFORMATION REQUIRED</th>
<th>INDICATIVE RESPONSE/INTERVENTION</th>
</tr>
</thead>
</table>
| Starting a business; approvals for construction, accessing infrastructure, obtaining credit | Doing Business reports  
Public-private partnership regulations | Regulatory reforms and capacity building |

Source: African Development Bank

### Table 5. Complementary Policies: Factor and Sector Markets

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>INFORMATION REQUIRED</th>
<th>INDICATIVE RESPONSE/INTERVENTION</th>
</tr>
</thead>
</table>
| Is there uncertainty over property rights? | Studies on land policy/land regulations  
Information on how to obtain land | Capacity building, regulatory reform |
| Are the major product markets competitive? | Competition reports  
Price data | Policy and regulatory recommendations to reduce barriers to trade |

Source: African Development Bank

Where appropriate, draw on constraint analyses (the Bank’s country and regional assessments, the assessments of other international cooperating partners) to identify complementary policy measures. These may relate to access to land (land registration), credit constraints (access to finance), labor restrictions, and non-competitive market structures that cause high barriers to entry.
Identify potential external costs, such as people (disaggregated by gender, age, and location) and businesses that may not benefit from the infrastructure. Recognizing these parties’ concerns and putting forward adjustment packages are important elements in building political consensus for trade and transport facilitation reforms. It is also important to address transport safety, environmental concerns such as increased pollution, health-related issues (for example, by setting up wellness clinics for truckers and commercial sex workers), and climate change (for example, by identifying interventions to mitigate climate change) along the corridor.

Ensuring that infrastructure investments are well managed requires the analyst to address corridor governance. It is important to make sure that the institutional framework for ensuring cooperation and coordination is from the outset clearly defined and adequately resourced with financial and technical means. This includes funds for maintenance. The infrastructure investment will also be required to generate data on performance. The scale of the infrastructure will determine the appropriate institutional structure. The analyst may draw on the reports of the Africa Transport Policy Program (SSATP) and on interviews with key stakeholders to indicative questions shown below.

- **How will the transport corridor be managed?** Is an existing institution responsible?
- **How will corridor (infrastructure) performance be managed?** Identify the performance indicators.

Table 6 suggests additional considerations.

### Table 6. Complementary Policies: Factor and Sector Markets

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>INFORMATION REQUIRED</th>
<th>INDICATIVE RESPONSE/INTERVENTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management of the transport corridor (secretariat/government representatives)</td>
<td>Lessons from transport corridors in Africa (Africa Transport Policy Program (SSATP) reports)</td>
<td>Institutional support, capacity building</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of a charter for the secretariat/observatory</td>
</tr>
<tr>
<td>Operation and maintenance of the transport corridor</td>
<td>Key performance indicators, other data</td>
<td>Institutional strengthening, capacity building</td>
</tr>
</tbody>
</table>

*Source: African Development Bank*
2.6 Cross-Cutting Issues in Trade and Transport Facilitation

Two cross-cutting issues in trade and transport facilitation are gender and fragility. While the Bank has developed instruments to mainstream considerations of gender and fragility in its operations and projects, the project development team can deepen due diligence by seeking more information and data, both on the status of the issues and on how they are being addressed. On gender, for instance, the team could seek to establish whether RMCs have gender-sensitive policies on transport and the allocation of opportunities. On fragility, the team could learn how socioeconomic and political dimensions of trade and transport are being mainstreamed to address poverty and inclusiveness.

When transposed onto trade and transport facilitation measures, gender and fragility assessments can allow project development teams to discover sustainability issues and determine indicators. One question in this regard might be whether facilitating trade and transport makes the delivery of services more affordable and more efficient. The assessments would also serve to tackle issues of equity and establish whether facilitation measures achieve a gender balance. Inadequate security, for example, can be a major cause of unease during late hours at border crossings. Likewise, the set-up of non-motorized transport and sanitation facilities is often ignored. Yet they may well have gender implications.

2.7 The Project Cycle

2.7.1 PROJECT IDENTIFICATION

Integrating trade and transport facilitation at this stage may require a detailed situation analysis of the existing policy, regulatory, and institutional environment, paying attention to compliance and capacity issues. Assessing the commitment to effectively implement agreed reforms, monitor and enforce compliance, establish and strengthen relevant institutional structures, ensure the necessary co-financing, and provide for effective maintenance are critical at this point. Understanding these issues should serve to guide the design of project activities. This assessment should also review the broader political economy context, identifying the factors that may be expected to influence the aggregate project benefits and the spatial and socioeconomic distribution of the benefits.

Box 1 identifies key points.
2.7.2 CONCEPT NOTE

The guidelines for Bank Project Concept Notes (PCNs) outline the principal steps that are applicable for mainstreaming soft trade and transport facilitation issues throughout the infrastructure project cycle and in each of the infrastructure project subsectors. The PCN approach draws on interviews with Bank staff, a systematic review of relevant Bank evaluations and Project Completion Reports, lessons learned from non-Bank projects, and a review of the literature.

It is essential that the PCN take a holistic approach and reflect potential policy, regulatory and capacity-building issues of the proposed infrastructure projects to ensure that soft infrastructure is not simply an add-on.

When preparing the PCN, the project team should include the following elements:

i. Terms of reference for all feasibility studies and for environmental and social assessments that incorporate policy, regulatory, and capacity issues

ii. Ensure the study team includes a policy economist/political economy specialist/development administrative professional

iii. A policy and regulatory matrix is established before project implementation commences. This can be realized by commissioning a baseline study at the same time as the feasibility studies

2.7.3 PROJECT PREPARATION

This phase is a critical entry point in integrating trade and transport facilitation and should include the following actions to ensure that they are mainstreamed into the infrastructure project:

i. Identify and define the objectives and approach to including soft infrastructure.

ii. Review the capacity of the collaborating institutions and the required actions to ensure that soft infrastructure is mainstreamed.

iii. Ensure that soft infrastructure is integrated into the Logical Framework (Log frame).

iv. Define the soft infrastructure activities, including the inputs (i.e., who, when, how much) and outputs (i.e., policy and regulatory measures, capacity development, strengthened asset protection and maintenance).
Logical Framework (log frame)

In 2005, the Bank introduced a results-based log frame as part of its bid to make aid more effective. Because of the log frame's importance to planning, it is important that the log frame for all infrastructure projects integrate trade and transport facilitation. Table 7 is an example of how to realize this exercise for a road improvement project logframe.

<table>
<thead>
<tr>
<th>HIERARCHY OF OBJECTIVES</th>
<th>EXPECTED BENEFITS</th>
<th>REACH</th>
<th>PERFORMANCE INDICATORS</th>
<th>INDICATIVE TARGETS</th>
<th>TIMEFRAME</th>
<th>ASSUMPTIONS RISKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>To improve the livelihood of rural citizens along the transport route and in the hinterland</td>
<td>Impact Increased trade and more value-added in rural areas</td>
<td>Direct Beneficiaries Rural communities</td>
<td>Impact Indicators Reduced transport costs Increased vehicle traffic Increased trade</td>
<td>Trade increased by 100% over 4 years</td>
<td>Government remains committed to maintaining the road, implementing the agreed regulatory reforms and procedures, and establishing market centers</td>
</tr>
<tr>
<td>Purpose</td>
<td>To construct an all-weather road</td>
<td>Effects Road constructed and maintained</td>
<td>Beneficiaries Rural communities, including youth and women</td>
<td>Effect Indicators Increased incomes in rural areas</td>
<td>Trade increased by 100% over 4 years</td>
<td>As above</td>
</tr>
<tr>
<td>Resources and Activities</td>
<td>Outputs All-weather road</td>
<td>Beneficiaries Rural communities</td>
<td>Output Indicators Reduced vehicle operating costs Increased trade along the route Reduction in trade costs (passed on to consumers)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Construction Capacity building and institutional strengthening Transport regulation reform Information, education and communication</td>
<td>Market centers Improved transport regulations Better internet connectivity</td>
<td>Traders/transport service sector providers</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: African Development Bank

Designing compliant infrastructure projects requires a multi-disciplinary project development team that includes at least one person with expertise in trade and transport facilitation. Implementing regional integration through RECs generally requires large investments in “hard” (physical) infrastructure in specific transport modes such as roads, rail, ports, airports, cross-border facilities, and logistics centres. Leveraging these investments to deliver broader economic growth and development requires project officers, at the design stage, to adopt a holistic approach by mainstreaming a range of soft infrastructure issues.
As noted above, Bank transport evaluations and the RISF recommend incorporating soft infrastructure issues into Bank support for transport infrastructure projects in order to maximize the economic benefits produced by better connectivity. The value of integrating soft infrastructure applies to the whole hierarchy of trade and transport corridors, including border posts, road, rail, air transport hubs, and maritime ports. 

Disparities in the level of economic development, regional integration, and other structural characteristics both across and within the five African sub-regions must be considered when integrating soft infrastructure issues.

The project team should develop SMART trade and transport facilitation indicators during the design stage to capture inputs, implementation, outputs and impact. Examples are shown below.

**Project design and input indicators**

- Establish baseline data on transport and trade costs for moving goods and people
- Identify the policy and regulatory framework governing the movement of goods and services and the business environment, including opportunities for private investment
- Identify key stakeholders and their power relationships
- Designate staff in project coordination teams who can ensure that trade and transport facilitation is integrated into project design
- Make institutional arrangements for the design of the project to ensure the integration of soft infrastructure by briefing all staff on the Trade and Transport Facilitation Due Diligence Tool and by including soft infrastructure as a standing item on all quarterly progress reports
- Include indicators relating to existing incomes, production, investment, the business-enabling environment, and access to social services (health and education)

**2.7.4 PROJECT APPRAISAL**

The appraisal mission will focus on verifying and refining the institutional and budgetary arrangements that would underpin effectively integrating trade and transport facilitation into infrastructure project design. The questions and information requirements for mainstreaming soft infrastructure into project appraisal are classified in five categories: political economy; trade policies (existing trade agreements and binding commitments) in goods and services; trade and transport facilitation; complementary policies; and corridor governance and management for maintenance and performance monitoring.

These categories should be mapped with the key information requirements and the indicative type of project activity shown in Table 1. The specific circumstances within a sub-region, between multiple RMCs, or within a REC will determine the project design.

For each of the categories, the regional integration/trade analyst will try to answer a range of questions. Indicative issues and questions are listed in Section 2.1 – 2.6, which identifies the questions across the five Due Diligence Categories for Integrating Soft Infrastructure into Trade and Transport Projects. This may serve as an outline checklist of potential issues, information required, and indicative interventions.

---

2. This ranges from the simple unimodal (e.g. a road), to multimodal, a logistics corridor, and an economic corridor (which may be built around anchor projects). Annex 5 summarizes the priorities and challenges by region that can guide the analyst on which elements of soft infrastructure to prioritize.

3. SMART: Specific, measurable, acceptable, realistic and time-bound.
2.7.5 IMPLEMENTATION

The Trade and Transport Facilitation Due Diligence Tool will facilitate the mainstreaming of trade and transport facilitation measures into the Bank’s operations and strategies. Either teams will implement soft infrastructure activities linked to trade and transport as components of a main infrastructure project, or they will implement those activities separately as a concurrent project that complements the main project. Regional integration and/or trade facilitation experts will task-manage the soft infrastructure projects associated with the main infrastructure project. As the custodian of the tool, the Bank’s Regional Integration Coordination Office (RDRI) will collaborate with relevant departments in regional hubs, with the Operations Committee Secretariat and Quality Assurance Department (SNOQ), with the Industry and Trade Department (PITD), and with the Infrastructure and Urban Development Department (PICU) to ensure that soft trade and transport infrastructure is mainstreamed in infrastructure operations and projects.

Project implementation indicators
- Stakeholder consultations for project planning and implementation
- Identification of policy and regulatory constraints
- Identification of training and capacity-building requirements
- Institutional arrangements for implementation and ongoing maintenance

2.7.6 PROJECT IMPLEMENTATION/SUPERVISION

At project launch, it will be important for both the Bank’s project development teams and its project coordination teams to dialogue with the borrower and/or the beneficiaries to communicate the project objectives and activities to them clearly. Self/internal monitoring on an ongoing basis is important in project management, as is the inclusion of a policy/institutional economist in the monitoring and supervision team. In this regard, the project implementation indicators suggested above (2.7.5) will be important for the Mid-Term Review, which will determine the following:

i. whether trade and transport facilitation issues are being effectively mainstreamed, and which possible outcome(s) would conform to the project objectives;

ii. whether it is necessary to adjust or redirect the project because of weaknesses in addressing and integrating policy, regulatory, and institutional issues; and

iii. the extent to which the outcomes expected from the project are likely be realized.

2.7.7 PROJECT COMPLETION AND EVALUATION

The project completion report (PCR) will generate lessons on whether and how the soft infrastructure objectives of the project were integrated. The PCR will also evaluate institutional capacities, strengths, and weaknesses.

i. Assess the level of stakeholder support for the project.

ii. Determine whether the target population is benefitting from the implementation of the project with increased trade, investment, and income.

iii. Assess whether the project is generating the intended benefits; quantify how project outcomes compare to the project’s targets; identify the factors accounting for any variation.
iv. Review how the project is being impacted by the risk indicators and by key assumptions about policy and regulatory changes, by modifications in guidelines and standards, and by institutional developments.

v. Determine whether it is realistic to expect that the benefits resulting from the project can be sustained.

For the PCR to be most useful, the team should consider the following:

i. The PCR team must include a policy/institutional expert.

ii. The PCR should determine whether the Mid-Term Review provided feedback on the project’s integration of soft infrastructure issues, and whether the project adjusted activities (policies) in light of monitoring and evaluation findings.

iii. The PCR should assess the impact of the soft infrastructure against its goal and objectives.

iv. The PCR should identify lessons on mainstreaming soft infrastructure into an infrastructure project.

v. The PCR should establish whether soft infrastructure mainstreaming received attention at all stages of the cycle, especially during the environmental and social assessment and in the environment and social management plan.

vi. The PCR should examine whether the project development team took time to consider the political economy and whether their consideration had a positive bearing on the direction of the project.

vii. The PCR should assess whether the project design facilitated the collection of data to update baseline data and adjust soft infrastructure recommendations where necessary.

viii. The PCR should determine whether the outcome of the project is likely to increase economic efficiency, and whether lessons specific to this aspect of the project can be drawn.

**Project output indicators**

- Increase in the volume and value of goods transported and the number of men and women using the infrastructure
- Increase in the number of men and women with access to appropriate physical infrastructure
- Increase in investment, production, employment, and income-generating activities
- Greater access to health and education facilities and other social services

**Project impact indicators**

- Reduction in the prices of staple foods, agricultural inputs, and consumer goods
- Reduced time and cost for moving goods (basic commodities/consumer products) to market
- Reduced time and cost for men and women to reach the market
- Increased investment in the infrastructure catchment area
- Increased income for the population resident in the infrastructure catchment area
- Increased security for communities in the region
- Reduced number of traffic-related accidents
- Increase in school enrolment rates and improved maternal and child health
- Reduction in morbidity rates
REFERENCES


Byiers Bruce and Jan Vanheukelom (2014), Political drivers of Africa’s regional economic integration. Lessons from the Maputo and North-South Corridors, in Monitoring Regional Integration in Southern Africa, TRALAC.


UNECA, Multiple reports, https://www.uneca.org/publications


ANNEX 1: SOFT INFRASTRUCTURE AND THE LOGISTICS PERFORMANCE INDEX

Soft infrastructure – the facilitation of trade and transport – lies at the core of logistics performance. If implemented well, soft infrastructure could greatly enhance the value of the African Development Bank’s infrastructure investments in regional member countries. Robust reciprocity between soft and hard infrastructure not only improves the performance of logistics, but better, cost-effective logistics support growth, boost competitiveness, and facilitate local, regional, and international trade in turn.

There is a correlation between soft infrastructure interventions and the World Bank’s Logistics Performance Index (LPI). The LPI is composed of six dimensions that capture the most important aspects of countries’ trade logistics performance:

i. Customs  
ii. Infrastructure  
iii. International shipments  
iv. Logistics quality  
v. Tracking and tracing  
vi. Timeliness

The dimensions on customs, infrastructure, and timeliness are important to the Trade and Transport Facilitation Due Diligence Tool, since they capture the efficiency of customs clearance processes, the quality of trade and transport-related infrastructure, and the frequency with which shipments reach the consigned party within the scheduled or expected time.

The LPI rates each dimension on a five-point scale. The LPI’s ratings and information can form a critical aspect of the due diligence tool, whose measures are similar.

While the tool is primarily intended as an instrument to support the development of the African Development Bank’s operations and infrastructure projects, the LPI provides both qualitative and quantitative measures and its rating are useful to regional member countries wishing to gauge their performance.