

# Political drivers of Africa's regional economic integration

## Lessons from the Maputo and North-South Corridors<sup>1</sup>

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### Abstract

There is long-standing, wide consensus on the need for greater economic connectedness in Africa. Despite the rhetoric and apparent policy consensus, implementation of related commitments lags seriously. The lack of progress towards the free movement between national markets of goods, services, people and capital is frequently blamed on a combination of lack of political will and lack of capacity. Yet, it is necessary to better understand what these twin deficiencies actually entail. This paper takes a political-economy approach to regional integration to try and understand progress on regional economic integration. Building on the existing and wide literature examining the political economy of development at a national level, and the somewhat more limited literature on the political economy of regional integration, the paper defines five lenses through which we can better understand the progress or not of regional integration processes: structural factors, formal and informal institutions, actors and incentives, sectoral characteristics, and external factors. Applying the five lenses to the Tripartite North-South Corridor and the Maputo Development Corridor, both varying in nature and scope, we show how a political-economy understanding can take us beyond 'political will' and 'lack of capacity' explanations. Ultimately, regional integration processes will succeed when and where these are aligned with and support national political priorities, as shaped by the ways in which political power and settlements are determined in each member country. The analysis suggests that narrower aspects of the regional integration agenda are more likely to succeed in the short term, while formal regional integration processes may do well to build on informal, more functional regional integration in the medium to long term.

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# 1. Introduction

## 1.1. Motivation and purpose

There is long-standing, broad consensus on the need for greater economic connectedness in Africa. Policies to “de-fragment” Africa (Brenton and Isik, 2012) are intended to promote economic transformation through expanded markets, investment and employment creation, thus laying a path towards inclusive growth and poverty reduction. Regional markets may also offer opportunities as a testing and learning ground for exporters due to similar tastes and lower barriers to market access in the African region (Hoppe and Aidoo, 2012).

But despite the rhetorical and political consensus, there is slow progress on implementing regional commitments. This lack of movement towards the free movement between national markets of goods, services, people and capital is frequently blamed on a combination of lack of political will and lack of capacity. Yet, it is necessary to better understand what these twin deficiencies actually entail. “Political will” is something of a black box combining a range of different influences and interests that need to be better understood, while capacity constraints can apparently be overcome in specific circumstances – often where there is “political will” – bringing back the need to analyse this term further.

At the same time, there is little agreement on what effective regional integration looks like, or should look like. Regional integration involves a complex combination of interstate formal processes with myriad in-country measures relating to formal trade agreements, formal and informal trade practices, regulatory mechanisms, macroeconomic policies, industrial and agricultural policies, and many more infrastructure and other projects and processes with cross-border implications. Different regions are further characterised by different levels of aspiration and ambition.

Indeed, looking at African regional agreements from a legal point of view, Gathii (2011) argues that African Regional Trading Agreements (RTAs) are explicitly designed to be ‘flexible’ cooperative agreements ‘establishing flexible regimes of cooperation as opposed to containing rules requiring scrupulous and rigorous adherence’. They also adopt a ‘broad array of social, economic and political objectives without giving salience to any set of objectives’ and expressly build on the principle of ‘variable geometry’, affording poorer countries more time to implement agreed trade and other commitments. While these insights therefore challenge those who would measure the performance of African regional integration against Western standards of institutional design and effectiveness, they nonetheless further underscore the need to understand the political economy of *why* these preferences are adopted.

There is an expanding literature examining where and why African political elites promote national socioeconomic development. The study of the political economy (PE) of regional integration in Africa has received considerably less attention. While much of the existing literature on regional integration looks at it as a country-to-country process, it is also necessary to relate this to within-country political processes to understand when and where political elites will succeed in supporting different aspects of the regional integration agenda.

The key underlying question addressed in this paper is therefore as follows: When do key actors, especially political elites, credibly engage and commit to implement regional integration agreements?

This paper contends that only by understanding the politics at the national level and the interaction of politics with regional processes can one gain insights into regional integration outcomes. Based on a

review of the relevant literature, we use five analytical lenses to systematise knowledge about the drivers and obstacles to regional integration. These lenses are: foundational or structural factors; formal and informal institutions; actors and incentives; sectoral characteristics; and external drivers. While their relative importance varies according to context and by case, the paper posits that these lenses help to systematically identify and understand drivers and constraints to regional integration and can thereby contribute to informing a broader dialogue on how positive outcomes can be supported. These types of analysis may also help identify opportunities for realistic and more effective support strategies to regional integration and inclusive growth.

The paper applies these lenses to two corridor initiatives in the Tripartite COMESA-EAC-SADC<sup>3</sup> region – namely the North-South Corridor (NSC) and the Maputo Development Corridor (MDC). Although two very different corridors, this comparison highlights the relative success of the MDC in aligning national political interests at a high level through the close personal connection between South Africa's Nelson Mandela and Mozambique's Joaquim Chissano, itself an outcome of long-standing political support for the African National Congress (ANC) by FRELIMO. In addition, the MDC is characterised by a limited scope and number of actors, even taking account of the wide array of different government and private-sector actors involved in some way. The anchor investment of the Mozal aluminium smelter just outside Maputo had important influence on driving the process, while the whole project took place at something of a critical juncture at the end of apartheid and Mozambique's civil war.

The context for the NSC is very different, raising questions about the value of promoting such a broad and multi-country corridor. Given the involvement of up to eight countries if the NSC spurs are included, interests are clearly more difficult to align at an economic or political level. Private-sector demand for an improved NSC is far less obvious than in the MDC case, while there is no specific external factor that is creating pressure for governments and other actors to speed up and ensure effective implementation of the NSC. That is not to say that the NSC is not advancing, but rather that progress is likely to be slow given the wide range of incentives and actors, and the ostensibly limited common interest.

The findings suggest that regional processes are successfully implemented where they contribute to achieving national priorities, and where this is revealed through actions rather than through mere policy statements and according to the interests of influential domestic actors and their interaction with ruling elites. This seems more likely to occur when the scope of the project is narrower, the concerns about national sovereignty or policy space are respected, the alignment of actors greater, the number of actors involved smaller, and subsequently, the potential outcomes regarding winners and losers clearer. Applying a PE analysis to more narrowly defined cross-border initiatives may therefore be instrumental in identifying opportunities for more inclusive regional integration dynamics in areas such as infrastructure investments and cross-border movements of goods, people and finance.

## 1.2. Regional integration context

The blueprint for regional integration is commonly taken from Balassa's seminal book of 1961. This describes five forms of economic integration: a Free Trade Area (FTA), a Customs Union (CU), a Common Market (CM), an Economic Union, and complete economic integration.

Although frequently understood as a linear sequence of deepening integration towards a regional ideal, as Baldwin (2011) points out, these forms of economic integration were never intended to represent an ideal sequence but instead to describe different possible levels of integration. The eight African regions

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<sup>3</sup> East African Community, Southern African Development Community, Common Market for Eastern and Southern Africa.

recognised by the African Union (AU) have adopted this sequential model, with varying degrees of implementation, as shown in Table 1.4. As the table shows, of the eight Regional Economic Communities (RECs), the East African Community (EAC) has progressed furthest in attaining its integration objectives. The EAC is the most advanced community and launched its Common Market in 2010. The Common Market for Eastern and Southern Africa (COMESA) launched its CU in June 2009. The Economic Community of West African States (ECOWAS) and Southern African Development Community (SADC) have made progress in building their FTAs with ECOWAS adopting a common external tariff in October 2013, while SADC is now aiming to consolidate its FTA before aiming for a Customs Union, originally planned for 2013. . The Economic Community of Central African States (ECCAS) launched its FTA in 2004 but is facing enormous challenges in implementing it. The Arab Maghreb Union (AMU), the Community of Sahel and Saharan States (CEN-SAD) and the Intergovernmental Authority on Development (IGAD) are moving slowly and still in the stage of cooperation amongst their member states (AUC, 2013).<sup>5</sup>

**Table 1: Status of integration**

RECs	Date	FTA	Customs Union	Common Market	Monetary Union	Political Federation
AMU	1989					
CEN-SAD	1998					
COMESA	1994					
EAC	2001					
ECCAS	1983					
ECOWAS	1975					
IGAD	1998					
SADC	1996					

Sources: AfDB (2013) and AUC (2013). Notes: achieved (green); envisaged (blue); not planned (grey)

While this represents progress as regards formal commitments and may not be the correct measure on which to judge such agreements (Gathii, 2011), regional integration progress can perhaps best be understood in terms of regional trade and integration into the world economy. While the combined exports of all eight RECs grew at 5.2% over the period 2007 to 2011 (notably the period including the global recession from 2008) intra-African exports grew at only 3.2% over the same period. As such, while these more than doubled between 2005 and 2006 (2011b), the average share of intra-African exports in total merchandise exports therefore remains low, estimated at 11%, compared with 50% in Asia, 21% in Latin America and the Caribbean and 70% in Europe (UNCTAD, 2013).

Further, while these averages hide considerable variation and trends in intra-Africa trade across RECs, half of intra-African trade takes place within the SADC region, between South Africa and its neighbours (AfDB, 2011a). Indeed, 26 countries counted South Africa among their five main export destinations (UNCTAD, 2013) suggesting a considerable level of concentration in intra-African trade. Although these figures clearly exclude what may be vibrant informal trade (see Afrika and Ajumbo, 2012; Lesser and Moisé-Leeman, 2009), the implication is that regional trade in Africa has substantial room to grow.

<sup>4</sup> The African Union recognises eight RECs in Africa. These are the Arab Maghreb Union, the Community of Sahel-Saharan States, the Common Market for Eastern and Southern Africa, the East African Community, the Economic Community for Central African States, the Economic Community of West African States, the Intergovernmental Authority on Development and the Southern African Development Community.

<sup>5</sup> Nonetheless, additional regional configurations exist that have not followed this linear path with implications for progress in the related AU-recognised RECs. The Southern African Customs Union (SACU) stems from quite specific historic circumstances and went straight to a CU without having been an FTA with implications for SADC integration. Other examples include the Central African Economic and Monetary Union (CEMAC) and the West African Economic and Monetary Union (UEMOA), with implications and challenges for ECCAS and ECOWAS countries and their regional integration processes.

These challenges are further underlined by the literature on transport costs in Sub-Saharan Africa. According to Raballand and Teravaninthorn (2009), roughly 70% of the African population live more than two kilometres from an all-season road, while even in SADC, where road conditions are relatively good, the effective speed of road transport is estimated to be between 6 and 12 km per hour, due to time-consuming borders and roadblocks (Ranganathan and Foster, 2011). Nonetheless this is higher than the effective speed of 4 km per hour for rail. Road delays are estimated to cost US\$300 per day (TMSA, 2012) further highlighting the need to improve transport and regional integration within Sub-Saharan Africa.

### 1.3. Structure of the paper

The remainder of this paper is organised as follows. Section 2 provides an overview of the literature on political-economy analysis and regional integration. On the basis of that literature and the issues raised, it also presents an analytical framework for a PE approach of regional integration processes and dynamics. Section 3 applies the framework to the NSC and the MDC. Section 4 summarises a number of key insights and their implications for policy makers seeking to promote development outcomes from regional integration processes.

## 2. Political economy, development and regional integration

Since the 1990s there has been a surge in efforts to understand governance, institutions, and policies for inclusive and sustainable development. This growing literature points to the fact that beyond economic considerations, policy reforms take place in a context of complex, long-term, and non-linear processes that are determined by the unique history and institutions and the economic and PE underpinnings of a country. Political-economy analysis of policies to promote regional integration must therefore complement an understanding of these national processes with analysis of the dynamics between the international centres of power and influence, and analysis must also show how domestic politics relates to this interaction. The following literatures provide some conceptual guidance on what has been analysed in this regard, and what findings, insights and tools can be used to develop a PE framework and approach to apply to regional integration.

### 2.1. The political economy of development

The question of why there is such persistent variance between policy commitments and effective implementation increasingly preoccupies development practitioners and concerned stakeholders. Attempts to move the policy research agenda beyond the explanation of 'political will' and 'capacity constraints' have pointed in the direction of the relations between business and politics, the nature of ruling elites within particular political settlements, the types of incentives that shape the policy choices and the capacities and preparedness to ensure implementation. For example, research, into when and why ruling elites pursue and implement policies in support of the productive sector or of effective economic transformation, and the implied hard choices in terms of redistributing economic benefits and prioritising among sectors, has provided useful pointers in this respect (Whitfield and Therkildsen, 2011).

There is now broad consensus that a well performing economy rests on a ‘foundation of good governance’ that includes transparent and predictable decision making; oversight mechanisms; accountability of how resources are used; committed public officials; a political process viewed as legitimate; the protection of property rights; a regulatory apparatus curbing the worst forms of fraud, anti-competitive behaviour, and moral hazard; a moderately cohesive society exhibiting trust and social cooperation; and social and political institutions that mitigate risk and manage social conflicts (Levy, 2010; Rodrik, 2007). Yet, building effective and accountable institutions in developing countries based on such ‘best-practice’ formal institutions has proved a major challenge with ongoing debates around the causal relations and linkages with development outcomes and trajectories of change.

By moving away from a view of development as a linear process towards some ideal state which can be achieved by following ‘best practice’ development models, attention has shifted towards ‘good enough governance’ (e.g. Grindle, 2004), to ‘best fit’ policies, to ‘work with the grain’ (Booth, 2011) in support of ‘appropriate institutions’ (Rodrik, 2008; Levy, 2010).<sup>6</sup> This involves a shift from emphasis on formal institutions, the so-called formal ‘rules of the game’, to the interactions between formal and informal institutions. Informal institutions are those unwritten rules that are not enforced by formal agencies. These include habits, customs, cultures and values (e.g. North, 1991). Taking a ‘best fit’ approach implies that reformers understand the interplay between formal and informal institutions and take that as the starting point for developing support strategies for institutional reforms. Institutional reforms such as measures to attract private investors through public-private partnerships stand a better chance when formal rules of the game are reinforced by informal institutions.

Political survival is now more widely assumed to be the key motivation for ruling elites (often ruling coalitions), also informing their decision logics in policy areas such as productive sector support (Geddes, 1994; Bueno de Mesquita et al., 2005; Moore and Schmitz, 2008; Leftwich, 2011; Khan, 2010 and 2012; Whitfield and Therkildsen, 2011). When governments face the choice between their own political survival and longer-term interests in stability and collective development, whether at the national or regional level, they tend to prioritise the former in ways that may not align with the latter, and may even undermine or compromise it. Furthermore, political survival in a democracy depends on being able to maintain a ruling coalition and win elections. This may include the use of patron-client relations by ruling coalitions. Such relations imply favours or patronage by ruling elites for clients in exchange for electoral or other support. This creates strong incentives for ‘rent-seeking’, including aid to cement alliances and to serve these clients for maintaining or gaining a hold on power. As such, while patronage may play an important role in maintaining political stability and social cohesion, it can also undermine productive investment (Unsworth and Williams, 2011). It is therefore also important to have an understanding of the nature of political competition (Khan, 2010 and 2012) and of state-society bargaining processes (IDS, 2010), as well as the distribution and management of economic rents, and how particular political systems influence ruling coalitions and create political incentives (Khan, 2006, Kelsall, 2013, Therkildsen and Whitfield, 2011; Whitfield, 2012; Buur and Whitfield, 2013).

## 2.2. Political economy of regional integration

While the above literature focuses on processes within nation states, applying the political economy lens to regional processes brings both parallels and additional complexity. These can be examined in terms of the negotiation process and implementation of agreed measures. The regional protocols and treaties represent rules-based, formal agreements reflecting inter-state interests and balances of power. Yet, the

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<sup>6</sup> As Rodrik (2008) points out, this idea of the need for ‘appropriate’ institutions goes at least as far back as Gerschenkron (1962).

implementation takes place at national level, mediated through domestic political power relations and games, which reflect – among other things – the system and types of distribution of economic rents and the other factors referred to above.

Mansfield (1999) observes that ‘while it is frequently acknowledged that political factors shape regionalism, surprisingly few systematic attempts have been made to address exactly which ones most heavily influence why states choose to pursue regional trade strategies and the precise nature of their effects’. This observation remains valid for regional integration in Africa at large.

While political economy analyses attempt to move away from adopting a linear view of development, a more political approach to regional integration similarly might build on Gathii’s (2011) insights that the purpose of regional integration is very different in Sub-Saharan Africa than in other regions. There may therefore be explicit recognition that rules-based regional trade agreements are at risk of what Pritchett et al. (2010) call isomorphic mimicry – institutions that superficially take the form of institutions in functional states but do not fully play the necessary roles or functions and are not backed by supporting traits such as transparency, accountability and enforcement mechanisms. Taking this consideration into account would imply that analysis focuses less on designing best practice policies associated with the ‘next stage of integration’ than why particular forms of integration are adopted and what drives implementation. It invites reformers to identify policies to strengthen integration within the given political-economic context.

The additional complexity brought by moving from national to regional processes may helpfully be considered as a ‘two-level game’ of regional diplomacy and domestic politics (Putnam, 1988), where governments are essentially negotiating at two levels: domestic and international. In his model, governments are constrained domestically by pressure groups that determine the possible boundaries of a given agreement (the domestic ‘win-set’). At the regional level, governments seek to satisfy domestic pressures while being constrained by their negotiating partners’ own win-set. Agreement occurs when there is an overlap in win-sets. Outcomes in the form of successful agreement and implementation will only occur where the demands of international agreements align with organised domestic interests, relating back to the literature discussed above on political settlement and competition.

Inter-state bargaining around regional integration may also relate to how regional objectives are framed or conceptualised. Hentz (2005) sets out three views of regional integration in Southern Africa in the post-apartheid period: i) regional developmental cooperation, ii) regional market integration, and iii) ad hoc cooperation. Each reflects a different vision and has been pursued by different interest groups or coalitions at different times. Hentz refers for example to regional developmental cooperation as reflected in the initial model of the Southern African Development Coordination Conference (SADCC) until 1992, or in public ANC statements. Regional market integration, on the other hand, is more in line with the de facto SACU rules of the game and with business interests that envisage the more linear path to integration that was adopted in the Lagos Treaty and ultimately adopted by SADC. Ad hoc cooperation comprises large investment projects, such as the Lesotho Highlands Water project, the Cahora Bassa Dam, and Maputo Port, where interest groups have been more narrowly related to specific project components. How these different interest groups organise and pressure governments and elites, and how these national elites then interact at a regional level may then determine the model applied in practice and the ultimate form of implementation.

It is therefore important to map out the interactions of these more international dynamics with national-level dynamics. Studies such as Carère et al. (2012) rely on public choice or game theoretic constructions to conceive how agents interact at the national level around regional integration, while Flatters (2002) focuses

on the domestic political economy of SADC countries to explain the relatively restrictive rules of origin on textile. In what may be an overly sceptical view, Soderbaum and Taylor (2008) suggest that ‘instead of investing in regional projects that promote broad-based development as a regional collective good, the ruling elites will much more likely seek to control what material benefits of state sovereignty they can muster to strengthen their own political authority, as well as to benefit personally, often financially. This helps explain in part why so many regional projects fail in Africa – what remains in such circumstances are often ad hoc arrangements, invariably financed by the donor community’. Again, this points us to the need to understand both political processes at the national level, and how these interact at a regional level.

Increasingly, research is undertaken at sector level with a focus on the PE dimensions that help explain the underprovision of key regional public goods. The provision of public goods and services in a regional context – in areas ranging from infrastructure, trade facilitation, management of common pool resources, peace and security, and so forth – is difficult as it requires a high level of trust and cooperation, not just in one country but between two or more (Sandler, 2007; DfID, 2011). DfID (2011) also draws attention to a category of literature about less visible and less formal forms of regionalism, ‘regionalism as experienced’. Authors such as Trémolières (2007), Soderbaum and Taylor (2007; 2008) point to the relevance of uncovering such on-the-ground regional realities as informal practices, as well as the long-lasting prevalence of informal intraregional activities that often predate colonial times. These informal processes may also interact with formal processes of regional integration.

The role of the private sector as potential driver and beneficiary of greater regional integration is a key element underlying and linking some of these national and regional dynamics. Looking at the private-sector role in regional integration in the SADC region, Bertelsmann-Scott et al. (2013) conclude that the fact that ‘they chose to cooperate at the regional level in policy debates and push for certain outcomes, as in the case of telecommunications and banking, shows that benefits are to be had from active participation’. Lamy (2010) advances the hypothesis that ‘when private sector operators have an issue to settle, they generally tend to settle it at the highest level, to which they have their own particular access channels. By solving their conflicts individually, they gained a competitive advantage with respect to their rivals, who are left to struggle with administrative formalities’. This underlines the distinction between operating through formal and informal channels in the context of regional trade agreements.

This type of analysis helps to reveal those stakeholders that are likely to perceive regional integration as a threat, and in turn influences political consideration by leaders and decision makers seeking to maximise political support within a given set of political institutions. This then has implications for the support that outside actors provide and the results they can hope to achieve.

### 2.3. An analytical framework: five political economy lenses

Building on the growing academic research and policy insights as summarised above, this section draws further on country- and sector-level political-economy analyses. An initially small number of donors such as the UK, Netherlands, EC and World Bank developed analytical tools for informing their country programming or strategy development, for problem solving or feeding policy dialogue with partner countries. Generally speaking, the depth and scope of studies have varied as the purposes for undertaking such studies also varied. For the purpose of studying regional integration, one has to recognise that the unit of analysis is much more varied and broader.

We propose to combine five lenses that help view the complexities of regional integration processes and structure available information. The five lenses help understand the country-specific context and dynamics

in which key stakeholders operate, and how structures, institutions and global drivers influence incentives of political elites. Such an understanding may help better assess the scope for promoting further regional integration in the formal arenas of regional integration as well as in the arena of cross-border cooperation among states and between state and non-state actors. It may also point to areas where more fine-grained PE analysis is required. Table 2 lists the five lenses and introduces examples in the national arena and in the arena of the formal regional institutions.

### **(a) Structural factors**

Structural or ‘foundational’ factors relate to contextual aspects such as historical, geographical or certain deeply ingrained economic characteristics. These are hard to transform in the medium and even long term. The history of state formation and a country’s sources of income can clearly influence current contexts, be it broad-based taxation, or extractive rents from a limited number of sectors or actors.<sup>7</sup> The type of colonisation (for example, nature of extraction, colonial administration, political institutions) and of decolonisation (with or without liberation struggle, protracted or abrupt, etc.) are historical processes that have also profoundly shaped the types of political, economic and sociocultural institutions that create incentives for different sets of actors in the present. Structural factors also include the income level and size of an economy, the level of concentration of economic activity, and employment in key sectors such as agriculture and the extractive sector that influence regional processes of integration whether at the level of broad regional negotiation processes or at the level of functional cooperation between stakeholders from neighbouring countries.

### **(b) Formal and informal institutions**

Institutions or the ‘rules of the game’ are crucial for understanding how economic growth, political competition, social development, and policies affecting the nature of regional integration come about or function. While formal and informal institutions interact and influence one another in every country, the influence of informal institutions is likely to be higher in developing countries. Andrews (2013) draws attention to two key observations: firstly, while formal institutions tend to capture the eye, in reality they thrive on the basis of less visible beliefs, norms, and cultural mechanisms, or informal institutions. Secondly, in order to obtain a fuller picture of how formal institutions function – and influence policy and implementation decisions – one has to understand the interrelatedness between formal and informal institutions. Rodrik (2007) provides a third consideration: markets are underpinned by multiple non-market institutions, and ‘the plausible variation in institutional setups is larger than is usually presupposed’.

Institutions are therefore understood as combinations of formal rules of the game (constitution, the legal setting that regulates political competition, etc.) and a host of informal arrangements. Winning or retaining power may depend on informal practices such as exclusive patronage benefits (jobs, money, access to services or monopoly privileges to supporters or ‘clients’). Or it may depend on appealing in more or lesser degrees to personal (ethnic or other sources of identity) or impersonal themes and issues. Failing to understand such political and economic interactions between formal and informal institutions may result in a failure to examine and identify where opportunities lie for policy reforms in support of regional integration.

### **(c) Actors, political elites and agency**

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<sup>7</sup> ‘Access to high levels of rents and unearned income can reduce elite incentives to bargain with citizens and encourage elite predation’ (OECD, 2011: 26). ‘Rents’ can be understood as income flows that are additional to market-based profits and wages. ‘The category includes revenues from natural and administratively created monopolies, subsidies, natural resources and, not least important, corruption and aid. Some of the rents are economically efficient or socially beneficial, others are not’ (Booth and Therkildsen, 2012: 10).

Different actors seek different objectives through regional integration. The literature points to the importance of assessing how the structural and institutional context interacts with key actors and how this affects policy choices and behaviour. Such interactions may, for example, create incentives for certain actors to act collectively in support of development outcomes, or conversely, for rent seeking, or for 'crony' relationships with exclusive benefits for a few. When analysing development processes, three types of actors/agents seem to matter particularly: political elites, state bureaucrats and sector actors (including civil society, firms, farms and households) and should be the focus of this element of the analysis. Particular attention needs to be paid to the way political and economic structures and institutions shape incentives for the ruling elite or coalition, or how these incentives affect the time horizon within which they develop and implement policies. Indeed, these elites may be under pressure not to undertake those actions that are required for economic transformation (or regional integration for that matter) as it may weaken their position within the broader contextual dynamics of the political settlement and the elite composition.

#### **(d) Sector characteristics, public goods and governance implications**

The fourth analytical lens sharpens the focus on the characteristics and linkages with governance and accountability relations of a specific sector or of particular public goods. As enumerated by Harris et al. (2013) the political salience and visibility of a service or a sector at national level will create incentives or disincentives for politicians and service providers to commit to providing quality services to citizens and to be accountable. Road construction and rehabilitation tend to be better vote catchers than the cumbersome and less salient task of road maintenance. Secondly, more visible policies imply more easily attributable credit or blame, depending on information asymmetries. Thirdly, the balance of power between policy makers and other actors involved in service delivery is also important, with monopoly-provided services implying less incentive for state oversight or improved performance. And finally, services that are frequent, predictable and area-based may make it easier for citizens to mobilise collectively and to make demands for service delivery. Understanding the nature of specific aspects of reform processes in this way may help to further inform on where or to what degree the incentives of relevant actors are likely to be affected.

#### **(e) External factors influencing the political economy context: global drivers**

National- and sector-level actors and factors influence regional integration dynamics. Yet, there are also external drivers that may affect domestic stakeholders in their resolve to engage in regional integration processes. Certain global dynamics or processes may shape domestic institutional and political incentives. Examples of such powerful drivers include the sources of rents and unearned income (including aid), opportunities for concealing and moving illicit assets, foreign investments, global and regional security threats and responses, international legal measures and sanctions against domestic elites, and reputational pressures on political elites from regional and international actors. Such drivers may push in directions that result in positive development outcomes, for example through global consumer and media pressures for legally produced and certified goods (timber, diamonds, etc.). But these drivers can also impact negatively on domestic institutions and governance arrangements.<sup>8</sup>

### **3. Applying the political-economy approach**

Based on this understanding of the literature, this section provides some illustrative examples from two corridor initiatives from southern Africa. Due to space considerations, these examples do not constitute a

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<sup>8</sup> Disentangling such influences is an intricate exercise as there are multiple drivers influencing country- and sector-level actors and institutions simultaneously, with different impacts over time. Therefore the OECD (2011) has developed an analytical tool that helps to assess those global dynamics with a particular relevance to or impact on the domestic political economy, and the type of incentives they create for political and economic elites.

full political-economy analysis of each case but instead illustrate the application of the concepts and approach described to different aspects of regional integration.

Given the growing focus on corridors in southern Africa, this analysis compares the Maputo and North-South Corridors.<sup>9</sup> Given that Zambia sits at the midpoint of the NSC and as a landlocked country might be expected to have most to gain, it is informative to look at the NSC in terms of the politics that surround it from a Zambian perspective.

Established as a flagship project of the COMESA-EAC-SADC Tripartite initiative, the NSC is an attempt to coordinate and harmonise programmes in trade, trade facilitation and infrastructure through improvements to road, rail and ports.<sup>10</sup> While the NSC remains a work in progress, launched at a donor conference in Zambia in 2009, the MDC dates from the mid-1990s and has already led to improved road and rail connections, reduced border times, and related major industrial investments in Mozambique.

Applying the five lenses above can help identify important differences between the two corridor initiatives with potential implications for policy makers. The main issues discussed under each lens are summarised in the following table.

Five lenses	Maputo Development Corridor	North-South Corridor
<b>Structural factors</b> (Regional & national)	<ul style="list-style-type: none"> <li>- 2 countries – Maputo port &amp; South African economic heartland</li> <li>- History: Getting about in and minerals out</li> <li>- FRELIMO support to ANC</li> <li>- Post-apartheid South Africa</li> <li>- Post-civil war Mozambique</li> <li>- Fiscal constraints – so need to consider PPP</li> <li>- South African-Mozambican income disparities</li> </ul>	<ul style="list-style-type: none"> <li>- Composed of frontline states</li> <li>- Eight countries along one corridor with 5 landlocked countries, 2 ports</li> <li>- Extractive resources important</li> <li>- Major trade route</li> <li>- Chirundu border (Zimbabwe/Zambia common institutions)</li> </ul>
<b>Formal/informal rules of the game</b>	<ul style="list-style-type: none"> <li>- Light on formal structures</li> <li>- Powerful informal arrangements – trust</li> </ul>	<ul style="list-style-type: none"> <li>- Part of Tripartite FTA, NEPAD Spatial Development Programme</li> <li>- Agreements to reduce Non-Tariff Barriers (NTBs)</li> <li>- Presidents/donors buy-in for One Stop Border Post (OSBP)</li> <li>- Wariness of South African in the region</li> <li>- Zambia rural roads focus – more political than</li> </ul>

<sup>9</sup> See also Byiers and Vanheukelom (2014).

<sup>10</sup> It also aims at Increasing the power generation and energy trade potential of the Southern African Power Pool with new power generation and transmission investments but these are not taken into account in this chapter.

		economic
<b>Actors</b>	<ul style="list-style-type: none"> <li>- Presidents,</li> <li>- Key civil servants</li> <li>- Key RSA &amp; international private-sector drivers</li> <li>- PS Associations: MCLI</li> <li>- Close business-party relations?</li> <li>- Local people/businesses?</li> </ul>	<ul style="list-style-type: none"> <li>- WTO Aid for Trade, donors,</li> <li>- Dispersed private sector interests,</li> <li>- Incumbent winners from current conditions</li> <li>- Difficult to identify potential beneficiaries e.g. Zambia exporters</li> <li>- Dispersed political &amp; economic interests</li> </ul>
<b>Sector-specific features</b>	<ul style="list-style-type: none"> <li>- Regional public goods – not provided by private sector</li> <li>- Economic density allows for toll roads</li> <li>- Few linkages to local economic actors</li> </ul>	<ul style="list-style-type: none"> <li>- Zambia: rural road construction is politically salient</li> <li>- NTBs and one-stop border posts</li> <li>- Transport market key</li> </ul>
<b>Global and regional drivers</b>	<ul style="list-style-type: none"> <li>- Improving competitiveness/trade by lowering costs an overarching goal – 15 million tons to the sea</li> <li>- Market liberalisation/privatisation policies in both countries</li> <li>- Increased focus on corridors, SDIs, economic linkages</li> </ul>	<ul style="list-style-type: none"> <li>- Incentives from multilateral banks and donors</li> <li>- Incentives from resource-dependent China</li> <li>- Competition for investors</li> <li>- South African hegemony</li> </ul>

### The NSC and MDC: foundational factors

Beginning with geographical factors, the NSC links the port of Dar es Salaam to the port of Durban through the Copperbelt in the Democratic Republic of Congo (DRC) and Zambia, with spurs also linking to Malawi, totalling 8599 km of roads in seven countries. Overall, spurs included, the NSC project links eight countries, five of which are landlocked, with likely implications for coordination and satisfying different national-level interests. The MDC links the far shorter distance from the Gauteng industrial heartland of South Africa with the port of Maputo in Mozambique, also focused therefore on two interlocutor countries.

Other foundational factors relate to the underlying historical basis of the corridors. For the most part, corridors in Southern Africa build on pre-independence road and rail connections built to serve the interests of capital- and labour-intensive mines in the region. South Africa relied heavily on migrant labour from around the region, including from Southern Mozambique and from at least 1895 shipped out coal and other

minerals along the railroad from the Witwatersrand to the then Lourenço Marques, now the Maputo Corridor.

The MDC project can therefore be understood as the reconstruction of a pre-existing link to satisfy a range of needs at the time. A clear foundational factor of the MDC then was the post-apartheid shift in regional relations marked by regime change in South Africa after the first non-racial, democratic elections in 1994, and by peace and democracy in Mozambique as of 1992 after a decade of apartheid destabilisation and 17 years of South African backed civil war. As such, the two neighbours were in the process of designing strategies to reform their economies, re-establish improved diplomatic and economic links, and attract public and private investment. The two presidents backed the idea of the highly symbolic and highly economically attractive transport corridor between Maputo and Gauteng. The South African government conceived the MDC as a so-called Spatial Development Initiative (SDI), with explicit developmental objectives besides the central economic, infrastructural and investment purposes.

So these events coincided with the Mozambican economic recovery plans, providing propitious circumstances for the two governments to come together around a single project. Fiscal deficits and the alignment of interests at both sides of the border resulted in a swift agreement on the need to carry out the road rehabilitation through a public-private partnership, one of the first in Africa, and in implementation arrangements that ensured that investments materialised, although at different speed for different components.

Clearly the NSC emerged from very different historical origins. The predecessor to COMESA took shape in 1978 with the proposal for a sub-regional Preferential Trade Area (PTA), which was finally established by treaty in Lusaka in 1981. The PTA treaty called for a gradual transition to a common market that began in 1993 with the signing of the COMESA Treaty. Among other things, the COMESA treaty aspires to 'the completion of all inter-state missing links, especially the inter-state rail and road links, and the construction of local and domestic ones ... to enhance the much needed intra-regional co-operation with neighbouring countries' as well as 'establishment of common border posts'.<sup>11</sup> The Tripartite Initiative then emerged from COMESA and SADC, both of which can also trace back their roots to the Frontline States movement.

In terms of infrastructure development at the northern end of the North-South Corridor this builds on the TAZARA rail, the TanZam Highway, and the TAZAMA crude oil pipeline between Tanzania and Zambia, itself a product of Zambia's need for an alternative outlet for its copper production to apartheid South Africa's ports, to Zimbabwe's period of minority rule until 1980 and to Mozambique's continued period of colonisation until 1975 and subsequent civil war. The re-establishment of connections in the post-apartheid period may also benefit from the common institutional legacy among Zambia, Zimbabwe and South Africa, with Zambia and Zimbabwe having been part of the Federation of Rhodesia and Nyasaland (now Malawi) from 1953 until 1963.

### **MSC and MDC: Formal and Informal Institutions**

Building on this understanding of the main foundational factors, one can compare the institutional structures and arrangements around the NSC and MDC initiatives.

In looking at the MDC, although part of the SADC region and a potentially important access port for countries beyond South Africa and Mozambique (Botswana, Swaziland and Zimbabwe, for example) the MDC has taken shape independently from formal regional frameworks and procedures. As such, it built very much on the geohistorical factors mentioned, but also on close informal connections between the two

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<sup>11</sup> See [http://www.comesa.int/attachments/article/28/COMESA\\_Treaty.pdf](http://www.comesa.int/attachments/article/28/COMESA_Treaty.pdf).

countries based on Mozambican support for the ANC during the apartheid years, and a close relationship between Presidents Mandela and Chissano that generated a degree of trust and common purpose. This allowed a formal memorandum of understanding to be drawn up quickly, and provided conditions conducive for attracting investors.

Although discussed for many years at the COMESA level, the NSC gained increased momentum with the Aid for Trade initiative launched in 2005 at the World Trade Organisation (WTO) ministerial meeting in Hong Kong, and was launched at a 2009 donor conference in Lusaka as a package of projects that together would form one connected corridor. This has since been followed by donor support, particularly from the such as the UK Department for International Development (DfID), with the setting up of a project preparation unit in Lusaka, Zambia, to identify parts of the NSC project and prepare these for seeking finance and project implementation. The importance of institutional alignment can be seen in one of the major successes of the NSC initiative, namely the Chirundu One-Stop Border Post (OSBP). Heralded by many as a success although still subject to numerous challenges, this initiative has managed to build on the similar judicial arrangements in Zambia and Zimbabwe, somewhat facilitating the ease with which cross-border institutional cooperation has taken place.

### **The NSC & MDC actors**

As the above narrative suggests, movement towards completing the MDC was supported by a range of geographical and historical factors, and the MDC extended beyond the more formal regional integration processes. In part, this was also because of the actors involved. A factor conducive to the project was, as mentioned above, the personal understanding and trust between Presidents Mandela and Chissano, and their shared struggles against apartheid South Africa and colonialism. This meant not only that initial agreements were quickly met, but the presidential drive in each country also meant that the MDC was given priority within both national bureaucracies.

Beyond public policy makers and implementers, the private sector also played a large part in launching and implementing a viable transport corridor. Not only was road rehabilitation and maintenance carried out under a Public Private Partnership (PPP) arrangement with a long-term private concession, but the corridor initiative was accompanied by multimillion dollar aluminium smelter investments, Mozal I and II, and an accompanying industrial park. Given the need for Mozal to import almost everything, and export almost all outputs, key aspects for the Mozal investment related to access to electricity from South African Eskom, and access to the ports. Although some have criticised the lack of integration and the development impact of Mozal and other investments in the Beluluane Industrial Park (see Byiers and Vanheukelom, 2014), the investments nonetheless helped drive the MDC project forward, with subsequent pressure to continue to improve the road and rail infrastructure, border post and ports. New private-sector associations were created by mostly private actors to attract investors, monitor progress in multiple components of the MDC, and facilitate exchanges on new development opportunities. The Maputo Corridor Logistics Initiative (MCLI), for example, is such a private-sector association of (mostly South African) firms using the corridor, but also has linkages with civil society, donors and public authorities at different levels on both sides of the border. The MDC has also been a positive development for Maputo elites who gained easier access to retail and tourism services in South Africa, while the concession company in charge of the main road along the corridor and the company operating the container scanner at the port also represent business interests for some high-level Mozambican politicians. While not a driving force, this clearly also factors into the political economy of the process of MDC implementation and further development.

While the MDC is narrow in scope, the NSC is clearly a much broader, more ambitious undertaking with correspondingly greater coordination challenges and less clearly identified beneficiaries. The NSC is also

very much about building infrastructures and improving border posts, with little ostensible direct involvement of the private sector, either through the promotion of accompanying investments or in consultation. Indeed, in Zambia, a country that might be expected to be a major beneficiary of the NSC, private-sector discourse is clearly more focused on general business conditions and meeting the demands of the markets of Eastern Angola and the DRC. At the same time, there is a domestic constituency that fears competition from South African producers, while government is prioritising infrastructure investments in rural roads, probably with the expectation that regional transport connections and investments will be taken care of through regional channels.

The one significant and oft-cited success of the NSC has been the Chirundu OSBP between Zambia and Zimbabwe, the first of its kind in Africa. While far from perfect, this project has managed to streamline procedures for border crossings, cutting times for freight crossing the border from days to hours. Although large initial gains were made when the OSBP was opened in December 2009, increasing traffic flows as well as the need to keep improving procedures suggest that these gains have been difficult to maintain within the current institutional context and incentives. Indeed, interagency coordination across borders, as well as intragovernmental relations proves to be extremely cumbersome, especially when particular agencies are able to create and capture rents through their control of border traffic and to exclude others.

This brief summary highlights numerous issues. One is that the relative success of the Chirundu OSBP also relates to a narrower scope of ambition and actors involved. The motivation relates in part to efforts to provide early successes for the NSC initiative, the marginally lower complexity of institutional alignment between Zambia and Zimbabwe than with other neighbouring countries, and the fact that the Chirundu border represents one of the greatest trade bottlenecks in the region. Perhaps as a sign that the NSC has so far not been championed, President Zuma of South Africa was recently put forward in this role through New Partnership for Africa's Development (NEPAD) and the African Union (AU).

### **Sectoral characteristics**

A particularly important aspect necessary to understand the politics of corridor development relates to the specific characteristics of the road and transport subsectors and related regulatory policies.

The MDC served an important symbolic purpose by reconnecting Maputo to the South African hinterland, re-establishing an age-old connection and facilitating flows of workers and consumers. Perhaps because of the perceived benefits of this, daily commuters from Matola, a suburb of Maputo, are generally willing to pay the toll to use the short section of the toll road between Matola and Maputo, contributing to the overall upkeep and maintenance of the road, but also creating problems for the government given public resistance to increases in toll fares.

In a different way, the case of Zambia also highlights the political specificities of roads. Zambia is landlocked, yet President Sata's government prioritised a national road construction programme over the regional infrastructural flagship programme of the Tripartite Free Trade Area. As mentioned, roads have a particular political resonance, and in Zambia political dynamics have meant that even where roads have been considered to carry insufficient traffic to merit tarmac, and where they are considered to be in a suitable state, the government has committed to 'pave Zambia', probably because of its vote-catching potential.

### **External drivers**

While external factors have perhaps not played a major role in the realisation of the MDC, international investment in the form of Mozal has been pivotal, with the continuing high prices for aluminium providing

sufficient incentives for a second phase to be initiated. International demand for coal from South Africa has also put pressure on existing South African ports, providing increasing incentives to use the port of Maputo, thereby affecting demand for use of the MDC as an outlet to the sea.

In the case of the NSC, there is an important global demand for minerals which remains a driver behind corridor development. The majority of Zambian copper exports, for example, are being channelled through Durban although these southbound trucks are reportedly subject to less time-consuming controls than general merchandise. As important, it seems, have been the efforts from external development partners. As described, the NSC was launched as a pilot Aid for Trade project, in this way building on a combined interest from African countries in the region and on the WTO's renewed enthusiasm for linking trade and aid. Countries in the region were increasingly looking for more systematic ways to support regional integration through infrastructure financing and coordination.

While both the NSC and the MDC are very different types of ventures, this examination through the five political economy lenses clearly highlights some of the likely drivers for success as well as the obstacles in such ventures. Without greater private-sector involvement in the NSC, particularly in terms of encouraging accompanying investments, it seems that current efforts may struggle to overcome the complex process of preparing, coordinating and implementing regional infrastructure projects, particularly if political elites in the key beneficiary states do not put their weight behind such reforms.

## 4. Conclusions

The economic and other arguments backing the case for greater or deeper regional integration – from the modest to highly ambitious integration models – are convincing and in certain cases overwhelming. Still, regional integration in Africa as promoted and embodied by the formal institutions – primarily the RECs, the AU, and the numerous regional agreements and protocols – continues to be at great variance with actual implementation by the member states. Therefore this paper proposes a political-economy approach to understanding when it is that key actors credibly engage and commit to implementing regional economic agreements.

The literature review and the two cases highlight the complexities involved in regional integration in Africa. They also focus on some of the major knowledge gaps, particularly regarding the national actors and factors influencing cross-border cooperation and the nexus between domestic politics and institutionalised regional integration processes.

Based on the literature, we propose five political economy lenses that together help systematise the existing information and make tacit knowledge more explicit for that purpose. Such a political-economy approach to both formal regional integration dynamics and functional integration processes helps to deepen the understanding about the political feasibility of reforms by taking a closer look at the relations between structure, (formal and informal) institutions, sector-specific characteristics, global drivers and how these create political and other incentives for key stakeholders over time.

Some of the insights drawn from the political economy literature and from the cases can be summarised as follows:

- 'Notwithstanding the economic case for regional integration, the mobilisation of political will faces considerable obstacles' (Foster and Briceno-Garmendia, 2010: 21). The formal agendas and

aspirations of regional integration in Africa through the regional institutional bodies remain valid. But one needs to unpack the degree of political will and capacity to implement policy decisions or agreements at the RECs level, and distinguish this from policy decisions as 'signals' in response to incentives (for example flowing from the high-level regional forums where state leaders make big decisions or from expectations and conditionalities flowing from the engagement with external funders) without the institutional arrangements in place for ensuring follow-through of the multiple and hard tasks needed for implementation.

- In the absence of a grand design of effective regional integration or a best-practice model there is value in paying more attention on 'less-than-optimal' or 'good enough' processes of functional or cross-border cooperation. Regional projects range in complexity and scope from bilateral cooperation on a One-Stop Border Posts, for example, to multicountry and multisector investment programmes such as the North-South Corridor.
- Given the importance of incremental integration processes that demonstrate results, build institutions, and strengthen stakeholders in their resolve to overcome collective-action constraints, the five lenses can help identify the context-specific potential for aligning interests and strengthening trust. This seems more likely with less unwieldy programmes, or with processes entailing a narrower agenda, where a smaller number of key stakeholders are involved with interests and incentives that are more tangible and to a certain degree aligned.
- The comparison between the Spatial Development Initiatives of the MDC and the NSC seems to confirm this conclusion. Furthermore, as Foster and Briceno-Garmendia (2010) suggest, taking a spatial perspective on infrastructure investments provides a helpful conduit for prioritisation of infrastructure investments in transport infrastructure, but also for reflecting and dialogue about cross-sectoral linkages and the potential returns from bundling multiple infrastructure investments in a particular spatial area (see also Torero and Escobal, 2005, 2010).
- Market failures play out in the economic sphere, but also in the *political market* as highlighted by the example of the road sector. Typical sector characteristics such as the political salience of road construction and rehabilitation create incentives for incumbent elites to prioritise investments in road construction (as an effective vote catcher) rather than less visible necessities such as institutional reforms for making these investments sustainable. Such political and economic market failures need to be properly assessed and addressed by reformers as they tend to be multiplied in the context of cross-border cooperation or regional public goods provision.

Political economy diagnostics combined with transparency and dialogue among multiple state and non-state stakeholders can further inform the feasibility of regional integration reforms and cross-border cooperation. Diagnostics can help (re)orient support efforts – including those by donors – and can also point to critical knowledge gaps that require filling through appropriate and fine-grained research efforts.

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