



Guidelines for the Establishment of a CMC / Transport Corridor

and

Guidelines for Establishing a Development Corridor or Adding a Development Component to a Transport CMC

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Introduction

With the impending introduction of a Free Trade Area in the Southern African Development Community (SADC), provision of efficient, seamless, cost effective Corridors has become even more urgent than previously. For this reason, SADC commissioned a Study of the strategies employed by

- Corridor Management Committees to achieve the transport and logistics goals of the SADC Transport Protocol and
- Spatial Development Initiative-inspired (SDI) efforts to improve transport performance and to foster economic development projects, especially public-private partnerships.

The SADC SDI Strategy on Corridor Transport, Trade Facilitation and Infrastructure Development, reviews all the proposed and implemented SADC Corridor initiatives and then analyses three in more detail as case studies and to extract lessons learned for an overall SADC corridor strategy. The Study also reviews the regional socio-economic environment and analyzes how an integrated transport and development Corridor approach would support achievement of SADC's overall development and regional integration strategy. Findings of the Study were presented in a workshop on October 12, 2007. For more background information on the SADC experience with Corridor initiatives, please refer to this study which is available from SADC.



Guidelines for Individual Corridors:

The following guidelines were produced in conjunction with the Study to provide practical information to Stakeholders for initiating or strengthening a Corridor Management Committee and/or for implementing the SDI approach for Corridors.

Based on the experience of existing corridors, the Study recommends that other key transit corridors utilize the corridor management approach to improve transport and logistics. For Corridors with good infrastructure and business development opportunities, the SDI approach can be considered. The SDI approach can be used for a new initiative or for adding a unit to an existing corridor management committee to strengthen its overall development impact.

Next Steps for the SADC Region:

1. Achieving results through corridor initiatives depends on the commitment and leadership of stakeholders and the development of an agenda which addresses a specific corridor's needs. The approach should be practical and problem solving. Action plans should be based on a realistic assessment of business and investment opportunities. Initiating and strengthening corridor initiatives must start with a partnership of the users and Corridor government agencies.
2. SADC has a critical role to play in focusing attention and resources on the endeavor. The Study recommends that SADC prioritize the Corridors likely to have the greatest impact on overall economic development and regional integration.
3. Based on the assessment of priority Corridors and those Corridor initiatives that have demonstrated strong commitment and results, SADC plans to assist in building national support, creating a sense of urgency for delivering improved transport facilitation and obtaining some donor support for start-up activities and specific initiatives. SADC will also use its regional economies of scale to provide resources to corridors: capacity building, technical expertise, policy research, and monitoring and evaluation activities.
4. SADC will assist Corridor initiatives in disseminating information on improved Corridor performance, investment opportunities, and lessons learned about effective facilitation and corridor management.



Guidelines for the Establishment of a CMC / Transport Corridor

The guide for establishment of a CMC / Transport Corridor includes four dimensions / phases:

- 1 - Establishment of whether there is a viable political and economic rationale.
- 2 - Creation of an institutional framework.
- 3 - Design of a development tool kit and implementation of a development program / interventions.
- 4 - Support services provided through regional leadership and coordination.

No	Activity and Tasks	Background	How to Pursue, What to Consider
1. Rationale A dynamic development process is driven by INTEREST. Therefore, it is critical that there are stakeholder groups (be it public, private) that drive the process out of vested interest. To decide whether to form a Corridor Management Committee, it is necessary to determine if these interests are strong and sustainable.			
1.1	Assess whether the national economic development agendas support the development of regional/cross border transport Corridors	“Transport Corridors” must be an integral part of a defined wider economic / development agenda of a Government or ideally several Governments. Due to the regional nature of “Corridors” the development agenda on country / sub regional level must complement / comply with the agenda driven from a regional perspective, and vice versa.	Examine whether or ensure that the development of transport Corridors is part of the national development strategies and planning. Ensure that the national strategy is in line with the regional SADC RISDP and/or other strategies.
1.2	Define whether there is a viable business case for strengthening the regional/cross border transport Corridor	A Transport Corridor is about facilitating the cross border movement of goods and people. It is furthermore usually in competition with alternative routes. The factors of supply and demand, and of competitiveness, eventually decide on the viability of a Transport Corridor. The demand for better Corridor performance needs to come from core users and providers. A recent study on transport Corridors in Southern Africa emphasizes that the upgrading or development of infrastructure projects and/or services is generally slow paced unless it is linked to defined,	Determine the economic and commercial rationale for the Transport Corridor. A strong positive indicator is the active participation of private sector representatives in the development efforts. (see 2.2 on stakeholders and champions).



No	Activity and Tasks	Background	How to Pursue, What to Consider
		commercially viable anchor projects or major users of the infrastructure ¹ .	
1.3	Determine the “change agent”	The initial institutional building process requires a / some core “change agent(s)” to kick start the development process. It is likely that the “ change agent(s)” will be the Corridor Champion (see point No. 2.3.3)	Determine which institution has a vested interest in the corridor development and solutions. Utilize the support from RECs as required.
<p>2. Institutional Frameworks - Corridor Management Committee (CMC)</p> <p>The development of transport corridors is a complex usually multi modal, multi sector and multi-national process. The business case requires an integrating and driving force to maintain development momentum, against all possible odds. A clear definition of the agenda is the starting point for institutional development CMCs must be efficiently designed and adequately resourced to meet their primary role - that of coordination and facilitation and of detecting Corridor constraints and inefficiencies². Their principal role in terms of “Corridor management” is to facilitate the actions of others, either by coordinating their activities or advocating changes to improve Corridor performance.</p>			
2.1	Define clear development objectives and the agenda of the CMC, a reason to exist	<p>CMCs are multi-faceted, multi-stakeholder groupings that are thus accountable to a variety of stakeholders. To achieve results and be accountable for performance, CMCs need to have a clearly defined development objective and agenda – which might be broad-based or rather focused.</p> <p>While setting definite goals is essential to obtaining buy-in from members it is also important to maintain the flexibility to respond to immediate needs of members or opportunities to achieve objectives through other means or time frame.</p>	<p>Establish development objectives and agenda that correspond to the specifics of the individual Corridor, its context, and the needs of its users. The objectives should be specific in terms of transport modes to be developed.</p> <p>Write a meaningful Vision and Mission Statement that captures the vision of the founding members.</p> <p><u>Proposed Mission Statement (SSATP):</u> <i>to facilitate the provision of efficient transport services along the length of</i></p>

¹ KAGISO: *Developing and Upgrading of Infrastructure in Southern Africa’s Transport Corridors*. 2007

² Consilium Legis: *Transport and Trade Facilitation: East and Southern Africa, Vol. 1*, Geneva, UNCTAD, 2003



No	Activity and Tasks	Background	How to Pursue, What to Consider
			<i>the corridor and in its hinterland through a partnership of public and private stakeholders in all corridor countries</i>
2.2	Clearly define the corridor	It is critical to clearly define the geographic scope of the Corridor route. In case of a many-country corridor network, it might be advisable to split the entire network into individual sections to be managed and developed separately, though in a coordinated fashion. Examples are the Walvis Bay Corridor and the North – South Corridor.	The Corridors are to be defined in terms of their routing, e.g. based on the Regional Truck Network and dedicated border posts.
2.3	<i>Stakeholders</i>		
2.3.1	Aim at a public private partnership institutional arrangement	<p>Both the public and private sectors are important to effective corridor management. While the public sector is important for core investments and for creating conducive investment and transit regimes, the private sector ensures that the needs of users are reflected in the interventions selected. As mentioned above, the private sector participation is a clear indicator of a viable business case. The private sector provides input on corridor performance and a necessary intervention, feedback on the impact of interventions in the regulatory regimes and/or infrastructure, and usually pushes for continuous implementation. Virtually all existing corridor structures are moving towards formal public-private-partnership arrangements to enhance their capacity to deliver corridor solutions.</p> <p>At the same time, however, a viable ppp arrangement must be based on a joint effort to pursue both public and private sector interests. Unless these interest spheres are acknowledged, the ppp arrangement is an artificial construct and will not be viable.</p>	<p>Decide whether to form a ppp. Determine the critical members to include.</p> <p>It is critical; however, that both private and public sector stakeholders show a tangible and substantial (usually financial) commitment to the CMC. Such commitment is not only a viable indicator of active participation but at the same time a mechanism to hold the CMC accountable for results.</p>



No	Activity and Tasks	Background	How to Pursue, What to Consider
2.3.2	Ensure purposeful participation in CMC through membership and/or stakeholderhip	<p>An effective organizational structure is critical. The challenge for CMCs is to be open and include a maximum of critical (public and private) stakeholders from all countries involved, and yet remain functional and effective.</p> <p>The membership for TK CMC as proposed by the TK MoU illustrates this challenge:</p> <ul style="list-style-type: none"> • All modal operators • Transport and infrastructure authorities • Port authorities • Customs authorities • Freight forwarding and clearing agents • Trade bodies • Financial, insurance institutions, industrialists, developers • Immigration authorities • Law enforcement authorities • Tourist groups • TKC users • Any other stakeholders 	<p>Seek additional participation to have the membership necessary to effective interventions.</p> <p>The CMC should include all relevant Corridor stakeholders of the respective Corridor countries. In particular, the relevant transport and border authorities, the transport operators, private sector Corridor users, importers / exporters.</p> <p>Transport operators and logistics operators, have generally been included in CMCs. Major shippers are not always included among the private sector representatives, but have been found critical to many corridor groups. They are the ones most directly affected by poor corridor performance and have a significant impact on national economies.</p> <p>The commercial sector should primarily be represented through its national / regional association, to avoid individual commercial interests to govern the agendas. That, however, requires that the latter are adequately organized.</p> <p>A balance between openness and effectiveness can be achieved through giving a premium to active</p>



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			participation supported through financial commitment.
2.3.3	Ensure the participation of a Corridor Champion	In order to have an effective corridor structure, it is important to have a strong Corridor Champion (there may be several) which has a vested interest in corridor development and solutions. The champion provides strength, continuity and a long term perspective to corridor development efforts.	<p>Determine who the natural corridor champions are. If they are not already in the founding group seek their active participations.</p> <p>The effectiveness and active role of a Corridor Champion, or Champions, is based on its / their vested interest, and thus must be reflected in active leadership and financial commitment.</p>
2.4	<i>Governance</i>		
2.4.1	Ensure an efficient organizational structure of CMCs	<p>Again, the development of transport corridors is a complex process, requiring an optimum organizational structure. The structure should ensure adequate representation of diverse Corridor stakeholders and support efficient functioning of the organization.</p> <p>The integration of and interaction with the regional level, reflecting the cross border Corridor issues, and the national level, which is necessary for the implementation of agreements reached, is critical.</p>	<p>Decide the organizational structure.</p> <p>The majority of the CMCs have or are developing a three tier system:</p> <ul style="list-style-type: none"> • Regional Policy Organ / Council; • Regional Core Group Group/Committee • National Corridor groups /committees
2.4.2	Chose the optimum legal instrument	The legal instruments define the objectives of the groups, the implementing authorities, the institutional arrangements and roles and responsibilities of the different parties. The choice is fundamental to the effectiveness of corridor management groups and it is also helpful to determine the cost associated with the establishment of corridor management arrangements. The choice of legal instrument will be influenced by	<p>Determine the appropriate legal instrument.</p> <p>As legal instruments of CMCs, MOUs, Transit treaties, Memorandum and Articles of association, Bilateral/Multilateral agreement, joint declarations can be considered.</p>



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		<p>key partners, depends on the desired level of interaction between public and private sector stakeholders, and also must be harmonized with the legal regimes of the Corridor countries, as they must be ratified by the responsible public bodies of corridor member states.</p>	<p>Treaties have been used where a legal guarantee of transit was the driving issue. MOU instruments, defining obligations of corridor states and broadly setting the framework for the corridor management arrangement, are often used, particularly at the initial stage. Both of these arrangements are generally between states. An Articles of Association or a Constitution has been used to encourage direct commitment by both the public and private sector to corridor management objectives through signing the document.</p> <p>An example / template of a legal instrument is annexed to this section.</p>
2.5	<i>Management, Funding & Capacities</i>		
2.5.1	<p>Establish a CMC Secretariat that is staffed with qualified and experienced expert staff</p>	<p>The CMC as the driver of transport corridor development itself requires a Secretariat capable of <i>servicing as the institutional focus and driver</i>. The Secretariat usually provides administrative secretarial services, technical support in planning and coordinating interventions, mobilizing resources and expertise from Corridor Group members and regional and international businesses and development partners, and, importantly, leadership. Such capacity is a strong indicator for members commitment and long term perspective and thus sustainability of the development</p>	<p>Assess the Secretariat needs.</p> <p>The minimum manning of an effective CMC Secretariat seems to be the appointment of a full time Program Coordinator on a long term contract with a competitive salary. He/she is to be supported by activity related technical staff.</p>
2.5.2	<p>Ensure sufficient and sustainable funding of the</p>	<p>In order to meet the expectations of the stakeholders, the Secretariat need to have an operational budget at</p>	<p>Identify funding sources.</p>



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	CMC Secretariat	its disposal which allows the speedy implementation of agreed upon activities and interventions. As important is a long term and sustainable budgetary provision to meet the requirements of predominantly mid to long term program planning and implementation.	<p>The principal funding options are</p> <ul style="list-style-type: none"> • membership fees, which are critical for ensuring local commitment and accountability • Corridor usage fees/levies, which optimize conditions for funding sustainability, but are realistic only at a mature stage of Corridor / CMC development • And /or donor funding which ideally is complementary to above and might be critical at the initial stage. <p>The funding amounts obviously differ according to context and development agenda. As an indication: The TK CMC receives a contribution from the three contracting authorities of 45,000 US\$ p.a.</p>
3	<i>Action Plan and Implementation</i>		
3.1	Develop an Action Plan	There is clearly no “one size fits all” option, but rather that different Corridors require different interventions. The resulting development agenda might include removal of (non)physical barriers to trade, advocating infrastructure improvements, Corridor performance monitoring, Corridor promotion and business development, promoting stakeholders networks, and other support activities such as capacity building, SME development, and economic development.	<p>Develop an initial action plan.</p> <p>The development of an action plan closely relates to the Corridor reality “on the ground” and the development objectives and agenda as outlined in Section 1.</p> <p>A Corridor inspection, conducted jointly by public and private sector</p>



No	Activity and Tasks	Background	How to Pursue, What to Consider
		<p>Despite the above and out of experience, an integrated and holistic approach to Corridor development which concomitantly addresses core interventions in fields, such as facilitation, infrastructure and marketing, seems to be most responsive to the needs of the majority of Corridors</p>	<p>representatives from the Corridor countries, can identify the core weaknesses, bottlenecks and necessary interventions.</p> <p>A continuous consultative process amongst core stakeholders should monitor the situation and update the action plan.</p> <p>The action plan should include short term actions, which are likely to allow quick achievements and successes, and a long term perspective.</p>
3.2	Review the implementation status of the Transport and Trade Protocols	<p>Both of these Protocols, which have been signed by most SADC member states, create an agenda for improving transport delivery and trade. They are a ready guideline to CMCs in formulating action plans. They also seek to set common standards for all member states. Prioritizing Protocol measures according to the needs of the Corridor and implementing them can form the basis of an initial CMC agenda.</p>	<p>Review national legislation related to action plan priorities and identify those areas where amendment is needed.</p> <p>Review the activities of SADC in regard to both trade and transport to incorporate the work of these initiatives in achieving Corridor objectives.</p> <p>Review interventions they are considering to determine whether they are harmonized with measures elsewhere in SADC. It is critical that CMCs develop interventions that both achieve the specific interests of their members and foster the long term regional integration goals.</p>
3.3	Intervention area:	An important role for the CMC is lobbying for transport	Develop an infrastructure



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	Infrastructure	<p>infrastructure where necessary. The CMC includes the main users and operators who know where the constraints are and can assist the CMC in making an effective trade and development argument in support of investments.</p> <p>Many governments plan infrastructure investments on a mode by mode basis. CMCs generally include all modes and can provide valuable inputs to governments on overall transport investment needs and coordination.</p> <p>The CMC should play an active role in conveying regional/ Corridor concerns to national governments which will fund improvements. Where CMCs have both a Corridor level and national level structure this process works better.</p>	<p>component of the action plan, based on the Corridor inspection, baseline data and member input. (See 3.6) It must carefully integrate market projections and economic and financial analysis to be credible.</p>
3.4	Intervention area: Facilitation	<p>International research suggests that inefficiencies in transport systems results from lack of infrastructure (25 %), but more importantly from lack of transit facilitation measures (75%). Of particular importance are increased efficiencies at intermodal nodes and at national border crossing. On some corridors, the time spent at borders and ICDs is equal or greater than the time spent in driving the highway. This adds tremendously to the time, cost, lack of capacity and unpredictability of delivery times on many routes. Generally facilitation issues are the most prominent on Corridor agendas.</p>	<p>Develop a facilitation component of the action plan, based on the Corridor inspection, baseline data and member input (see 3.6)</p> <p>Typical interventions are:</p> <ul style="list-style-type: none"> • Better coordination among border agencies • Simplification and harmonization of documents and procedures • Greater use of ICT to meet trade documentation requirements • Introduction of one stop border posts • Harmonization of axle load



No	Activity and Tasks	Background	How to Pursue, What to Consider
			<p>limits</p> <ul style="list-style-type: none"> • Harmonized and extended border hours • Improved intermodal transfers <p>Strategies involve lobbying with Governments to make the necessary changes, carrying out feasibility studies for change, motivating to carry out pilots of new procedures, etc.</p>
3.5	Intervention area: Marketing	<p>Marketing and business development is meant to continuously complement the development efforts of improving transit facilitation regimes and infrastructure conditions. It is of twofold importance:</p> <p>First, it aims at informing the market, transport operators and importers and exporters, on improvements made and increased efficiencies. That information allows the users to take informed decisions and to benefit from optimum transport and trade routes. Second, the business development effort is a feed back cycle into the development efforts to (a) ensure that targeted and relevant interventions are made and (b) to monitor the Corridor performance and identify new and consistent bottlenecks that require action.</p>	<p>Develop a Corridor marketing strategy related to the viable business case as described in Section 1. It should be based on a sound market research. It should focus on target markets and on targeted business development efforts rather than pure advertising campaigns.</p> <p>The marketing effort should be a continuous effort to fulfill its double purpose, namely creating awareness of improved opportunities and serving as a performance monitoring tool, rather than as “one off “events.</p>
3.6	Design Corridor Performance Monitoring	<p>Collecting baseline data and performance monitoring is a critical part of establishing a CMC / Transport Corridor; it enables the CMC to measure the success and impact of interventions, feeds into lobbying with members and stakeholders (clients) for policy and operating changes, and provides data for marketing.</p>	<p>Design a corridor performance monitoring Plan.</p> <p>Good baseline data should be collected when the CMC is formed, this can include road and rail</p>



No	Activity and Tasks	Background	How to Pursue, What to Consider
			<p>infrastructure, maintenance condition and traffic from the road authority or railway operator, a traffic survey to measure time spent on particular road or rail links, time spent at intermodal nodes and time spent at borders for specific processes. Most corridors connect to a port. Statistics on port use, available capacity, facilities for specific types of cargo, use of ITC to enhance operations and typical port performance benchmarks.</p> <p>A sustainable methodology needs to be developed for a periodic review of these performance benchmarks.</p> <p>This data needs to be used to make cost benefit arguments for investment, changes in policy or operations, effective marketing of the corridor, etc.</p>
<p>4. Support services provided through regional leadership and coordination</p> <p>The challenges of Corridor development on a national and sub regional level need to be acknowledged, objectively assessed (which has been done quite extensively) and, most importantly, strategically addressed. In support of the later and a coherent and coordinated regional Corridor development approach / program, there is a critical role for regional leadership and coordination. Key words are regional prioritization, coordination and information / good practice sharing. Two recommendations are proposed to SADC in Section 4 of this report:</p> <ul style="list-style-type: none"> • a regional corridor exchange forum, so that organizations that grow organically from the needs of a corridor and its users can share ideas and lessons learned with other corridors organizations and can bring problems to others who have been seeking solutions to the same issues. They are designed to be problem-solving and to foster the momentum toward increasing harmonization and simplification of procedure. 			



No	Activity and Tasks	Background	How to Pursue, What to Consider
	<ul style="list-style-type: none"><li data-bbox="277 277 1948 368">• a rapid response system for getting short-term technical assistance to CMCs that get stuck on an implementation or making an advocacy argument for a policy change and need an outside injection. To be useful, it must be able to mobilize and dispatch resources quickly and problem-solving by nature. It is not intended to fund studies.		



Guidelines for Establishing a Development Corridor or Adding a Development Component to a Transport CMC

Starting point: Countries wishing to establish a Development Corridor support initiative, OR countries wishing to further develop/transform an existing transport corridor into a Development Corridor OR add a Development Corridor unit. As has been noted in accompanying Report, the process below is described as a single, linear process and has been simplified to demonstrate the basic steps and decision-making points. In practice, this process is likely to have parts that are cyclical and iterative.

Step one: Confirm the economic rationale (Business Case) for the proposed initiative.

- **ISSUE:** Development corridors cannot simply be pursued in any location. They are not a panacea for promoting sustainable economic development in any/all locations. Corridor initiatives must be underpinned by a clear 'Business Case'³.
 - Does an existing transport corridor exist? Is there a clear economic rationale for the transport route(s) at the local, national and regional levels?
 - If YES, then proceed to next point below.
 - If NO, is there sufficient evidence of planned new investment in a particular area (typically very substantial new economic investment in sectors related to mining, power generation, processing and/or agriculture) that are of such a scale that would warrant the development of new infrastructure corridors? If YES, proceed to next point. If NO, halt.
 - Has existing analysis shown that there is a substantial un/under-utilisation of inherent economic development potentials?⁴
 - If YES, then proceed to step two.
 - If NO. Have studies been undertaken to identify such potentials? If studies were completed, but no clear potentials were identified, then halt. If studies have not as yet been commissioned, then the participating countries should commence with

³ Key issues to be considered in developing a Business Case include inherent development potential (actual/potential competitiveness of the transport infrastructure; trade patterns and growth trends; under-utilised natural resources potential [especially mining, agriculture, forestry]; infrastructure networks [especially ports, railways, roads, electricity, telecommunications]; strategic limits to growth and development (poverty, condition of strategic infrastructure, diversity of economy, regulatory framework, role of the private sector); strategic issues supporting the re-establishment of the corridor (potential impacts of improved transport services and physical infrastructure, spatial advantages of proposed corridor route [and impacts on costs, reliability], potential sources of new cargoes that arise from improved transport infrastructure/services, potential impacts of new economic development projects). In determining the Business Case, one needs to consider rationale/opportunities/implications at local, national and regional level.

⁴ In trying to confirm inherent but as yet under-utilised potential, stakeholders should specifically consider the question 'why, if the inherent potential is good has it not been utilised to-date?' Reasons can be varied, but could include the negative impact of poor transport networks and services; changed regional or World market demands and product pricing; impacts of improved technology; changed government policy – such as in terms of the role of the private sector in infrastructure development and operation; etc.



an initial Scoping Exercise to assess what potential does or does not exist and to develop a Business Case⁵. If a convincing Business Case can be made, then proceed to Step two.

Step two: Secure funding for planning, project identification, project packaging and investor mobilisation.

- ISSUES: Even with the implementation of highly focused interventions such as the SDI methodology, the reality is that the planning, project packaging, approval, investor mobilisation, project implementation process will take a number of years.

In the absence of the required financial and technical support to support these integrated planning and programming processes, the hoped for benefits related to private sector mobilisation, donor/private sector investment mobilisation, employment creation or SME development, etc, are unlikely to be realised.

A very important related lesson is that countries should, if possible, ensure that these financial and technical resources are made available on a multi-year basis, since practice to-date has shown that the SDI processes are multi-year rather than one-year, quick-step processes as was originally hoped.

If possible, countries should either provide such resources from their own budgets, or secure resources independently. Countries need to avoid a 'dependency' situation that inevitably arises when a single (better resourced) country undertakes to make funding available and effectively can influence or control the rate of progress.

Where a sustainable long-term funding strategy is already in implementation as part of a TRANSPORT Corridor initiative, the mobilisation of supplementary resources should be easier to rationalize and secure.

- Has funding support been secured?
 - If YES, proceed to Step Three.
 - If NO, halt until financial support has been secured.

Step three: Establish the necessary core capacity to manage the process (participating governments), and to undertake the technical work required.

- ISSUES: Unless corridor initiatives are managed by properly mandated and representative structures, their ability to deliver the desired socio-economic impacts will be severely undermined.

⁵ Potential sources of funding support for these preliminary analyses include the Regional Spatial Development Initiatives Unit (RSDI), The Sub-Saharan African Transport Programme (SSATP), the Southern Africa Global Competitiveness Hub (SAGCH), and the Development Bank of Southern Africa's (DBSA) Africa Partnerships Unit (APU).



Practice from the SDI experience is that there is 'unsurprisingly a positive correlation ...between levels of political commitment and effectiveness of any given SDI...'. Other research has also found that if one hopes to be able to implement the SDI approach in a regional context (especially in more than one country), it is essential that there is direct top-level political support and involvement.⁶

Equally important is that the identified management and technical committees have clarity and agreement on the key objectives and strategies⁷ of the corridor initiative, as well as the proposed work programme that will be implemented in terms of the corridor initiative.

Since the development, operation and use of the transport routes is significantly dependent on the activities and decisions of the private sector, AND since the primary drivers of economic development projects are also the private sector, it is essential to involve the key private sector stakeholders in the institutional structures⁸ on an ongoing basis.

- Have the key stakeholder governments committed to a common set of objectives and work programme⁹ in respect of the proposed development corridor. Has a related Memorandum of Agreement been signed?
 - If YES, proceed to Step Four.
 - If NO, halt until related Memorandum of Agreement has been signed.

Step four: Identification of anchor investment projects and development of a Development Corridor Strategy:

⁶ Some of the minimum questions to be considered by countries in establishing their corridor related management frameworks include: Are the 'Lead Ministries' committed and in place? Have the necessary Technical Committees from participating countries been identified, and are their roles and responsibilities clearly defined and accepted? Has the role and function of the existing Corridor Management Committee been adequately defined and agreed to? Have budgets been established for the hire of additional required specialist expertise? Have respective funding roles and responsibilities been clearly defined and agreed to? Have reporting arrangements (standard meetings as well as ad hoc meetings) been clearly defined and agreed to?

⁷ The key objectives and strategies should be derived from the Business Case.

⁸ Institutional structures should be developed on a corridor-by-corridor basis in response to the particular Business Case and likely work programme for the corridor. At a generic level there are a few common trends.

- It will be necessary to have certain political level committees that focus on the approval of the overarching strategy, budget mobilisation and approval. Committees at this level would be regional (multi-lateral) and/or national.
- Typically below the political level committees are committees of senior government officials and members of the private sector that would meet every few months to review progress and resolve problems in terms of the implementation of the work programme.
- The activities of this level are often supported by way of a professional secretariat.
- The execution of specific technical tasks identified as part of the work programme would be the responsibility of Technical Task Teams, often with the support of specialist consultants.

⁹ Whereas in the very early stages of implementing the SDI process the initial focus is on the anchor projects, subsequent cycles focus increasingly on aspects such as linkages, clustering, SME development and local economic empowerment – all intended to enhance the development impact of the various investments.



- ISSUES: It is more important to identify and implement a set of strategic anchor/lead investment projects than it is to embark upon a broad-based and comprehensive planning process. Experience indicates that, once investors have been mobilised on the anchor projects, this achievement contributes much to the initiative in terms of demonstrating that the 'hype is real' and a substantial number of further investment projects are identified and pursued as a result of normal market forces.

Success is dependent on identifying an integrated set of economic and infrastructure projects rather than single, disjointed projects. It is essential to demonstrate that the intended investment projects are individually and collectively financially viable. The private sector investors need to understand three key inter-relationships. *Firstly*, the inter relationships among the various elements of infrastructure; *secondly*, the inter-relationships among the economic development projects; and *thirdly* the inter-relationships between the infrastructure and economic development projects.

Within the context of these inter-relationships, a development corridor strategy can also be developed. This strategy should describe in simple terms the key objectives, interventions (including key projects, facilitation activities, institutional and regulatory interventions required), allocation of responsibilities (particularly public versus private sector), related resource requirements (technical and financial) and anticipated scheduling. The agreed upon strategy¹⁰ should be reflected in the relevant national strategies (e.g. Growth and Development Strategies), SADC regional strategy, and national budgets¹¹.

The RSDI Unit reports that in recent years there has been increased level of investor confidence (in part related to the resources boom, strong growth in China, etc) in SADC, particularly in terms of strategic economic projects. In these instances, the SDI support programmes have become more focused on maximising linkages to/from projects in order to enhance the impacts of investment.

- Have a set of interrelated investment projects been identified and preliminary feasibility studies completed?
 - If YES, proceed to Step Five.
 - If NO, halt until such time as a set of projects have been conceptualised (to about a pre-feasibility stage).

¹⁰ It is also very important to ensure that each of the governments, and stakeholders:

- Understand the strategy
- Agree on the priority projects or clusters of projects, as well as identified policy and regulatory interventions
- Understand and agree to the institutional arrangements
- Understand and accept their related objectives. A useful related measure of such commitment is that each country does in fact programme these projects/interventions into their national and departmental budgets.

¹¹ A useful related measure of such commitment is that each country does in fact programme these projects/interventions into their national and departmental budgets.



Step five: Identification and removal of bottlenecks:

- **ISSUES:** In many instances, practice has shown that there are a number of strategic ‘bottlenecks’ – infrastructural, policy and regulatory, bureaucratic, institutional, etc. – that are preventing the implementation of otherwise potentially viable and sustainable projects. These need to be clearly identified, and commitment secured by the relevant stakeholders as to how, when, and by whom, they will be removed.
 - Have the key bottlenecks been identified, and agreement secured to their resolution?
 - If YES, proceed to Step Six.
 - If NO, halt until such time as agreement is reached, or confirm that the integrated package of projects is still viable even with no agreement on any particular single project (i.e. overall business case remains valid).

Step six: Detailed packaging of agreed upon lead/anchor projects:

- **ISSUES:** In order to identify and package sets of economically and financially viable projects, it is essential for participating governments to mobilise strong technical capacity to support the project identification, conceptualization and packaging processes.¹²

Where skills are not available locally, they will need to be imported. Investors require properly packaged, analyzed and contextualised development proposals.

- Have the potential investment opportunities been packaged, and agreed to by the participating governments?
 - If YES, proceed to Step Seven.
 - If NO, continue with Step Six.

Step seven: Development of an investment marketing strategy:

- **ISSUES:** The promotion of development corridors is fundamentally based on the promotion and operation of integrated sets of infrastructure and economic development projects, operating within a conducive regulatory environment.

Consistent development strategy: One of the most important marketing documents for any development corridor initiative is a clearly and simply articulated Development Corridor Strategy that defines the overall economic rationale, the various inter-related sets of projects, the relative development priorities, and the proposed implementation programme.

Consistent communication: Since the process of communicating this strategy is also a key marketing activity, it is therefore essential that the key stakeholders have fully understand and have agreement on the development strategy for any development

¹² The analysis will need to be done at a prefeasibility study level. Detailed feasibility studies remain the responsibility of the investors/ bidders.



corridor initiative, and that they convey the strategy (and its rationale, priorities, programmes, etc.) in a common and consistent manner.

Reactive and proactive marketing of investment opportunities: Experience in the development corridors thus far has highlighted the fact that projects also need to be marketed to investors in different ways. Certain investment opportunities can be successfully marketed purely on the basis of advertisements in the local and international media¹³. Other projects and economic sectors require a far more proactive marketing approach, characterised by identifying the best investors for a given project and using direct marketing of investment opportunities to specific investors¹⁴. It is essential to note, that just because an investment opportunity has been brought to the attention of a potential investor(s) it does not imply that such an investment opportunity cannot be subject to a competitive bidding/tendering process. General investor conferences have generally proven to be unsuccessful in linking private sector investors with key projects.

Transparent bidding processes: The design and implementation of competitive bidding processes have been shown to deliver very good results in terms of financial as well as technical proposals. The use of competitive bidding/tendering is also often a requirement of governments in terms of prevailing public sector procurement processes because of the benefits they are intended to offer in terms of objective decision-making related to the allocation of resources under control of the public sector. Increasingly, the private sector (regionally and internationally) is not opposed to such competitive bidding/tendering processes, provided that the process, the adjudication criteria and the decision-making is seen to be transparent. As such, competitive bidding processes are seen as part and parcel of the process leading up to the establishment of sound public/private partnerships. Experience with investment marketing in relation to the development corridors suggests that the initial set of “anchor” infrastructure and economic sector projects should be brought to fruition through carefully designed and managed PPP processes.

High profile, world class investors are vital to generating further investment: Part of getting anchor projects established is the identification and securing of high-profile, good quality lead investors. International best practice confirms that these successful investments by lead investors has had the spin-off effect of attracting considerable numbers of smaller investors, many of whom either have upstream or downstream linkages to the lead investments, or are potential competitors, and thus contribute to the clustering effect. An issue that is of particular concern to potential investors is the process¹⁵ in terms of which project ‘bids’ are adjudicated.

¹³ This sort of reactive marketing does however rely on the assumption that potential investors are in the habit of reading the related media, and this may well not be the case for those potential investors who are from elsewhere in the region, or even international investors.

¹⁴ Practice has shown that in the tourism sector for instance, that the high profile international investors require a more proactive marketing strategy. These high profile regional and international investors are generally considering many investment opportunities at any particular time. They do not peruse international media for investment opportunities, but rather that they react far more positively to those strategic investment opportunities that are brought to them (or their advisors – who play a key role in their decision-making systems).

¹⁵ The bidding process must comply with prevailing national policy framework that exist. Conceptually a basic process is likely to consist of the following:



- Has agreement been reached by the respective governments on the investor marketing strategy, the bidding process, responsibility for bid adjudication and contract negotiation?
 - If YES, proceed with Step Eight.
 - If NO, do not proceed until necessary agreement reached.

Step eight: Implementation of the bidding process.

- ISSUES: In order to ensure that the bidding process is perceived as transparent and fair, best practice indicates, in addition to a clearly defined process with related milestones and time frameworks, the criteria to be used for the adjudication process (including weighting of criteria) should be specified up front. Ongoing communication with potential bidders is also a basic requirement.
 - Has the 'contracting' with the Preferred Bidder been concluded?
 - If YES, proceed with Step Nine
 - If No, do not proceed until contracting is completed.

Step nine: Project implementation.

- ISSUES: Implementation responsibilities will be in accordance with the roles and responsibilities (including risk allocation) as described in the contracts.

Step ten: Monitoring and review.

- ISSUES: Typically, this responsibility is allocated to government in terms of their responsibilities for ensuring adherence to prevailing regulatory frameworks.

Step eleven: Identification of additional investment opportunities that arise as a consequence of the new investments secured in the initial anchor projects.

- ISSUES: As projects and regulatory interventions are implemented, new opportunities for further investment can be identified. As such, the process from steps four to ten are iterative. It may also be necessary, depending on the particular investment project circumstances to review and update the work programme (Step 3) and corridor strategy (Step 4).

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- *Request for Expressions of Interest (EOIs) from Interested parties (including preparation of Investment Project Prospectus document)*
 - *Short listing of potential bidders.*
 - *Request for Proposals from short-listed bidders.*
 - *Submission of Proposals*
 - *Evaluation of proposals and announcement of Preferred Bidder*
 - *Negotiation phase with Preferred Bidder*
 - *Contracting*