


















Support to the African Continental Free Trade Area

| | | | | | | |
|---|---|---|-------------|-------------|-------------|-------------------|
| <p>Objective: The overall objective of the programme is to promote sustainable economic growth across the African continent by enhancing the regional economic integration and intra-African trade through the successful implementation of the African Continental Free Trade Area (AfCFTA). The Agreement establishing the AfCFTA has been signed by 54 of 55 African Union member states and is thus the largest free trade agreement signed since the establishment of the World Trade Organisation. It covers 1.2 billion people and a total economy worth USD 2.5 trillion.</p> <p>Key results:</p> <ul style="list-style-type: none"> - Finalization of phase two negotiations on competition policy, investment policy and intellectual property rights. - A fully operational Secretariat is established and able to efficiently monitor the implementation of the African Continental Free Trade Area. - Improved capacity amongst member states and regional economic communities to enable utilization of the new market opportunities created through the AfCFTA. <p>Justification for support:</p> <ul style="list-style-type: none"> - The African Continental Free Trade Area (AfCFTA) is the most ambitious free trade project since the establishment of the World Trade Organisation. - The swift phase one negotiations and launch of the AfCFTA with signatures from 54 of 55 member states shows the impressive political support for the project. - The AfCFTA seeks to merge the markets of 55 member states with a total population of 1.2 billion people and a total economy of 2.5 trillion USD. - However, the AfCFTA covers 33 LDC's, and an immense effort is required to not only finalize the ongoing negotiations but make the AfCFTA operational. This also includes a need to ensure the participating countries, their enterprises and not least the populations including women and vulnerable groups have the required knowledge and capacity to benefit from the new opportunities and ensuring inclusive and sustainable impacts. <p>Major risks and challenges:</p> <ul style="list-style-type: none"> - Lack of political support from the AU member states to the continued ambitious targets set for ongoing negotiations of the AfCFTA. - Lack of political will from African countries to implement the measures required to successfully launch the AfCFTA including in particular measures to eliminate non-tariff barriers. - Lack of capacity amongst key partner institutions responsible for facilitating the ongoing process of negotiations and implementation of the AfCFTA. | File No. | 2019-43953 | | | | |
| | Country | Regional | | | | |
| | Responsible Unit | Addis Ababa | | | | |
| | Sector | Private sector growth & trade facilitation | | | | |
| | DKK million | 2019 | 2020 | 2021 | 2022 | Total |
| | Commitment | 25.0 | | | | 25.0 ¹ |
| | Projected disb. | | 10.0 | 10.0 | 5.0 | 25.0 |
| | Duration | January 2020 – December 2022 (36 months) | | | | |
| | Finance Act | § 06.32.01.23. Other initiatives in Africa | | | | |
| | Head of unit | Karin Poulsen | | | | |
| | Desk officer | Jonas Helth Lønborg | | | | |
| | Reviewed by CFO | Mads Ettrup | | | | |
| | Relevant SDGs | | | | | |
| |  No Poverty  No Hunger  Good Health, Wellbeing  Quality Education  Gender Equality  Clean Water, Sanitation | | | | | |
| |  Affordable Clean Energy  Decent Jobs, Econ. Growth  Industry, Innovation, Infrastructure  Reduced Inequalities  Sustainable Cities, Communities  Responsible Consumption & Production | | | | | |
|  Climate Action  Life below Water  Life on Land  Peace & Justice, strong Inst.  Partnerships for Goals | | | | | | |

Strategic objective: The overall objective of the Danish support is to enhance the regional economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area.

Thematic objective: Operationalisation of the AfCFTA and enhanced capacity of member states to utilize the opportunities provided by the free trade area.

| Engagement | Partner | Total budget (mill.) |
|---|--------------------------|----------------------|
| Completion of negotiations and establishment of institutions to monitor implementation of the | African Union | 10.0 |
| Investment, competition policy and trade facilitation | UNECA | 14.0 |
| | Programme support | 1.0 |
| | Total | 25.0 |

¹ 25 million DKK is available upon the time of approval of the program. An additional 25 million DKK has been approved as part of the 2020 Finance Act and a separate formulation will be initiated early 2020 to incorporate the additional funds into the current programme. The formulation will pay specific attention to climate adaptation and mitigating the possible climate-related impacts of the AfCFTA.

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1. Introduction

Since the turn of the millennium Africa has enjoyed an unprecedented period of high economic growth with GDP increasing on average 4.6 percent per year from 2000-2018. Despite these impressive growth rates causing the African economy to more than double during the period, Africa as a region was far from reaching the Millennium Development Goal of halving the share of the population living in extreme poverty between 1999 and 2015; In 1999, for instance, 48.6 percent of the population in Africa lived on less than 1.90 USD a day, while the number had decreased to 27.9 percent in 2015². In fact, the population growth in the region meant that the number of people living in extreme poverty increased in absolute terms, from 378 million individuals to 408 million during the period. The limited impact of the impressive growth on poverty stems at least in part from the fact that the growth has been driven by continued export of raw materials and high commodity prices.

Structural transformation and the creation of sustainable jobs could be a way to ensure future growth becomes more inclusive. This could happen through efforts to enhance competitiveness at the industry and enterprise level and expand intra-African trade. The latter is important as intra-African trade to a large extent is made up of trade in manufactured goods (see Annex 1 for further details) and the intra-African trade is very low compared to other regions. These are exactly the ambitions behind the creation of the African Continental Free Trade Area. And as a consequence, the agreement to establish the African Continental Free Trade Area (AfCFTA) has seen unprecedented support across the continent.

The idea of continental economic integration is not new. In 1980, the Organisation of African Unity (the predecessor to the African Union) adopted the Lagos Plan of Action for the Economic Development of Africa 1980-2000, which contained a regional development plan for Africa including the formation of an African Common Market. The ambition was further elaborated through the 1991 Organisation of African Unity Treaty establishing the African Economic Community, the so-called Abuja Treaty. It was not until the adoption of Agenda 2063, however, and the identification of the flagship programmes, that the ambitions were concretized.

In March 2018 an extraordinary summit in Kigali saw the completion of (parts of) the first phase negotiations – on trade in goods and services. An impressive 44 countries signed the *Agreement establishing the African Continental Free Trade Area*. Gambia became the 22nd country to deliver their notice of ratification to the African Union Commission on 30 April 2019, meaning the AfCFTA formally entered into force on 30 May 2019. The AfCFTA was officially launched at an extraordinary summit of the heads of state and government of the African Union in Niamey on 7 July 2019. During this summit Nigeria and Benin also signed the Agreement, bringing the total number of signatories to 54, with only Eritrea yet to sign. By the end of the summit 27 countries had ratified the agreement which ensured the AfCFTA covered 45 percent of the continent's population and 46 percent of its economy.

² According to the World Bank World Development Indicators, www.wdi.worldbank.org

The ambitious timeline matches the level of ambition in the AfCFTA itself. Once fully implemented, the Agreement promises to bring together 1.2 billion people of 55 countries³ with combined economies of 2.5 trillion USD. This would make the AfCFTA the largest free trade area – measured by the number of participating countries – launched since the establishment of the World Trade Organisation in 1995. In theory, the Agreement will eliminate tariffs on goods and services traded within the continent as well as non-tariff barriers. This, in turn, is estimated to be able to boost the intra-African trade by 50 percent (UNECA & UNCTAD, 2019) which could facilitate much needed structural transformation of the continent, increasing industrialization, create decent jobs for millions of youth to help ensure sustainable and inclusive growth, support small and medium enterprises, improve conditions for informal traders (often women) and attract additional foreign investments.

These promises are not easily attainable, however, and a number of obstacles are evident. For one, phase one negotiations on trade in goods and five selected services⁴ need to be supplemented by completed phase two negotiations on investment, intellectual property rights, competition policy and possibly e-commerce. Second, the AfCFTA tries to bring together an extremely heterogeneous group of countries, in fact the Agreement covers the “*greatest level of income disparity of any continental free trade agreement*” (Brookings, 2019). The total economy across the possible 55 member states is dominated by only three countries (Egypt, South Africa and Nigeria) accounting for almost half the GDP. Half the countries of the continent belong to the group of least developed countries (LDCs) with limited capacity to reap the potential benefits of the AfCFTA.

In addition, the AfCFTA will bring together countries from all eight recognized Regional Economic Communities (RECs) of the continent. This causes at least two additional obstacles: i) the RECs are extremely diverse – from the developed and well-functioning East African Community (EAC) and Southern African Development Community (SADC) to RECs with limited capacity, especially when it comes to regional integration, such as ECCAS and the Intergovernmental Authority on Development (IGAD) and ii) the issue of overlapping membership of the REC’s.

If the AfCFTA is to fulfil its promise of unlocking the potential of the African continent by spurring structural transformation and ensuring sustainable, inclusive growth, a lot of effort is required. Political will from the member states to ensure the implementation of the Agreement and finalizing the continued negotiations, capacity within both the member states and the Africa Union Commission to successfully manage the negotiations and implementation, significant financial support to ensure the LDCs are not left behind but are enabled to reap the possible benefits of the Agreement as well as a sight to ensure the AfCFTA not only benefits the larger companies but also small and medium enterprises as well as the broader African population.

2. Strategic considerations and justification

The Danish support to the implementation of the African Continental Free Trade Area is well aligned with the Danish strategy for development cooperation as described in The World 2030. The support

³ The African Union consists of 55 member states, i.e. all countries on the African continent including the Republic of Western Sahara.

⁴ The five priority service sectors are transport, communications, financial services, tourism and business services.

will complement existing Danish engagements both globally and bilaterally to support sustainable and inclusive economic growth in Africa. The support furthermore complements existing support provided by the European Union to the economic integration of the African countries and the AfCFTA specifically.

Alignment with Danish priorities

According to *The World 2030* (Danida, 2017), the primary objective of the Danish development assistance is for it to render itself unnecessary through initiatives that “*eliminate barriers for the enterprise of the individual, stimulate entrepreneurship, fight corruption and unlock the potential for market-driven economic growth and for free trade*” (Danida, 2017, s. 1). The ambition of the AfCFTA is to create a more predictable, transparent trade and investment environment across the continent. This, in turn, will combat bad governance associated with trade in goods and services and improve market driven economic growth. Hence, supporting the successful implementation of the Agreement by establishing the African Continental Free Trade Area lies at the core of Danish development objectives.

The current programme of support aims at improving the overall framework conditions for the African private sector, with envisioned increasing industrialization as the end result. As such, the programme is both relevant for the strategic aims of creating ‘*creating sustainable societies with opportunities and jobs – especially for young people*’ (Danida, 2017, s. 5) as well as the ambitions of promoting “*free trade*” (Danida, 2017, s. 30). Due to the continental nature of the engagement, it will target eight of the current twelve Danish priority countries – both countries and regions characterized by fragility as well as poor, more stable countries, in addition to countries in transition such as Ghana and South Africa. Whilst the Danish support will not directly create job opportunities for youth, the AfCFTA when fully implemented will enhance the framework conditions under which African companies operate.

The successful implementation of the AfCFTA will also assist in the continental transition from aid to trade. As a small, open economy Denmark has first-hand experience of the welfare benefits of being able to trade with neighbours near and far. With time, the alignment of standards, procedures and regulations, and ultimately the creation of a single African market can make it easier for Danish companies to trade with and invest in African countries to the benefit of the Danish as well as the African economies. The trade intensity with Africa is lower for Denmark than for other comparable economies and harmonization of African policies related to trade and investments could facilitate an enhanced economic interaction.

Synergies with existing Danish engagements

Through the Danish development assistance, significant amounts have been contributed to the promotion of regional integration and free trade. This includes multilateral support to e.g. Geneva based aid-for-trade institutions, regional programmes of support as well as bilateral support focused around the Danish priority countries. The current programme will thus complement these existing modalities of Danish support.

The Danish aid-for-trade programme 2018-2020 provides a total of 150 million DKK in support to Geneva-based organisations with the specific aim of integrating SMEs in global and regional value chains. This is done by i) building their productive capacity and export competitiveness and ii) reducing

their trade costs behind and at the border. Concretely, the programme provides support to the International Trade Center (ITC), the Global Alliance for Trade Facilitation (GATF), the Standards and Trade Development Facility (STDF) as well as an investment facilitation project implemented by the World Economic Forum. Denmark also provide support to the Enhanced Integrated Framework (EIF), a multi-partner mechanism aiming to help the Least Developed Countries identify their priorities in trade and build the capacity to meet these priorities.

Denmark is a founding donor and continues to support TradeMark East Africa, which has achieved remarkable results in reducing non-tariff barriers (NTBs) to trade in the EAC region although new NTB's are still being introduced from time to time. At the end of the first strategic phase (running from 2010 to 2017) TMEA measured a 16.5 percent reduction in the time spent and 26 percent reduction in the costs of transporting a container from the port in Mombasa, Kenya to Kigali, Rwanda and a more than 50 percent reduction in the time needed to import or export a container from the port in Mombasa. A Memorandum of Understanding between TradeMark East Africa and the African Union Commission is expected in the near future, allowing the AUC to build on the experiences from EAC as well as the capacity of TradeMark East Africa in combatting non-tariff barriers continentally. The Danish contribution to TradeMark East Africa was initially part of the support to the regional integration in the EAC region through the Danish Regional Economic Integration Support Programme (REISP) – a programme that also encountered problems such as lack of member state contributions to the EAC, which caused delays in programme implementation.

In addition, Denmark has promoted free trade and regional economic integration through numerous bilateral country programmes in Sub Saharan Africa. This includes the country programmes in Uganda and Kenya, where support is still provided to e.g. TradeMark East Africa. Through the country programme for Kenya, the thematic component for green growth and employment provides support to the work of TradeMark East Africa in creating environmentally sustainable trade growth in the East African Community for the period 2016-2020. The aim is to increase the physical access to markets in an environmentally sustainable manner and to improve the competitiveness of Kenyan businesses. Through the Uganda Programme on Sustainable and Inclusive Development (UPSIDE) Denmark has provided support to the work of TradeMark East Africa in implementing trade facilitation initiatives target informal traders and women, including through establishment of an e-commerce platform.

Justification for support

The successful implementation of the AfCFTA requires extensive national level stakeholder consultation and analysis, support for the actual negotiations as well as support for the institutions and structures required to monitor and track the progress of the implementation of the AfCFTA. As argued above, the resources and capacity for each member state to undertake this is limited. Hence, there is a need for external support to assist member states.

Similarly, whilst the ongoing reform process of the African Union Commission is ambitious and includes targets of financial independence from international partners there are extraordinary needs in relation to setting up the AfCFTA. The reform targets the member states of the African Union to finance 100 percent of the administrative costs, 75 percent of project related costs and 25 percent of the costs associated to peace support operations (the so-called Kaberuka financing proposal). Hence,

even after fully implementing the reform the African Union Commission will be in need of external support to finance their planned activities. Furthermore, as the reform process is still ongoing, there will - at least for a foreseeable future - still be a transitional phase in which additional external support will be required for the AUC to effectively carry out its planned activities.

The Danish support is therefore envisioned to assist the AUC and UNECA in implementing activities crucial for the implementation of the AfCFTA, but which cannot be financed through the budgets of the individual member states. However, while the Danish support will be providing crucial support in the initial phase of the AfCFTA it is also expected that e.g. the running costs of the AfCFTA secretariat⁵ will be fully funded by member state contributions adding to the sustainability of the envisioned programme of support.

Existing support to the AfCFTA from other donors

The establishment of the AfCFTA has attracted great interest from international partners. Especially the **European Union** has been fundamental in providing technical support as well as funding to facilitate the negotiations. The objective of enhancing regional integration through the establishment of a continental free trade area to create a peaceful, sustainable and prosperous future is close at heart to the EU. The interest in supporting a similar objective for the African Union thus builds on the experiences made in the EU. While acknowledging the inherent differences in the needs and starting points, the extensive funding provided by EU to promote sustainable growth and jobs across the continent as well as a self-interest in seeing the AfCFTA develop into a customs union provides opportunities to develop a continent-to-continent free trade agreement in the future. Thus, the AfCFTA has linkages to the current Economic Partnership Agreements (EPAs) in place between the European Union and (groups of) African countries. The EU has made it clear that the two are complementary, and the AU has announced that any existing free trade agreements in place not harmonized with the AfCFTA will have to be renegotiated.

The support to the implementation of the AfCFTA from the EU comes primarily from the PANAF programme (2014-2020) which provides approximately 70 million euro of support for the period 2018-2020. The PANAF programme provides direct support to the African Union Commission – through the African Union Support Programme (AUSP) – as well as to other institutions such as UNECA ("*Deepening Africa's trade integration through effective implementation of the AfCFTA, to support economic integration*") and ITC to assist in setting up an African Trade Observatory.

The support provided under the PANAF programme is aligned with the Africa-Europe alliance for sustainable investments and jobs and the final declaration of the AU-EU summit in Abidjan in November 2017 and its importance to the European Commission was further highlighted in a speech

⁵ An AfCFTA Secretariat is needed to oversee the implementation of the AfCFTA. Currently, an AfCFTA unit within the AUC Department of Trade and Industry (DTI) is managing the activities related to the AfCFTA including coordination of the negotiations. The AfCFTA unit is in a sense acting as an interim secretariat, until the AfCFTA secretariat itself will be fully established in Accra, Ghana, as decided by the Extraordinary Assembly of Heads of State and Government in Niamey 2019.

of Juncker in 2018, which emphasised the need for a strengthened cooperation between EU and Africa including the need for enhanced regional integration and investments to the African continent.

The support provided by the EU is intended to *inter alia* result in ratification of the AfCFTA from at least 22 member states (which has already been achieved), development of national AfCFTA strategies to ensure effective implementation of the agreement, and the development of methodologies to produce an AfCFTA Country Business Index to monitor and evaluate the impact of the AfCFTA. EU also funds six positions in the unit within the AUC Department of Trade and Industry (DTI) working on the AfCFTA – the so-called AfCFTA unit – as well as providing financing for activities undertaken by the unit, including support for studies within five thematic components.

GIZ provides significant support to the African Union Commission as well as other African organisations towards the negotiations and implementation of the AfCFTA. The support is primarily in the form of technical assistance and short-term consultancy e.g. to undertake stakeholder consultations including at regional level. Through the current phase of support GIZ provides a total of 9 million euro for the period of February 2019 to February 2021.

One of the aims of the GIZ support is to successfully transform the AfCFTA unit, which acts as an interim secretariat, into a full-fledged AfCFTA Secretariat. Currently, GIZ and EU are closely coordinating their interventions, although through informal knowledge sharing and ad-hoc coordination meetings including joint meetings with the AUC. GIZ as well as EU has indicated willingness to work towards greater donor coordination although preferably in smaller groups due to the sensitive nature of the cooperation with the African organisations and the increasing interest from a number of international partners. The work on the AfCFTA will as a side-effect to a large extent also determine the African position vis-à-vis international trade agreements, and hence there is a strong interest from multiple international partners in being engaged, while the AUC and its member states are reluctant to allow technical assistance from a number of international partners.

Canada has provided support to the UNECA Africa Trade Policy Centre (ATPC) for a number of years and its establishment was in fact made possible through Canadian financial support from the Canada Fund for Africa. The ambition of the Canadian support was to establish a stand-alone African institution devoted to trade research and to providing advisory and training services (Canadian International Development Agency, 2011). The ATPC since merged fully into the organisational structure of UNECA. A 2011 evaluation of the Canadian support found the ATPC a success since the support had allowed the establishment of credible African capacity in the area of trade policy research enabling African countries to engage on more equal footing in multilateral, regional and bilateral trade negotiations.

Other donors - such as USA and the United Kingdom through DfID - are also providing support to the AUC as well as other organisations and their work on implementing the AfCFTA. To ensure effective implementation of the programme it is therefore imperative to ensure strong donor coordination, especially as multiple organisations are working towards the same objectives.

Through the African Union Commission, a donor coordination group on the international partners support to the Department for Trade and Industries is already in place. The Embassy will participate in

this coordination forum as well as engage with the other international partners outside this forum to coordinate the support to the implementation of the AfCFTA beyond the support to the AUC.

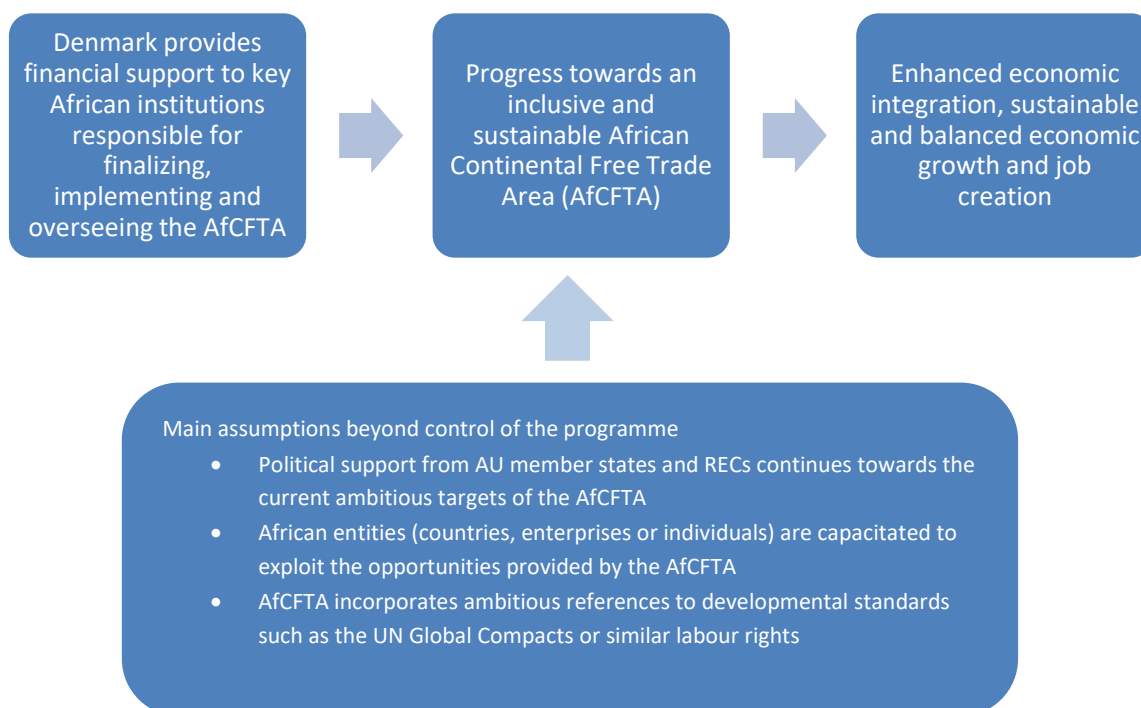
Programme objectives and theory of change

The overall objective of the Danish support is to promote sustainable economic growth across the African continent by enhancing the regional economic integration and intra-African trade through the successful implementation of the African Continental Free Trade Area.

The **theory of change** suggests that *if* Denmark provides financial support to the key African institutions responsible for finalizing, implementing and overseeing the AfCFTA *and if* political support from AU member states and RECs continues towards the current ambitious targets of the AfCFTA *and if* African entities – be they countries, enterprises or individuals – are capacitated to exploit the opportunities provided by the AfCFTA *and if* the AfCFTA incorporates ambitious references to developmental standards such as the UN Global Compacts or similar labour rights *then* progress towards an inclusive and sustainable African Continental Free Trade Area (AfCFTA) will be achieved and result in enhanced economic integration, sustainable and balanced economic growth and job creation.

Figure 1 below provides a visual representation of the theory of change as well as the possible intervening factors.

Figure 1: Theory of Change



Through the Danish support, the AU and UNECA will be able to finalize the negotiations to fully establish the AfCFTA. The Danish support will also help build the capacity of individual member states to reap the potential benefits of the AfCFTA thus allowing the private sector to expand their activities through export to other African countries.

However, the African Union is only as strong as the sum of its member states. Hence, the ability to finalize the negotiations to fully establish the AfCFTA hinges on the political will of the member states to reach compromise. For the private sector to subsequently reap the potential benefits of the AfCFTA, additional political will is required from the African countries to implement the agreed protocols and ensure non-tariff barriers hindering trade are addressed. This also includes implementation of mitigating measures to ensure the benefits of the AfCFTA reaches the broader population.

Programme level results framework

The following three outcomes are expected at the programme level. This will be achieved through a number of outputs from each of the two envisioned engagements. The detailed overview of the results framework is available in Annex 3.

| | |
|-------------------|---|
| Objective | Enhance economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area (AfCFTA) |
| Indicator | Trading commenced under inclusive and sustainable protocols establishing the African Continental Free Trade Area. |
| Outcome 1 | Contribute to successfully concluding the negotiations of AfCFTA |
| Outcome indicator | Completion of phase II negotiations on competition policy, investment policy and intellectual property rights. |
| Outcome 2 | Contribute towards achieving sustainable and balanced economic results from the AfCFTA |
| Outcome indicator | Countries utilize analysis on the impacts of AfCFTA policies and regulations to design, implement and monitor mitigating measures applicable throughout the implementation of the AfCFTA. |
| Outcome 3 | Contribute to supporting a strong institutional framework of the AfCFTA |
| Outcome indicator | The AfCFTA secretariat is established and fully operational. |

Across the outcomes and output indicators (as visible through Annex 3) special attention is given to gender equality and ensuring women’s participation in negotiations, in the institutions overseeing the implementation of the agreement as well as in the implementation itself.

Risk assessment and mitigating measures

The programme will provide support to well-established multilateral organisations, with which Denmark have worked for many years. As such, the overall risk of the programme is relatively low. However, contextual risks, such as the political nature of the AfCFTA, the multitude of organisations and actors involved as well as the potentially sensitive nature of implementing a free trade agreement, are present. The following table provides an overview of the main perceived contextual and programmatic risks associated with the programme as well as the proposed mitigating measures. A more detailed overview of risks associated with the programme, including risks at institutional level for AUC as well as UNECA is included in annex 5.

| Description | Risk | Impact | Mitigating measures | Residual risk |
|---|-------------|---------------|---|----------------------|
| Contextual risks | | | | |
| Lack of political support from the AU member states to the continued ambitious negotiations of the AfCFTA | Medium | High | Extensive work is being undertaken by the AUC, UNECA and other partners to engage stakeholders in each member state to ensure the impact of implementing the AfCFTA is well understood and mitigating measures can be put in place | Medium |
| Negotiations on remaining issues overrun their planned timeline meaning implementation of the AfCFTA will be delayed. | Medium | Medium | Ensure close monitoring of the progress and flexibility in the programme to respond to the possible changes in negotiations. This will ensure the relevance of the programme and that Danish funding is contributing where the need is greatest. | Low |
| Lack of political will to implement the measures required including in particular commitment to allow for the success of the AfCFTA | Medium | High | National stakeholder consultations will highlight the benefits from fully implementing the AfCFTA for reaping the economic gains of the agreement. | Medium |
| AfCFTA competing with other priorities within the RECs, including existing regional free trade areas. | Medium | Medium | A substantial amount of funding to UNECA is directed towards stakeholder engagement, consultations etc. with member states as well as RECs including a study specifically on the governing interface between the AfCFTA and existing regional free trade areas. | Low |
| Increasing protectionist views continentally and possibly deteriorating global trade outlooks dampening enthusiasm for AfCFTA | Medium | Medium | Analysis and dissemination of studies on the possible gains from the implementation of an ambitious AfCFTA to underline the value from moving forward on the agenda. | Medium |
| Programmatic risks | | | | |
| Lack of coordination between institutions as well as international partners engaged in the implementation of the AfCFTA resulting in duplication of efforts and ineffective programme implementation. | Medium | Low | Donor coordination mechanisms are already in place for support to the AUC. This is less so the case in UNECA. However, support to organisations beyond AUC is also discussed in the AU coordination fora. The international partners will jointly work to ensure the African organisations working on the agenda are interacting regularly to coordinate efforts and avoid duplication. | Low |
| AfCFTA (and programme) priorities diluted with day-to-day requests on an under- | High | Medium | The programme aims specifically at increasing the capacity of the key organisations involved in finalizing the negotiations of and | Medium |

| | | | | |
|--|------|--------|--|--------|
| resourced team in partner institution | | | implementing the AfCFTA. Continuous dialogue with the organisations supported – in collaboration with other international partners – to highlight the need for continued priority to the area. | |
| Resources are not used or allocated as intended due to multiple engagements at partner institutions | Low | Medium | The Embassy shall maintain close monitoring through reporting system and regular dialogue with the partner institutions | Low |
| The programme is prolonged due to slow speed of approval and slow pace of negotiation, leading to the programme falling behind its predefined timeline | High | Medium | The work plans, results frameworks and the related indicators will be closely monitored and pro-actively followed up to ensure progress is on track, and due adjustments will be made when needed. | Medium |

Budget

The total budget allocated to the programme is 25.0 million DKK. The budget will be allocated to the African Union Commission and the UN Economic Commission for Africa. A further breakdown of the budget can be found in section 5. An additional 25.0 million DKK has been approved through the 2020 Finance Act, and will be formulated (and approved) early 2020 separate and become an integral part of the current programme.

Aid effectiveness and HRBA considerations

The programme will adhere to the aid effectiveness agenda, including alignment to partner strategies, and opportunities for working with or through other development partners. As noted above, it draws its basic rationale from the African context and the partners’ response to this as demonstrated by their strategies (Agenda 2063 etc.). The programme responds directly to selected priorities in the African Union Agenda 2063 including the realisation of the flagship project of establishing a continental free trade area.

The programme will use joint partner arrangements where these exist and it will promote new arrangements where relevant (e.g. regarding the support to trade facilitation within UNECA). For instance, UNECA is currently undertaking work to re-establish Joint Financing Arrangements which has earlier been in place. Until these develop, the programme will utilise a soft-earmarking approach whereby there is an intensified dialogue on certain thematic issues coupled with funding that utilises joint arrangements for financial and narrative reporting etc. Denmark will continue to be an active member of existing relevant donor harmonisation arrangements (e.g. the African Union Partners Group⁶ (AUPG), and steering committees of existing Joint Financing Arrangements⁷ (JFAs)). The

⁶ The African Union Partners Group comprises of the entire international community engaged in some form of cooperation with the African Union. It is co-chaired by an EU-member state and a non-EU partner – currently Ireland and Norway respectively. Denmark expects to take over the co-chairmanship from Ireland from March 2020. The AUPG allows for regular and strategic high-level dialogue between the African Union and its international partners on themes of particular importance.

⁷ The Joint Financing Arrangements (JFA’s) provides for donor coordination, joint reporting and joint dialogue with the African Union within the thematic areas covered by the JFA while minimizing the administrative burden on the partners as

Embassy will continue to push for informal donor coordination with the partners until these new Joint Financing Arrangements and more formalized coordination structures materialize.

With regard to the Human Rights Based Approach (HRBA), the programme rests upon the four principles of participation, accountability, non-discrimination and transparency. These underpin the partner organisations' own strategies and policies and will thus guide the activities implemented.

Trade agreements are generally perceived to have adverse distributional impacts on the participating countries. The African Union member states seem adamant on ensuring a free trade area that caters for the entire continent. This includes learning from previous experiences – good and bad – both within sub-regions on the continent and from e.g. the MERCOSUR, ASEAN and EU. Additionally, UNECA have undertaken a comprehensive study on the human rights perspectives of the AfCFTA (UNECA; Friedrich Ebert Stiftung, 2017). The study investigates the possible impacts of the AfCFTA on rights to work, social security, adequate standard of living and access to food with a particular focus on the situation of women, small-scale farmers and informal cross-border traders. The study finds heterogeneous effects across socio-economic groups and possible adverse impacts on agricultural livelihoods and food security.

The study also identifies a number of recommendations for the ongoing policy dialogue to ensure the AfCFTA becomes inclusive and benefits all socio-economic groups of the African societies. One of the recommendations is to ensure broad consultations and participation in the continuous AfCFTA negotiations and its implementation. This inclusive dialogue and stakeholder consultation is also being supported through the current programme.

The study also provides recommendations for how the AfCFTA can be developed while addressing concerns about climate change and environmental degradation. Given the level of vulnerability for the African agricultural sector to climate change, the study proposes that the AfCFTA should include explicit exemption safeguarding climate policies from AfCFTA trade obligations. While such issues are not part of the current negotiations on the AfCFTA, the Embassy will push for attention to climate-related issues through political dialogue with the partners. A special attention to possible climate-related activities will also be pursued in the formulation of possible additional support to the area.

Additionally, the RDE Addis Ababa will highlight the need for continuous inclusive dialogue in all phases of the AfCFTA including through negotiations and implementation through dialogue with the implementing partners. This includes advocacy on the need for mitigating measures towards already vulnerable groups that could risk adverse effects from the implementation of the AfCFTA as well as national attention to food security issues arising from the AfCFTA to avoid adverse impacts on fragility and the continental security situation.

well as the AUC. Until now, a number of individual JFAs have existed between the AUC and the international partners. Two new JFA's are expected to come into force in 2020 – one covering support to the peace and security activities within the AUC, the other covering the rest of the activities supported by international partners. Denmark expects to sign onto these new arrangements in order to enhance the donor coordination.

Sustainability of support and exit strategy

As mentioned above, it is expected that the Danish funding will assist in the inception phase of the AfCFTA. The support to analytical capacity and stakeholder consultations undertaken by ECA will only be relevant during the initial phases of establishing the AfCFTA and are therefore time-bound and does not require long-term financing. For the envisioned support to the institutions necessary to oversee the implementation of the AfCFTA the ambition is to assist by funding the start-up costs only, while the running costs should be borne by the African Union Commission through its member states. This is well in line with ongoing developments as well as ambitions of the AUC. According to AUCs audited financial statements of 2016 and 2017, member state contributions have increased from 32 percent to 42 percent of total revenues across the two years. According to the Mid-Term Plan (2018-2023), the ambitions of the AUC is furthermore, that financing from international partners should decrease from 51 percent in 2019 to 14 percent in 2023, whereas financing from member states should increase from 48 percent in 2019 to 80 percent in 2023. The Embassy will closely monitor developments in the self-financing of the African Union both in connection to the current programme as well as the other engagements through the Africa Programme for Peace.

3. Thematic Programme summary

The programme will consist of one thematic component focusing on the successful implementation of the African Continental Free Trade Area. The thematic programme will have two engagements; with the African Union (AU) and the United Nations Economic Commission for Africa (UNECA). The current section gives a brief overview of the work ahead in implementing the AfCFTA in order to set out the strategic considerations justifying the proposed intervention.

What's next for the AfCFTA?

While the achievements already obtained by the AUC and its member states is impressive, much needs to be done if the AfCFTA is to become successful and have the envisioned impacts on the African economies. Phase 1 negotiations are still to be concluded and the phase 2 negotiations have been initiated. If the AfCFTA is to come into effect on 30 June 2020, member states need to be ready to support free trade across borders and assess and review their existing trade, investment and competition policies in order to reap the benefits of the AfCFTA. Member states will also have to analyse distributional impacts and adopt mitigating measures to ensure the benefits accrue to the broader population.

In terms of the phase 1 negotiations, the countries who have ratified are yet to submit their schedules of tariff concessions and services commitment. This includes specification of the 90 percent of products to be liberalized from the date the AfCFTA enters into force as well as specifying the 7 percent sensitive goods and the 3 percent of excluded products. The negotiated market access for goods and the five priority sectors is to be submitted by January 2020.

Phase 2 negotiations, which centres on investment, intellectual property rights, competition policy and possibly e-commerce is ambitiously expected to be finalized by June 2020. This would require a massive effort to undertake national stakeholder consultations to enlighten the formulation of national positions before negotiations are concluded at a continental level.

To effectively and successfully implement the AfCFTA once it enters into force on 30 June 2020, an efficient secretariat is needed. The Extraordinary Summit of Heads of state and Government in Niamey in July 2019 agreed that this secretariat should be established in Accra, Ghana. For now, the AUC still acts as an interim secretariat. Hence the establishment of the secretariat in Accra is fundamental for the initial success of the AfCFTA.

Trade negotiations and trade agreements are complex in nature. Active engagement in multilateral negotiations requires extensive national stakeholder analysis and consultation as well as capacity to formulate national policies and positions. Amongst the 55 member states of the African Union, 33 are amongst the least developed countries according to the UN classification. Resources are scarce and the capacity to engage in negotiations on these specific issues is limited. Hence there is a clear need for outside support to facilitate the national processes which are fundamental to the subsequent successful implementation of the AfCFTA and for the AfCFTA to have a beneficial impact on all participating nations and not least the vulnerable groups across the continent.

Justification of programme design

Relevance. The programme is relevant for the AU and UNECA as it fully aligns with the organisation's strategies and priorities. It is relevant to Denmark as it is fully aligned with Danish development and foreign policy priorities, which emphasises the need to promote regional economic integration to achieve sustainable economic growth.

Effectiveness. The approach builds on ownership and alignment, which is in line with New Deal commitment and has proven effective in all engagement with the AU and UNECA thus far. A focus on effectiveness is envisioned through the policy dialogue, technical assistance, and performance reviews conducted as part of this engagement.

Efficiency. The management of the programme is built on alignment with partner systems and procedures. This is done to limit the administrative burden and transaction costs associated with managing the Danish contribution thus allowing funds and resources to be directed towards activities contributing to the overall objective of the programme.

Impact. The AU and UNECA play key roles in promoting regional economic integration across the African continent. The African Union has a unique normative and policymaking role and continental legitimacy. UNECA similarly has a unique convening capacity as well as expert analytical and policy development capacities enabling it to play a key supporting role to the work of the African Union. As such, supporting the two institutions is assessed to be the optimal way of supporting the implementation of the continental framework for free trade, i.e. the AfCFTA.

Sustainability. In selecting the areas and concrete activities of support special emphasis has been given to sustainability issues. Hence, the Danish support will close crucial interim funding gaps and capacity building to finalize negotiations as well as funding for the initial establishment of institutions required to implement the AfCFTA. Subsequent funding to cover the running costs of the AfCFTA Institutions, including the AfCFTA Secretariat is expected to come from AU Member States as part of the yearly budget planning process. Moreover, the programme optimises usage of existing AU and UNECA systems. Together, these approaches build sustainability and self-sufficiency for the future.

Choice of partners

Consideration of which organisations are most relevant for Denmark to support has taken into account their capacity and role, how they relate to the Danish priorities highlighted above, and how Denmark's comparative advantages and previous experience of cooperation with them can be utilised. The assessment has drawn from the context analysis in Annex 1 to this document and reflects the factors highlighted in the description of partners in Annex 2.

The AU is chosen because it is the paramount inter-governmental African organisation responsible for the establishment of the AfCFTA including the ongoing negotiations. The primary aim of UNECA is to work towards achieving Agenda 2030 as well as Agenda 2063 for the "Africa we want" and the organisation has a clear mandate to work with the African Union and its member states on issues related to regional and transboundary challenges including economic integration. Further details on the role of the two organisations is provided below.

Throughout the programme period the Embassy will push for coordination of activities across the two implementing partners through political dialogue and joint coordination meetings with other partners.

Lessons learned from previous support

Denmark has not previously worked with the two organisations on the specific issues supported as part of this programme. Denmark does have an extensive history with both of the organisations on other issues, however, and the current programme builds on the key lessons learned from this support. For instance, Denmark has a longstanding partnership with the African Union as part of the Africa Programme for Peace providing support to the organisations work on peace, security and democratic governance. Denmark has also previously provided support directly to UNECA, including support to their 2014-2015 business plan of 30 million DKK provided through a Joint Financing Arrangement (JFA). Since 2007 Denmark has provided more than 50 million DKK in direct support to the work of UNECA.

A key aspect in the previous and existing engagements with the two organisations derives from the proximity of the Danish Embassy in Addis Ababa to the two organisations, working continentally from their headquarters based in Addis Ababa. This has facilitated access and has enabled Denmark to be represented in key partner fora and pursue a deep and regular dialogue at programme as well as political levels with both AU and UNECA. The experience demonstrates the importance of maintaining this dialogue and building upon the good relations that have developed. AU officials welcomed Denmark's flexibility and engagement, particularly on aid effectiveness issues (the role played by Denmark in developing the earlier JFAs within the African Union is relevant here), but also in relation to urgent requirements where partner support is desired.

A further lesson is the value of working together with like-minded donors. Although it has taken time and effort to develop and maintain joint approaches, these are easier for the organisations to manage and reduces overall transaction costs. Hence, the programme will look at the possibilities of channelling the support through the Joint Financing Agreement which is currently being negotiated between the African Union Commission and the international partners. RDE Addis Ababa is already engaged in this work through the collaboration with the African Union as part of the Africa Programme for Peace.

Support to the African Union Commission (AUC)

The AU is the paramount inter-governmental institution on the African continent with responsibility for achieving greater unity, accelerating the political and socio-economic integration of the continent and promoting sustainable development as well as integration of African economies.⁸ Its current vision and mission are set out in Agenda 2063, which includes amongst its objectives – the 7 so-called aspirations: Aspiration 1 “A prosperous Africa based on inclusive growth and sustainable development” and Aspiration 2 “An integrated continent, politically united, based on the ideals of Pan Africanism and the vision of Africa’s Renaissance”.

Associated with Agenda 2063 are 14 flagship projects. One of these is the establishment of the African Continental Free Trade Area (AfCFTA). The objective is to accelerate intra-African trade and boost Africa’s trading position in the global market place. The AfCFTA aims to significantly accelerate the growth of intra-African trade and use trade more effectively as an engine of growth and sustainable development by doubling intra-African trade, strengthening Africa’s common voice and policy space in global trade negotiations.

Denmark has worked with the African Union Commission through numerous years as part of the Danish Africa Programme for Peace providing support to peace, security and governance since 2004. This support is currently in its fourth phase covering the years 2018-2021. The current programme will expand the existing cooperation between Denmark and the African Union Commission by providing support to the African Union Commission’s work on negotiating and implementing the AfCFTA.

The theory of change underlying this engagement is therefore that Danish support is expected to contribute to the effective and efficient conclusion of phase 2 negotiations and the effective establishment of an AfCFTA Secretariat, which will help the effective and efficient implementation of the AfCFTA to promote intra-African integration and increased intra-African trade. Preconditions for these expected changes are that the AU has suitable staff capacity in place and that member states will continue to show the required political support to enter constructively into the negotiations as well as the political will to implement the required national legislation. It is assumed that an active AU role will derive from the combination of effective decision-making, adequate staff capacity, and available financing.

The Danish support to the African Union Commission will primarily contribute towards outcomes 1 and 3 of the results framework of the programme:

Outcome 1: Contributing to successfully conclude the negotiations of the AfCFTA. Within this outcome area, the principal focus will be on conducting necessary rounds of negotiations between the member states with a special emphasis on competition policy. The outcome will inter alia be achieved through providing funding to a senior expert on competition policy who will guide the phase two negotiations within this thematic area.

⁸ AU Constitutive Act, Article 3

Outcome 3: Contribute to supporting a strong institutional framework of AfCFTA. Within this outcome area, the principal focus will be on supporting an interim secretariat, establishing the AfCFTA secretariat, and ensuring sufficient capacity to successfully oversee the implementation of the continental free trade area. The Extraordinary Assembly of heads of state and government in Niamey in July 2019 decided to establish the Secretariat in Accra, Ghana. However, the exact structure of the Secretariat is not yet decided but is likely to be decided at the Assembly of heads of state and government in Addis Ababa, February 2020.

Support to the United Nations Economic Commission for Africa (UNECA)

The UN Economic Commission for Africa (UNECA) is one of five regional commissions under the United Nations. Its primary aim is to work towards achieving Agenda 2030 as well as Agenda 2063 for the "Africa we want". Ongoing substantial reforms within the UNECA had identified strategic directions for the commission's work which include i) contribute to solutions to regional and transboundary challenges and ii) advocate for Africa's position at the global level whilst developing regional responses.

The work of UNECA around regional integration is focused on supporting member states in the realization of the AfCFTA to ensure the potential gains to income job creation and integration are reaped. This includes assisting member states in their work in negotiating coherence in trade policies at a continental level as well as consultative work in harmonizing rules and policies within investment, competition and intellectual property rights to facilitate the ongoing phase 2 negotiations within AfCFTA.

As such, UNECA is centrally placed with a clear mandate to work with the African Union Commission and the member states of the two organisations to ensure the successful negotiation and implementation of the AfCFTA.

This mandate was further reaffirmed during the 51st session of the Minister of Finance, Planning and Economic Development held in May 2018 in Addis Ababa, Ethiopia, whereby the Ministers called upon "the Economic Commission for Africa to continue its close collaboration with the African Union Commission and other regional, continental and international institutions such as the regional economic communities, the African Development Bank and the United Nations Conference on Trade and Development (UNCTAD) to provide technical support to facilitate the ratification process and implementation of the African Continental Free Trade Area." (Ministerial statement available at UNECA website - se EU-UNECA Prog Doc for ref)

In line with the UNECA workplan for 2019-2021 this translates into the following focus areas of work in relation to the implementation of the AfCFTA: i) generating policy-based research that targets a better understanding on behalf of member states negotiating and implementing the AfCFTA, ii) provide a platform for consultations and dialogue around the AfCFTA issues and iii) delivering demand-driven technical assistance and capacity building outputs on issues at the heart of the AfCFTA pertaining to trade, investment, competition, intellectual property rights and digitalization.

The support to UNECA will contribute towards these two outcomes through work streams within i) enhancing the capacity of member States and regional economic communities to implement AfCFTA

phase I issues and roll out policies to govern the interface of the AfCFTA with existing trade agreements investment and services, and ii) enhancing capacity of member States to develop policies and conduct studies on competition and investment.

As such, the Danish support to UNECA will primarily contribute towards outcomes 1 and 2 of the results framework of the programme:

Outcome 1: Contribute to successfully conclude the negotiations of AfCFTA

Under the first work stream Danish funding will *inter alia* go towards strengthening the measurement and analysis at member state and regional level of trade in services and their value chains, conducting research, preparing and producing the 10th Report on Assessing Regional Integration in Africa (ARIA X) and conducting a study on the way towards a common African investment policy under the AfCFTA. The Danish funding will also support the completion of phase I negotiation issues and contribute to developing the governance interface between the African Union Commission, the AfCFTA Secretariat and the existing free trade areas under the REC's. The latter includes in-depth research and analysis on the governance of the interface between AfCFTA and REC's FTAs, including the EAC/COMESA/SADC Tripartite Free Trade Area.

Outcome 2: Contribute towards achieving sustainable and balanced economic results from the AfCFTA

Under the second workstream UNECA will build the capacity of national and regional competition councils and create platforms for their interaction and dialogue as well as conduct the studies required to promote the adoption of principles for competition policies across the continent. The outputs from the studies should be utilized by the African Union Commission in their efforts to conduct successful technical working group meetings and build the capacity of the member states engaged in the AfCFTA.

In addition to funding activities under these pillars, the programme will also provide funding for a junior professional officer (JPO) to be seconded to the UNECA Africa Trade Policy Center (ATPC) which is the division within UNECA primarily responsible for the Commissions activities related to UNECA. The JPO will provide additional human resources for the important work of the ATPC in undertaking studies and formulating policies and continental positions on key themes related to the programme. The terms of reference for the position is annexed to the programme document.

4. Overview of management set-up

The programme will be managed from the Royal Danish Embassy in Addis Ababa. The Embassy is already engaged in supporting the African Union Commission through the Africa Programme for Peace and has earlier been providing support to UNECA. As such, the management of the current programme will build on the existing relations between the Embassy and the two implementing organisations. No other formal programme support mechanisms (e.g. a designated programme management unit) are expected as the programme is of a manageable size and the Embassy's contacts with the organisations supported are already well developed.

As the RDE Addis Ababa is responsible for both programme management and political dialogue with the organisations supported this allows for exploitation of synergies and coherence. By applying various management instruments RDE Addis Ababa can optimize the effective and efficient implementation of the programme. This includes regular follow-up visits to the two organisations supported as well as political dialogue at several levels within the organisations.

The existing engagements with the two organisations through other programmes of support – for the AU particularly the engagement through the Africa Programme for Peace – has made Denmark a trusted partner. Denmark can utilize this position as a platform for policy dialogue. This is already embedded in other engagements providing support to the African Union Commission, and expanding the political dialogue to also include regional integration and free trade should be straightforward. The dialogue will take place through formal structures and procedures available in each of the two organisations such as committee meetings, donor partnership forums and budgeting processes but also through informal but regular bilateral dialogue with the partners. The RDE will work towards setting up a formal steering committee comprising the two implementing organisations as well as the Embassy. The Steering Committee should meet annually at a high-level to discuss implementation of the programme as well as obstacles and the way ahead.

Additionally, Denmark will work with the other donors supporting the area on building consensus on key issues to enable joint policy initiatives which can enhance the effectiveness of the interventions whilst limiting transaction costs. The EU plays a key role in this coordination as the biggest donor to the agenda, and Denmark has, as an EU member, special access to assistance from the multilateral EU-delegation.

RDE Addis Ababa will have the responsibility for overall monitoring and reporting (including financial reporting) on the programme through Danish MFA systems (FMI, PDB and the Results Interface). To the extent possible it will utilize the organisations own reporting provided in accordance with the development engagement documents. The Embassy will also be able to contract separate M&E expertise to assist if necessary drawing from the management budget line.

RDE Addis Ababa will ensure that the Danish MFA's Aid Management Guidelines (AMG) and its anti-corruption procedures are fully applied in conjunction with the organisations.

To exploit synergies with the numerous other Danish engagements to promote regional integration and free trade the Embassy will engage in regular dialogues and VTC interactions with the relevant Danish missions such as other Embassies in Africa and the Danish Mission in Geneva.

Communication of results

The Embassy will make annual communication plans based on work plans from the two organisations and the concrete timing of activities supported. The communication will both target the general public in Denmark as well as the African public when possible through traditional channels (newspapers, radio and TV) as well as social media. The Embassy will furthermore seek to exploit the existing communication strategies of the organisations supported to ensure Denmark is branded when the supported activities are carried out. The communication pieces will also follow the general

implementation of the AfCFTA including the impacts on regional trade and integration as these unfold during the project period.

5. Programme budget

The programme has the following budget for planned disbursements (million DKK).

| Engagement | Outcome | 2020 | 2021 | 2022 | Total |
|------------|--|-------------|-------------|-------------|--------------|
| AU | Phase two negotiations | 1.75 | 1.75 | 1.50 | 5.00 |
| | AfCFTA institutions | 1.75 | 1.75 | 1.50 | 5.00 |
| | Total | 3.50 | 3.50 | 3.00 | 10.00 |
| UNECA | Regional and trade integration | 2.50 | 2.50 | 1.50 | 6.50 |
| | Investment and Competition policies and regulation | 1.50 | 1.50 | 1.50 | 4.50 |
| | JPO | 1.00 | 1.00 | 1.00 | 3.00 |
| | Total | 5.00 | 5.00 | 4.00 | 14.00 |
| Management | Reviews, monitoring and evaluation | 0.25 | 0.25 | 0.50 | 1.00 |
| | Total | 8.75 | 8.75 | 7.50 | 25.00 |

The funds for management also include funding to undertake a scoping and formulation mission of additional funding to the programme available through the 2020 finance act.

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Annex 1: Context Analysis

Annex 2: Partner

Annex 3: Result Framework

Annex 4: Budget details

Annex 5: Risk Management Matrix

Annex 6: Management response to appraisal recommendations

Annex 7: Plan for communication of results

Annex 8: Process Action Plan for implementation

Annex 9: Quality Assurance Checklist

To be made available upon request:

- Development engagement documentation (draft engagement documents and partner's programme documents for all programmed development engagements).
- Other documents deemed relevant.

Annex 1: Context Analysis

Since the turn of the millennium Africa has enjoyed an unprecedented period of high economic growth with GDP increasing on average 4.6 percent per year in the African Region from 2000-2018. In comparison, the average growth for the period 1991-1999 amounted to 2.5 percent per year¹. However, these impressive growth rates have only had limited impact on the level of poverty across the continent. Africa as a region was therefore far from reaching the Millennium Development Goal of halving the share of the population living in extreme poverty between 1999 and 2015; In 1999 48.6 percent of the population in Africa lived for less than 1.90 USD a day, while the number had decreased to 27.9 percent in 2015². In fact, the population growth in the region means that the number of people living in extreme poverty has increased from 378 million individuals to 408 million during the period.

The lack of impact on poverty stems at least in part from the fact that the economic growth in the past decades has been driven by continued export of raw materials and high commodity prices. The countries have not been able to use the growth to support a structural transformation and transform from an agrarian economy to industrialized societies. In fact, the share of manufacturing in the African economy has decreased over the past decades from 17.2 in 1990 to 13.7 percent of GDP in 2010³. This has led researchers to conclude that Africa is experiencing a ‘manufacturing deficit’ compared to other developing countries (Newman, et al., 2016). Furthermore, there is – quite surprisingly – no statistical relationship between economywide growth and growth in formal employment across the continent (Page & Shimeles, 2015). While there is a very low unemployment rate across the Sub-Saharan region of 7.6 percent in 2013, three out of four of those employed are in vulnerable jobs – either being self-employed or working as unpaid family workers (Newman, et al., 2016).

At the same time the African population is booming. Currently 1.2 billion people inhabit the continent, and United Nations expect this figure to double by 2050. As a result, 10 to 12 million young Africans enter the labour market every year (African Development Bank, 2016). In order for the countries to create decent jobs and reap the potential benefits of this ‘youth bulge’ there is a need to ensure more inclusive and sustainable growth. This requires the continent to move beyond commodity export and to diversify the economy.

One way of accelerating the structural transformation could be to enhance the intra-African trade. Intra-African trade is very low compared to other regions: in 2017 only 17 percent of exports from the African countries ended up in other countries on the continent, although it has increased from only 10 percent in 2000. In comparison, the corresponding figure from Europe is 64 percent, Asia 49 percent, North America 50 percent and South and Central America 22 percent (see figure 1 below)⁴.

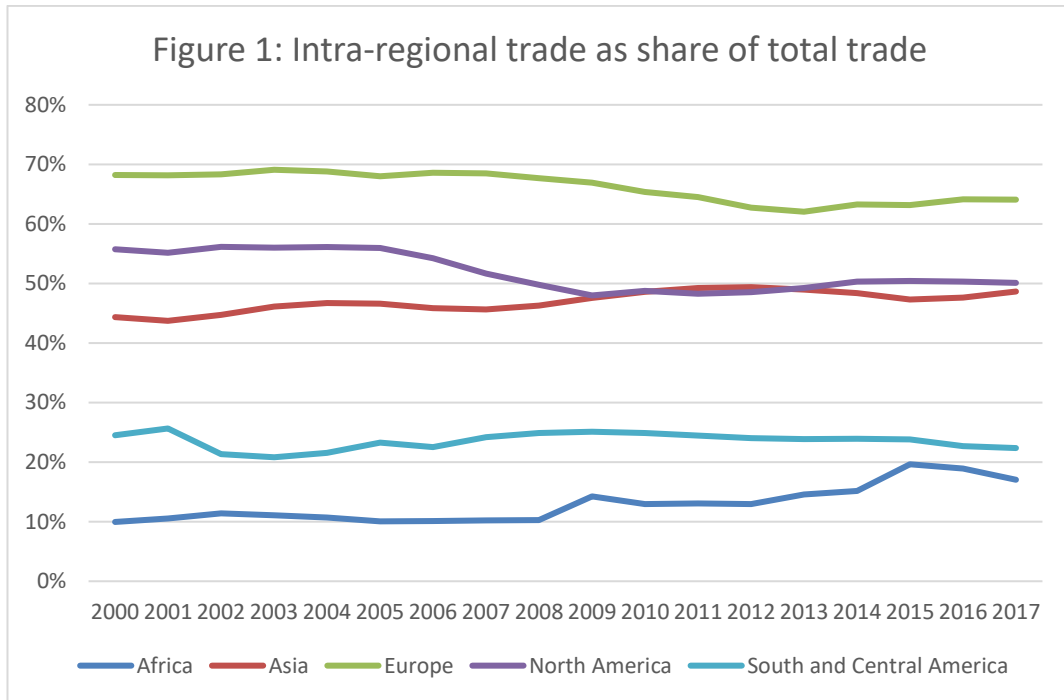
¹ According to IMF – www.data.imf.org

² According to the World Bank World Development Indicators, www.wdi.worldbank.org

³ According to the World Bank datacatalog.worldbank.org/dataset/africa-development-indicators

⁴ According to WTO, www.data.wto.org, as measured by value of exports in merchandise.

Support to the African Continental Free Trade Area

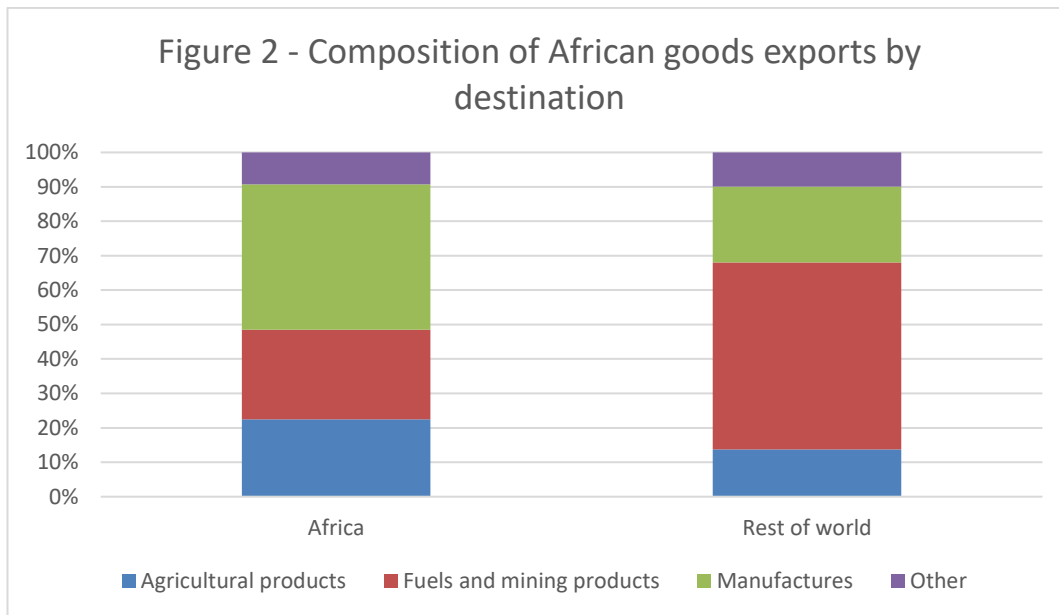


Note: Shows intra-regional goods exports as share of total goods exports.
Own calculations based on data from WTO.

Currently, African trade is hindered by very high costs. Tariffs as well as non-tariff barriers impede trade. Progress has been made over the past two decades, where tariffs have decreased on average from more than 20 percent in 1997 to 11.8 percent in 2016 (IMF, 2019). In comparison, non-tariff barriers – such as bureaucracy associated with import and export, waiting time at border crossings, poor alignment of standards as well as poor infrastructure – amount to up to 400 % of the value of goods to be traded. As a result, the average cost to import a container of goods in Africa is 2,492 USD, significantly higher than the same figure for Asia (935 USD) or South America (1,488 USD) (Brenton & Isik, 2012) and seven of the ten most costly countries to import a container to are in Sub-Saharan Africa (World Bank, 2010). The IMF estimates that a 35 percent reduction in the non-tariff barriers – which would bring Africa to the same level as that of South America – could increase welfare by 2.1 percent in Sub-Saharan Africa.

At the same, the intra-African trade primarily consists of trade in manufactured goods, whereas the trade beyond the continent is driven by trade in raw materials (see figure 2 below). Of the intra-African trade in goods, around two-thirds is in agricultural and manufactured products. For exports beyond the continent, it is only around one-third, whilst more than 50 percent of the export value comes from fuels and mining products. Hence, boosting intra-African trade could boost manufacturing and agricultural value chains leading to a much needed structural transformation and industrialisation of the continent.

Support to the African Continental Free Trade Area



Note: Shows share of total African goods exports by sector for exports to other African countries and to the rest of the world respectively. Own calculations based on data from WTO

These facts are part of the reason the African Continental Free Trade Agreement (AfCFTA) has seen unprecedented support across the continent.

The idea of continental economic integration is not new. In 1980, the Organisation of African Unity (the predecessor to the African Union) adopted the Lagos Plan of Action for the Economic Development of Africa 1980-2000, which contained a regional development plan for Africa including the formation of an African Common Market. The ambition was further elaborated through the 1991 Organisation of African Unity Treaty establishing the African Economic Community, the so-called Abuja Treaty.

It was, however, not until the adoption of Agenda 2063 and the identification of the flagship programmes that the ambitions were concretized. Negotiations on the AfCFTA started in 2015 following the announcement of a tripartite free-trade area covering ‘Cape to Cairo’ i.e. the Regional Economic Communities of SADC, EAC and COMESA. The ambitious plan for the AfCFTA was to finalize the negotiations by end 2017. In March 2018 an extraordinary summit in Kigali saw the completion of (parts of) the first phase negotiations – on trade in goods and services. An impressive 44 countries signed the *Agreement establishing the African Continental Free Trade Area*. The heads of state and government set themselves another ambitious deadline of 12 months to ensure the required 22 ratifications which would mean the agreement entered into force. Once again, they almost kept their promise, as Gambia became the 22nd country to deliver their notice of ratification to the African Union Commission on 30 April 2019, meaning the AfCFTA formally entered into force on 30 May 2019.

The AfCFTA was officially launched at yet another extraordinary summit of the heads of state and government of the African Union in Niamey on 7 July 2019. During this summit Nigeria and Benin also signed the Agreement, bringing the total number of signatories to 54, with only Eritrea yet to sign.

Support to the African Continental Free Trade Area

By the end of the summit 27 countries had ratified the agreement which ensured the AfCFTA covered 45 percent of the continent's population and 46 percent of its economy.

The ambitious timeline matches the level of ambition in the AfCFTA itself. Once fully implemented, the Agreement promises to bring together 1.2 billion people of 55 countries⁵ with combined economies of 2.5 trillion USD. This would make the AfCFTA the largest free trade area – measured by the number of participating countries – launched since the establishment of the World Trade Organisation in 1995.

The impressive support from the member states of the African Union signals the belief in the AfCFTA to deliver concrete results. In theory, the Agreement will eliminate tariffs on goods and services traded within the continent as well as non-tariff barriers. This, in turn, is estimated to be able to boost the intra-African trade by 50 percent (UNECA & UNCTAD, 2019). This, in turn, could facilitate much needed structural transformation of the continent, increasing industrialization, create decent jobs for millions of youth to help ensure sustainable and inclusive growth, support small and medium enterprises, improve conditions for informal traders (often women) and attract additional foreign investments.

However, the benefits of the AfCFTA can only be fully realized once the phase one negotiations on trade in goods and five selected services⁶ are supplemented by completed phase two negotiations on investment, intellectual property rights, competition policy and possibly e-commerce. Arguably, the AfCFTA would also require some form of free movement of people and ability for entrepreneurs to establish themselves across the participating countries. The Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment (the Free Movement Protocol) was therefore also adopted January 2018 at the Assembly of the African Union. Despite the 32 signatories, however, only four (4) have ratified the protocol and its implementation seems distant.

With time the AfCFTA could transform into a continental customs union. This would have significant implications for the opportunities for trade agreements with countries and regions outside the continent. As mentioned by Juncker during his speech in December 2018, the AfCFTA could potentially pave the way for a continent-to-continent trade agreement between EU and AU, replacing the current plethora of sometimes overlapping Economic Partnership Agreements although analysts perceive this scenario to realistically be 15-25 years into the future.

These promises are not easily attainable, however, and a number of obstacles are evident. For one, the AfCFTA tries to bring together an extremely heterogeneous group of countries, in fact the Agreement covers the “*greatest level of income disparity of any continental free trade agreement*” (Brookings, 2019). The total economy across the possible 55 member states is dominated by only three countries (Egypt, South Africa and Nigeria) accounting for almost half the GDP. Half the countries of the continent belong to the group of least developed countries (LDCs) with limited capacity to reap the potential benefits of the AfCFTA. and whilst the Agreement contains specific targets and deadlines for the elimination of tariffs,

⁵ The African Union consists of 55 member states, i.e. all countries on the African continent including the Republic of Western Sahara.

⁶ The five priority service sectors are transport, communications, financial services, tourism and business services.

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there are no specific targets for the ambitions to also address the non-tariff barriers although these are arguably the main hindrance to increased trade on the continent.

In addition, the AfCFTA will bring together countries from all eight recognized Regional Economic Communities (RECs) of the continent. This causes at least two additional obstacles: i) the RECs are extremely diverse – from the developed and well-functioning East African Community (EAC) and Southern African Development Community (SADC) to RECs with limited capacity, especially when it comes to regional integration, such as ECCAS and the Intergovernmental Authority on Development (IGAD) and ii) the issue of overlapping membership of the RECs.

As regards the diverse group of RECs, a recent assessment of the level of regional integrations notes exactly this⁷. The report, which was presented to the heads of state and government during the Extraordinary summit on the launch of the AfCFTA in Niamey, July 2019, notes that the different levels of integration within the RECs can pose a threat to the successful implementation of the AfCFTA. Notably, four RECs (ECOWAS, EAC, SACU and CEMAC) have already established – with varying success – free trade areas. Hence, they will need to act collectively in the tariff schedules etc. for the implementation of the AfCFTA. Other RECs, such as IGAD, are yet to take steps towards economic integration within the subregion.

As regards the issue of overlapping RECs, Kenya is – for instance – a member of three Regional Economic Communities: EAC, COMESA and IGAD. Whether the country should follow the rules and regimes of one rather than the other when it comes to integration into a continental free trade area is not clear. The African Union Commission and the member states are well aware of this and the problems it entails for the integration of the continent, and have therefore initiated work to outline the division of labour between AU and the REC including first steps to addressing the issue of overlapping membership. The latter, however, depends very much on the willingness of the individual member states to choose amongst the REC to which they currently belong. Tanzania, for instance, left COMESA and joined SADC in 2001, whilst remaining a member of EAC.

If the AfCFTA is to fulfil its promise of unlocking the potential of the African continent by spurring structural transformation and ensuring sustainable, inclusive growth, a lot of effort is required. Political will from the member states to ensure the implementation of the Agreement and finalizing the continued negotiations, capacity within both the member states and the Africa Union Commission to successfully manage the negotiations and implementation, significant financial support to ensure the LDCs are not left behind but are able to reap the possible benefits of the Agreement as well as a sight to ensure the AfCFTA not only benefits the larger companies but also small and medium enterprises as well as the broader African population.

Key conclusions and implications for the programme

Following the analysis above, a number of key points should be highlighted, which has guided the formulation of the programme and the key areas of intervention.

First, regional economic integration across the African continent has remained at a very low level in past decades, despite political ambitions of creating a continental customs union. Second, the continent

⁷ African Union Commission 2019: “Report on the status of regional integration in Africa”.

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is not experiencing the industrialization of its economies that could create the millions of jobs required to employ the African youth bulge. Third, the composition of trade within and outside Africa differs markedly, with the trade beyond the continent being dominated by natural resources whilst a larger share of the intra-African trade consists of manufactured goods. Thus, by boosting intra-African trade, it is expected the continent could boost the industrialization process. Fourth, the current momentum of political support to agree on the details of a continental free trade area is impressive and speaks to the high value the countries assign to increasing regional integration and intra-African trade. Fifth, the AfCFTA seeks to bring together 55 very diverse countries in a common free trade area, with a high number of participants amongst the very poorest countries of the world.

These points showcase the possible impact of establishing a functioning continental free trade area. They also make it evident that the ambitious efforts requires external support to be implemented in a way that all 55 potential countries in the AfCFTA are able to benefit. The low-income countries require assistance in analysing the impact on their economies and designing the necessary policies to mitigate possible adverse impacts. The private sector needs to be informed and have the necessary knowledge to exploit the new markets created. And the ambition to create the largest free trade area since the establishment of the World Trade Organisation across 55 very diverse countries only adds to the complexity of the negotiations that has to be finalized.

The programme is designed to assist the African countries in overcoming these obstacles by working through the two key continental institutions working on the finalization and implementation of the AfCFTA: The African Union and the UN Economic Commission for Africa.

Danish strengths and interests

The programme is designed in alignment with Danish development policy priorities as spelled out in *The World 2030* (see section two of the programme document for further details). A key priority for the Danish development engagement is the creation of sustainable jobs for the young generations continuously entering the African labour markets. The current programme of support aims at improving the overall framework conditions for the African private sector, with envisioned increased industrialization and job creation as the end result.

Being a small, open economy within the European Union, Denmark has experienced first hand the potential from engaging in a free trade union allowing for specialization of industries through access to international markets. The experiences of the European Union with a well-functioning internal market and longterm peace and stability is a clear role model for the African Union and its member states. The Danish and European experiences should serve as an interesting entry point for political dialogue with the African Union and its member states on issues related to the AfCFTA. As part of the programme, Denmark will pursue bilateral dialogue as well as through the European Union, which is also providing significant support to this area, as described in the programme document.

Denmarks long-standing relationship and engagement with the AU as well as with UNECA provides a solid platform for Denmark to engage in political dialogue. This dialogue is already being intensified

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with the AU on other thematics based on the Africa Programme for Peace (APP). A recent evaluation of the APP shows that Denmark is perceived as a trustworthy and equal partner⁸.

The AfCFTA has a potential to result in easier access for Danish companies to the African markets. Once fully operational, the AfCFTA will streamline procedures and policies across the continent, which will decrease the cost for international companies entering the market(s) of the continent.

⁸ Clingendahl 2018: "Evaluation of the Africa Programme for Peace 2004-2017", evaluation undertaken for the Danish Ministry of Foreign Affairs.

Annex 2: Partners

1. Summary of stakeholder analysis

Consideration of which organisations are most relevant for Denmark to support has taken into account their capacities and roles, how they relate to the Danish priorities highlighted above, and how Denmark's comparative advantages and previous experience of cooperation with them can be utilised.

2. Criteria for selecting programme partners

The AU is chosen because it is the paramount inter-governmental African organisation responsible for the establishment of the AfCFTA including the ongoing negotiations. UNECA's primary aim is to work towards achieving Agenda 2030 as well as Agenda 2063 for the "Africa we want" and has a clear mandate to work with the African Union and its member states on issues related to regional and transboundary challenges including economic integration.

3. Brief presentation of partners

African Union

The African Union (AU) was established in 2002, replacing the then Organisation for African Unity (OAU). Its membership includes a total of 55 member states and encompasses the entire continent. The AU's governance structure consists of an Assembly of Heads of State and Government as the supreme organ of the Union, supported by an Executive Council (composed of foreign ministers) and a Permanent Representatives Committee. Based in Addis Ababa, the AU Commission (with a permanent staff in 2015 of 1743) serves as the secretariat of the Union led by a Chairperson, a Deputy Chairperson and eight Commissioners. The overall operating budget in 2019 is some USD 624 million, which covers USD 145 million operational budget, USD 254 million programme budget and 225 million for peace support operations.¹

The AU's vision and mission are set out in the Constitutive Act (2000) and the new strategy document – Agenda 2063 - and its first 10 year Implementation Plan. The latter two documents are arranged around 7 strategic goals, so-called aspirations. These include Aspiration 1 "*A prosperous Africa based on inclusive growth and sustainable development*" and Aspiration 2 "*An integrated*

¹African Union 2019 Budget Framework Paper.

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continent, politically united, based on the ideals of Pan Africanism and the vision of Africa's Renaissance" towards which the current programme will contribute.

In order to strengthen the AU's performance, a number of reform initiatives have been launched. These include an institutional reform process with input from a panel led by President Kagame which has recommended strengthening the AU so that it (a) focuses on key priorities with continental impact; (b) realign AU institutions to deliver against these priorities; (3) manage the AU efficiently at political & operational levels; sustainable self-financing of the AU by its member states. Complementing these, former President of the African Development Bank, Donald Kaberuka, has proposed a number of funding reforms, including financing the AU through a 0.2 percent levy on imports to African countries. In principle, this should enable AU member states to fully fund the functioning of the AU Commission and to cover 75 percent of programmes as well as 25 percent of funding to peace support operations.

Until now, the majority of the programme funding and peace support funding has been provided by international partners, of which there are a growing number. While most support is bilateral, the AUC has been progressively extending the number of joint financing arrangements with its partners with the medium term aim of transiting to budget support arrangements. The AU is not at this level yet, although some of the JFAs currently operating have the character of sector budget support. Furthermore, an exercise funded by GIZ and KFW aims to collate the international partner's support into two distinct JFAs: One covering support to peace and security and one covering support to the rest of the work of the African Union Commission. A pilot phase for these new JFA's is expected to be initiated in the beginning of 2020. Further movement towards budget support is constrained by continuing shortcomings in the AUC's strategic and budgetary planning and financial systems, although the AUC is expected to pass the EU 7-pillar assessment by end 2019, which might impact on the available funding modalities for the near future. The AUC utilises SAP based systems for strategic planning and reporting (AMERT), although this is not optimised. Reporting still remains largely activity based.

UNECA

The United Nations Economic Commission for Africa (UNECA) was established by the United Nations (UN) Economic and Social Council in 1954 with a mandate of i) promoting economic and social development of its member states, ii) fostering intraregional integration, and iii) promoting international cooperation for Africa's development and is one of the five UN regional economic commissions fully integrated into the structure of the UN secretariat.

The Conference of African Ministers of Finance, Planning and Economic Development provides the legislative mandate and policy guidance to the work of the UNECA Commission, it considers and endorses the work programme of the UNECA secretariat, serves as a forum for articulating the position of Africa on development issues on the agenda of the United Nations, and decides on the

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recommendations of its subsidiary bodies and of the Executive Secretary. The Conference meets on an annual basis. Since 2008, the annual session of the Conference has been organized jointly with the African Union Conference of African Ministers of Economy and Finance to achieve greater coherence in articulating Africa's position on key development issues.

A Committee of Experts meets prior to the Conference and provides technical support to it. The Bureau of the Commission includes a representative from each of the five sub-regions of the continent, namely, North Africa, East Africa, Southern Africa, West Africa and Central Africa. It consists of a chairperson, three vice-chairpersons and a rapporteur elected on a sub-regional basis.

The organisation serves 54 African member states and operates internationally as a wing of the UN. It is also part of the regional and sub-regional multilateral structure cooperating closely with the African Union (AU) and the Regional Economic Communities (RECs).

Following a revision of the role of the UN regional economic commissions, UNECA's work is three-pronged:

- Working as a think tank providing analysis and knowledge to member states and regional bodies
- Acting as a convener across the continent
- Executing concrete operations and activities across its member states

Since 2010 UNECA has engaged in close strategic alignment with the African Union. This strategic cooperation has resulted in an AU-UN framework on implementation of Agenda 2063 and Agenda 2030. The objective of the framework is to ensure stronger coordination between the two agencies to ensure that Agenda 2030 and Agenda 2063 are mainstreamed and integrated into the national planning frameworks of member states in order to contribute positively to African development. The framework further builds on the AU-UN Partnership on Africa's Integration and Development Agenda (2017-2027) which is aligned with the First Ten-Year Implementation Plan of Agenda 2063 (2014-2023). The cooperation covers the following essential thematic areas:

1. Advocacy and awareness-raising of the joint implementation of the 2030 Agenda and Agenda 2063
2. Coherent integration of the 2030 Agenda and the Agenda 2063 into national development frameworks
3. Capacity for analytical work and research to enhance evidence-based policymaking
4. Data ecosystems of member states and regional economic communities for effective performance tracking, follow-up and evidence-based policymaking
5. Integrated monitoring, evaluation and reporting frameworks
6. Trade and the regional integration agenda
7. Nexus between peace and security, human rights and development
8. Africa's global representation and voice
9. Integrated financial mechanisms

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The budgetary framework covers the UN and member States contributions to UNECA and is supported by baseline and outcome level indicators for each area. The framework is underpinned by annual Programme Implementation Plans (PIPs), which are yearly work plans for the organisation, approved by the senior management. A work plan is aligned with the nine sub-programmes and the budgetary framework and also includes extra budgetary activities, for which funding is sought with development partners. The degree to which the full PIP is implemented thus depends on the external funding for the particular year.

The mandate of UNECA for the thematic work under the current programme was reaffirmed during the 51st session of the Minister of Finance, Planning and Economic Development held in May 2018 in Addis Ababa, Ethiopia, whereby the Ministers called upon "*the Economic Commission for Africa to continue its close collaboration with the African Union Commission and other regional, continental and international institutions such as the regional economic communities, the African Development Bank and the United Nations Conference on Trade and Development (UNCTAD) to provide technical support to facilitate the ratification process and implementation of the African Continental Free Trade Area.*"

4. Summary of key partner features

| Partner name <i>What is the name of the partner?</i> | Core business <i>What is the main business, interest and goal of the partner?</i> | Importance <i>How important is the programme for the partner's activity-level (Low, medium high)?</i> | Influence <i>How much influence does the partner have over the programme (low, medium, high)?</i> | Contribution <i>What will be the partner's main contribution?</i> | Capacity <i>What are the main issues emerging from the assessment of the partner's capacity?</i> | Exit strategy <i>What is the strategy for exiting the partnership?</i> |
|---|--|---|---|--|---|--|
| <i>African Union</i> | <i>Paramount pan-African organization owned by all 55 African member states with key norm- and policy-setting role for the Continent. Responsible for achieving greater unity, accelerating political and socio-economic integration of continent and promoting sustainable development and regional integration.</i> | <i>Low The annual budget for the African Union Commission and its specialized organs was 681.5 million USD in 2019.</i> | <i>Medium The partner has worked together with RDE Addis Ababa in the design of the programme and identification of activities most in need of support. During the programme period, the partner will be able to influence any adjustments to the programme as the negotiations and implementation of the AfCFTA unfolds.</i> | <i>The partner has overall responsibility for the ongoing negotiations related to the AfCFTA as well as an oversight role during the time of implementation.</i> | <i>Strength: Key norm- and policy-setting organ with unique ownership from every member state on the continent. Weaknesses: resource constrained, particularly with regards to the human resources required to implement activities.</i> | <i>Member states are expected to fund activities related to the running costs associated with implementation of the AfCFTA once start-up costs have been financed by international partners.</i> |
| <i>United Nations Economic</i> | <i>Promoting economic and social development of its</i> | <i>Low The annual budget proposed for UNECA</i> | <i>Medium The partner has worked together</i> | <i>The partner will provide analytical capacity to help</i> | <i>Strength: Strong in-house analytical capacity. Key pan-</i> | <i>The analytical capacity and stakeholder</i> |

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|-------------------------------------|---|--|---|--|---|--|
| <p><i>Commission for Africa</i></p> | <p><i>member states, fostering intraregional integration, and promoting international cooperation for Africa's development.</i></p> | <p><i>in 2020 is 85 million USD.</i></p> | <p><i>with RDE Addis Ababa in the design of the programme and identification of activities most in need of support. During the programme period, the partner will be able to influence any adjustments to the programme as the negotiations and implementation of the AfCFTA unfolds.</i></p> | <p><i>facilitate the ongoing negotiations as well as their implementation at national as well as regional level.</i></p> | <p><i>African organization able to provide expert assistance to member states and regional organs.</i></p> <p><i>Weaknesses: The organization is currently undergoing a larger reform – both of its strategic priorities as well as the structuring of the organization. This can impede the effectiveness of the organisations work until fully implemented.</i></p> | <p><i>consultations envisioned through the Danish support are required during the initial phases of the establishment of the AfCFTA.</i></p> |
|-------------------------------------|---|--|---|--|---|--|

Annex 3 - Results framework

The following provides an overview of the expected results of the programme at an overall level as well as for each of the two engagements with the African Union and the UNECA respectively.

| | | | |
|-------------------|------|--|--|
| Objective | | Enhance economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area (AfCFTA) | |
| Indicator | | <i>Trading commenced under inclusive and sustainable protocols establishing the African Continental Free Trade Area.</i> | |
| Baseline | Year | 2019 | Phase I and II negotiations ongoing and the AfCFTA unit within the AUC Department for Trade and Industries acts as an interim secretariat. |
| Target | Year | 2022 | Adoption of protocols on phase I and II issues containing reference to sustainable development such as UN Global Compact on labour rights and commencement of trading under the AfCFTA regime. |
| Outcome 1 | | Contribute to successfully concluding the negotiations of AfCFTA | |
| Outcome indicator | | <i>Completion of phase II negotiations on competition policy, investment policy and intellectual property rights.</i> | |
| Baseline | Year | 2019 | Phase II negotiations initiated. |
| Target | Year | 2022 | Protocols on Phase competition policy, investment policy and intellectual property rights adopted by the African Union and its member states. |
| Outcome 2 | | Contribute towards achieving sustainable and balanced economic results from the AfCFTA | |
| Outcome indicator | | <i>Countries utilize analysis on the impacts of AfCFTA policies and regulations to design, implement and monitor mitigating measures applicable throughout the implementation of the AfCFTA.</i> | |
| Baseline | Year | 2019 | 2 countries have utilized analysis to design, implement and monitor mitigating measures. |
| Target | Year | 2022 | 20 countries have utilized analysis to design, implement and monitor mitigating measures. |
| Outcome 3 | | Contribute to supporting a strong institutional framework of the AfCFTA | |
| Outcome indicator | | <i>The AfCFTA secretariat is established and fully operational.</i> | |
| Baseline | Year | 2019 | The AfCFTA Unit within the Department for Trade and Industries is coordinating negotiations and undertaking necessary activities to facilitate the processes required. |
| Target | Year | 2022 | The AfCFTA secretariat is established in Accra, Ghana, and staffed according to the organigram approved by the African Union and its member states. |

Engagement 1: African Union Commission

| | | | |
|-------------------|--------|--|--|
| Outcome 1 | | Completion of phase two negotiations on competition policy, intellectual property rights and investment policy. | |
| Outcome indicator | | Adoption of protocols on competition policy, investment policy and intellectual property rights by all parties to the AfCFTA. | |
| Baseline | Year | 2019 | Phase two negotiations initiated. |
| Target | Year | 2022 | Protocols on competition policy, investment policy and intellectual property rights adopted by the African Union and its member states. |
| Output 1.1 | | Enhanced expertise to support progress in Phase II negotiations and domestication of 3 protocols | |
| Output indicator | | Progress in Phase II negotiations (with focus on competition policy) achieved through mobilization of a relevant expert team | |
| Baseline | Year | 2019 | Terms of reference for Expert team (Senior Competition Policy Expert (P5) and 02 Technical Assistants (P1)) prepared. |
| Annual target | Year 1 | 2020 | Experts recruited and relevant preparation work commenced |
| Annual target | Year 2 | 2021 | Expert team's work contributed to the conclusion of Phase II negotiations |
| Annual target | Year 3 | 2022 | Expert team's work contributed to the domestication of the protocols (with focus on Competition policy) into national legislation in at least 10 member states. |
| Output 1.2 | | Successfully conducted meetings of the Technical Working Groups (TWG's) contribute to the progress of Phase II Negotiation | |
| Output indicator | | 3 protocols finalized and domesticated in at least 10 member states as a result of TWG's work and consultation | |
| Baseline | Year | 2019 | Draft work Plan of the AfCFTA, activities and budget for the phase II prepared |
| Annual target | Year 1 | 2020 | Three Technical Working Groups meetings take place on Investment, Intellectual Property Rights and Competition Policy, utilising the policy recommendations from UNECA's relevant studies |
| Annual target | Year 2 | 2021 | 15 stakeholder consultations undertaken to raise awareness in order to promote domestication of laws and policies in Investment, Intellectual Property Rights and Competition Policy |
| Annual target | Year 3 | 2022 | TWG's work contributed to the drafting of the 3 protocols as legal texts in 10 countries |
| Output 1.3 | | Capacity building for Member States in issues related to the AfCFTA competition policy, investment policy and intellectual property rights (IPR) protocols. | |
| Output indicator | | <i>Number of training and capacity building workshops undertaken; at least 30% female participants; cover climate concerns and adaptation responses</i> | |
| Baseline | Year | 2019 | Preparation work for training and capacity building workshops commenced, utilizing the policy recommendations from UNECA's relevant studies |
| Annual target | Year 1 | 2020 | <ul style="list-style-type: none"> • First Training and Capacity Building Workshop on Investment, IPR and Competition Policy • 30% of participant in the training and workshops are female • The training covers policies incorporating climate concerns and adaptation responses |

| | | | |
|---------------|--------|------|--|
| Annual target | Year 2 | 2021 | <ul style="list-style-type: none"> • 5 training and capacity building workshops on investment, IPR and competition policy done based on member states' needs • At least 30% of participants in training and workshops are female • The training covers policies incorporating climate concerns and adaptation responses |
| Annual target | Year 3 | 2022 | <ul style="list-style-type: none"> • 5 training and capacity building workshops on investment, IPR and competition policy done based on member states' needs • At least 30% of participants in training and workshops are female • The training covers policies incorporating climate concerns and adaptation responses |

| | | | |
|-------------------|--------|---|---|
| Outcome 2 | | Contribution to strong AfCFTA institutions to oversee the successful implementation of the AfCFTA | |
| Outcome indicator | | The AfCFTA Secretariat established in Accra, Ghana, and fully operational. | |
| Baseline | Year | 2019 | The AfCFTA Unit within the Department of Trade and Industries is coordinating negotiations and undertaking necessary activities to facilitate the processes required. |
| Target | Year | 2022 | The AfCFTA secretariat is established in Accra, Ghana, and staffed according to the organigram approved by the AU Member States. |
| Output 2.1 | | Organogram for the AfCFTA Secretariat adopted and implemented | |
| Output indicator | | Organogram for the AfCFTA Secretariat designed, adopted by the AU Assembly, and fully implemented. | |
| Baseline | Year | 2019 | Draft organogram for the AfCFTA Secretariat exists but is not approved and adopted. |
| Annual target | Year 1 | 2020 | Adoption of the organogram, of which at least 30% of staff are female |
| Annual target | Year 2 | 2021 | 75 per cent of positions according to Organogram for the AfCFTA Secretariat filled, 30% of which are female |
| Annual target | Year 3 | 2022 | Organogram for the AfCFTA Secretariat fully staffed, at least 30% of which are female |
| Output 2.2 | | AfCFTA Secretariat has adequate expertise capacity to fulfil its mandate | |
| Output indicator | | AfCFTA adequately equipped with necessary experts (Senior Investment Expert-P5, Senior Intellectual Property Rights Expert-P5, Senior Competition Policy Expert-P5) | |
| Baseline | Year | 2019 | Terms of Reference for the experts being prepared – no experts employed. |
| Annual target | Year 1 | 2020 | Senior Investment Expert, Senior Intellectual Property Rights Expert and, Senior Competition Policy Expert recruited. |
| Annual target | Year 2 | 2021 | Experts deployed to fulfil their mandate as required in relevant ToR |
| Annual target | Year 3 | 2022 | Experts deployed to fulfil their mandate as required in relevant ToR |
| Output 2.3 | | AfCFTA Secretariat properly staffed and functioned | |
| Output indicator | | Salaries and related costs for AfCFTA staff (one web-based consultation expert and one senior industry expert) provided | |
| Baseline | Year | 2019 | No experts in place |
| Annual target | Year 1 | 2020 | Terms of Reference for the Web-based consultation Expert and Snr. Industry Expert prepared |
| Annual target | Year 2 | 2021 | Web-based consultation Expert (1) and Snr. Industry Expert (1) recruited |
| Annual target | Year 3 | 2022 | Web-based consultation Expert (1) and Snr. Industry Expert (1) fulfilling their mandate. |

Engagement 2: UNECA

| | | | |
|-------------------|--------|--|--|
| Outcome 1 | | Enhanced capacity of member States and regional economic communities to implement AfCFTA phase I issues and roll out policies to govern the interface of the AfCFTA with existing trade agreements | |
| Outcome indicator | | Number of Member States, regional economic communities and pan-African institutions that are using ECA proposed policies to design, implement and monitor programmes on AfCFTA phase I and govern the interface of the AfCFTA and existing free trade agreements | |
| Baseline | Year | 2019 | Baseline: 1 country |
| Target | Year | 2022 | Target: at least 20 countries |
| Output 1.1 | | Toolkits and materials developed, advisory services delivered, and consultations held to support the completion of AfCFTA phase 1 issues | |
| Output indicator | | Toolkits and materials developed, advisory services delivered, and consultations held for 15 countries | |
| Baseline | Year | 2019 | 1 country |
| Annual target | Year 1 | 2020 | +5 countries |
| Annual target | Year 2 | 2021 | +5 countries |
| Annual target | Year 3 | 2022 | +5 countries |
| Output 1.2 | | Capacity building for targeted countries on the measurement and analysis of services trade value chains for AfCFTA implementation | |
| Output indicator | | 20 countries trained in measuring and analysing services value chains | |
| Baseline | Year | 2019 | 2 countries |
| Annual target | Year 1 | 2020 | +6 countries |
| Annual target | Year 2 | 2021 | +6 countries |
| Annual target | Year 3 | 2022 | +6 countries |
| Output 1.3 | | The 10th Report on Assessing Regional Integration in Africa (ARIA X) on the theme: “Services Trade under the AfCFTA” is produced and disseminated | |
| Output indicator | | The ARIA X report is disseminated in 30 countries, 20 countries using ECA proposed policies | |
| Baseline | Year | 2019 | Work on ARIA X report commenced |
| Annual target | Year 1 | 2020 | ARIA X report completed and disseminated to 30 countries. |
| Annual target | Year 2 | 2021 | 10 countries using ECA proposed policies Number of the policies adopted incorporating climate concerns and adaptation responses |
| Annual target | Year 3 | 2022 | 10 countries using ECA proposed policies Number of the policies adopted incorporating climate concerns and adaptation responses |
| Output 1.4 | | Study on Governing the interface between the AfCFTA and RECs Free Trade Areas is produced and disseminated | |
| Output indicator | | A study prepared, subsequently validated, launched and disseminated; 20 countries using ECA proposed policies | |
| Baseline | Year | 2019 | Work on the study commenced |
| Annual target | Year 1 | 2020 | A study completed and disseminated; 5 countries using ECA proposed policies |

| | | | |
|---------------|--------|------|--|
| Annual target | Year 2 | 2021 | 10 countries using ECA proposed policies Number of policies adopted incorporating climate concerns and adaptation responses |
| Annual target | Year 3 | 2022 | 10 countries using ECA proposed policies Number of policies adopted incorporating climate concerns and adaptation responses |

| | | | |
|-------------------|--------|--|--|
| Outcome 2 | | Enhanced capacity of Member States to develop policies and conduct studies on competition, investment and IPRs | |
| Outcome indicator | | Enhanced capacity of member States to develop policies on investment and competition through the number of policies developed/countries using ECA proposed policies | |
| Baseline | Year | 2019 | Investment and Competition policies are developed, and studies conducted Baseline: 0 policies |
| Target | Year | 2022 | Target: 10 policies developed/ 20 countries using ECA proposed policies |
| Output 2.1 | | Competition Market Studies are produced for African Competition Councils | |
| Output indicator | | Completed market studies on competition that are used by African competition agencies to develop 10 policies | |
| Baseline | Year | 2019 | - |
| Annual target | Year 1 | 2020 | 2 policies |
| Annual target | Year 2 | 2021 | 3 policies |
| Annual target | Year 3 | 2022 | 5 policies |
| Output 2.2 | | Study on “Towards A Common Investment Area in the Africa Continental Free Trade Area (AfCFTA): levelling the playing field for intra-African investment, competition and intellectual property” is produced and disseminated | |
| Output indicator | | The study is disseminated and well-received in 45 countries, 20 countries using ECA proposed policies | |
| Baseline | Year | 2019 | Study commenced |
| Annual target | Year 1 | 2020 | Study finished and disseminated |
| Annual target | Year 2 | 2021 | 10 countries using ECA proposed policies Number of policies adopted incorporating climate concerns and adaptation responses |
| Annual target | Year 3 | 2022 | 10 countries using ECA proposed policies Number of policies adopted incorporating climate concerns and adaptation responses |

Budget for Danish support to AfCFTA 2020-2022 (million DKK)

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| Engagement | Outcome | 2020 | 2021 | 2022 | Total |
|-------------------|--|-------------|-------------|-------------|--------------|
| AU | Phase two negotiations | 1,75 | 1,75 | 1,50 | 5,00 |
| | AfCFTA institutions | 1,75 | 1,75 | 1,50 | 5,00 |
| | Total | 3,50 | 3,50 | 3,00 | 10,00 |
| UNECA | Regional and trade integration | 2,50 | 2,50 | 1,50 | 6,50 |
| | Investment and Competition policies and regulation | 1,50 | 1,50 | 1,50 | 4,50 |
| | JPO | 1,00 | 1,00 | 1,00 | 3,00 |
| | Total | 5,00 | 5,00 | 4,00 | 14,00 |
| Management | Reviews, monitoring and evaluation | 0,25 | 0,25 | 0,50 | 1,00 |
| Total | | 8,75 | 8,75 | 7,50 | 25,00 |

Annex 5: Risk Management Matrix

| Description | Risk | Impact | Mitigating measures | Residual risk |
|---|--------|--------|---|---------------|
| Contextual risks | | | | |
| Lack of political support from the AU member states to the continued ambitious negotiations of the AfCFTA | Medium | High | Extensive work is being undertaken by the AUC, UNECA and other partners to engage stakeholders in each member state to ensure the impact of implementing the AfCFTA is well understood and mitigating measures can be put in place | Medium |
| Negotiations on remaining issues overrun their planned timeline meaning implementation of the AfCFTA will be delayed. | Medium | Medium | Ensure close monitoring of the progress and flexibility in the programme to respond to the possible changes in negotiations. This will ensure the relevance of the programme and that Danish funding is contributing where the need is greatest. | Low |
| Lack of political will to implement the measures required including in particular commitment to allow for the success of the AfCFTA | Medium | High | National stakeholder consultations will highlight the benefits from fully implementing the AfCFTA for reaping the economic gains of the agreement. | Medium |
| AfCFTA competing with other priorities within the RECs, including existing regional free trade areas. | Medium | Medium | A substantial amount of funding to UNECA is directed towards stakeholder engagement, consultations etc. with member states as well as RECs including a study specifically on the governing interface between the AfCFTA and existing regional free trade areas. | Low |
| Increasing protectionist views continentally and possibly deteriorating global trade outlooks dampening enthusiasm for AfCFTA | Medium | Medium | Analysis and dissemination of studies on the possible gains from the implementation of an ambitious AfCFTA to underline the value from moving forward on the agenda. | Medium |
| Programmatic risks | | | | |
| Lack of coordination between institutions as well as international partners engaged in the implementation of the AfCFTA resulting in duplication of efforts and ineffective programme implementation. | Medium | Low | Donor coordination mechanisms are already in place for support to the AUC. This is less so the case in UNECA. However, support to organisations beyond AUC is also discussed in the AU coordination fora. The international partners will jointly work to ensure the African organisations working on the agenda are interacting regularly to coordinate efforts and avoid duplication. | Low |
| AfCFTA (and programme) priorities diluted with day-to-day requests | High | Medium | The programme aims specifically at increasing the capacity of the key organisations involved in finalizing the negotiations of and | Medium |

This version: 6 December 2019 – for approval

| Description | Risk | Impact | Mitigating measures | Residual risk |
|--|--------|--------|---|---------------|
| on an under-resourced team in partner institution | | | implementing the AfCFTA. Continuous dialogue with the organisations supported – in collaboration with other international partners – to highlight the need for continued priority to the area. | |
| Resources are not used or allocated as intended due to multiple engagements at partner institutions | Low | Medium | The Embassy shall maintain close monitoring through reporting system and regular dialogue with the partner institutions | Low |
| The programme is prolonged due to slow speed of approval and slow pace of negotiation, leading to the programme falling behind its predefined timeline | High | Medium | The work plans, results frameworks and the related indicators will be closely monitored and pro-actively followed up to ensure progress is on track, and due adjustments will be made when needed. | Medium |
| Institutional risks | | | | |
| Limited capacity from implementing partners to implement planned activities due e.g. to turnover of staff, low engagement of staff, low retention, etc. | High | Medium | Through other engagements with the African Union Commission Denmark is involved in building the capacity of AUC. So are other partners, including the EU and GIZ, who also have staff seconded to the AUC working on the AfCFTA and its implementation. Pushing for key positions and institutions to be funded by member states will be a continuous priority in the dialogue with partners. | Medium |
| Establishment of AfCFTA secretariat to oversee and monitor the implementation of the AfCFTA is postponed leading to lack of clarity on roles and responsibilities. | Medium | Medium | As the AfCFTA is a flagship programme of the AU there is significant pressure to adhere to agreed timelines. Furthermore, the regular donor coordination meetings with the AUC will allow for close monitoring of the progress of programme implementation. | Medium |

Appendix 6: Summary of recommendations of the desk appraisal

| | |
|--|--|
| Title of (Country) Programme | DANIDA support to AUC and UNECA for implementing the African Continental Free Trade Area, AfCFTA (2019-2022) |
| File number/F2 reference | 2019-35932 |
| Appraisal report date | 19 November 2019 |
| Council for Development Policy meeting date | n/a |
| Summary of possible recommendations not followed | |
| <p><i>The Embassy has decided to not follow recommendation 11 from the appraisal report. The recommendation was to include budgets at output or even activity level for the two engagements in the programme document. As e.g. the detailed activity level budget of the AUC is only approved on a year-by-year basis and since the progress in implementation of the AfCFTA is likely to influence the focus of activities to be implemented to best support the negotiations and implementation of the AfCFTA, the Embassy considers the flexibility given by maintaining a budget at outcome level desirable.</i></p> | |
| Overall conclusion of the appraisal | |
| <p>The appraisal finds the documentation well prepared and in line with the Guidelines. The preparation and formulation process has been guided by relevant analysis and benefited from dialogues with the partners and other stakeholders.</p> <p>The program is well in line with the Danish strategy 'The World 2030'. The appraisal finds the program a meaningful next step of Danish engagement to the progress of supporting free trade and economic integration in Africa. The appraisal finds the choice of partners relevant, with the alignment of the Danish support to the partners' priorities. The programme also pursues harmonisation with other donors supporting similar efforts in the region through dialogue as well as the consideration to participate in joint financing arrangements.</p> <p>The programme is recommended for approval with only minor adjustments, pertaining mainly to improved clarification of results and suggestions for improved coherence and impact of the programme.</p> | |
| Recommendations by the appraisal team | Follow up by the responsible unit |
| Thematic Programme Level: | |
| Programme Documentation | |
| <p>1. The appraisal recommends replacing the repetitive text with a simple summary of the key point of the Results Framework and Risk Management Matrix into the PD, in order to make the PD text more condensed.</p> | <p>This is well noted. The programme document has been updated accordingly. The programme document now provides a summary of the objective and three outcomes, as well as a summary of the contextual and programmatic risks. The full results framework as well as the full risk matrix also including institutional risks is kept for the annexes.</p> |
| Programme relevance | |

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| <p>2. The appraisal recommends a rewording of paragraph 3 of section 2 in the PD with respect to 'inclusive, sustainable growth and development' by 'creating sustainable societies with opportunities and jobs – especially for young people', in order to better reflect the connection between Danish proposed to support and AfCFTA specific objectives.</p> | <p>This is well noted. The wording has been updated by using the formulations from the context analysis as suggested by the Appraisal report. A reference has also been included to the ambitions of promoting 'free trade' in The World 2030 as also suggested by the appraisal report.</p> |
| <p>3. The appraisal recommends that Royal Danish Embassy proceed with the Joint Financing Arrangements (JFA) with both UNECA and AUC in order to better pool resources for additional leverage of funds, as well as reduce overlaps, while ensuring that the Danish Embassy maintains a frequent dialogue with the implementing partner in order to make sure that Danish priorities and objectives through the support will be achieved.</p> | <p>Agreed. The Embassy is currently reviewing the final version of the Joint Financing Arrangement developed for support to the African Union Commission and have agreed with UNECA that the organisation should invite signatories from the previous JFA that existed for supporting the UNECA Business Plan to discuss the possibilities of renewing the JFA.</p> |
| <p>4. The appraisal recommends that in the interim to a JFA, an informal coordination committee between donors and partners be established in order to ensure alignment of donors and avoid conflicting approaches from different technical assistance teams.</p> | <p>Agreed. The Embassy has been engaged with the key partners providing support to the free trade agenda during the past year when formulation of the programme has been ongoing. This engagement will continue and the Embassy will ensure regular coordination meetings take place although not part of a formalized structure. This has been further highlighted in the programme document.</p> |
| <p><i>Programme Logic and Theory of Change</i></p> | |
| <p>5. The appraisal recommends adding a diagram showing the different conditions necessary for the outcome and the relative likelihood of these conditions being met, might be helpful for the reader to understand better the TOC and the likelihood of the conditions for it to happen.</p> | <p>Noted. A diagram has been added to the programme document trying to visualize the theory of change along with the main assumptions required to reach the proposed outcomes of the intervention.</p> |
| <p>6. The appraisal recommends revising the wordings in paragraphs 21 and 22 of section 2 from the PD, in order to be consistent with the prescribed objective at the programme level results framework and to provide clearer linkage between the assumptions, actions and make changes logic and rational "...then progress towards an inclusive and sustainable African Continental Free Trade Area (AfCFTA) will be achieved and, resulting in enhanced</p> | <p>Well noted. The Theory of Change has been updated accordingly.</p> |

| | |
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| <p>economic integration, sustainable and balanced economic growth, and job creation.”</p> | |
| <p><i>Cross-cutting issues</i></p> | |
| <p>7. The appraisal recommends that the PD and DEDs be enriched with clear text on the cross-cutting issues and the result frameworks are expanded to cover the indicators on cross-cutting issues in consultation with the implementing partners.</p> | <p>The documents have been updated with special attention to the cross-cutting issues – in particular the enhanced focus on gender equality through women’s participation in the different aspects of the programme.</p> |
| <p>8. The appraisal recommends adding some indicators incorporated into the existing activities to better monitor the programmes’ inclusion and sustainability. For example, additional indicators can be included in Outcome 1 and Outcome 2 to address the gender equity, environmental and inclusive participation aspects of the competition, intellectual property rights and investment policies. Considerations for gender equity can also be included in the Outcome 3 for the AfCFTA institutional framework, for example, the number of female staff in the secretariat organogram of the participation of women-led enterprises in the consultations held in countries.</p> | <p>The Embassy has adopted the recommendation. The results framework has been updated by adding indicators across the outcomes to ensure gender equality is pursued. The programme has already been designed to assist the organisations in undertaking inclusive stakeholder consultations in the member states, hence pushing for inclusive participation. Finally, the Embassy will ensure the formulation of the additional 25 million DKK envisioned with the 2020 Finance Act will pay special attention to environmental aspects and how the organisations (or others) could incorporate these issues in the negotiations and implementation of the AfCFTA.</p> |
| <p>9. It is recommended that the PD considers how to take climate change, and climate adaptation, into account. Some suggestions from a UNECA/Stiftung 2017 study can be utilised such as explicit exemption safeguarding climate policies from CFTA trade obligations or policy recommendations should address concerns about climate change and environmental degradation.</p> | <p>Duly noted. The programme document has been updated with reflections on how to take climate change and climate adaptation into account. While the activities have not been changed or specific climate-related activities integrated into the programme, this will be given specific attention through the formulation of additional funding to the AfCFTA area as well as through the political dialogue with partner organisations.</p> |
| <p>10. The appraisal recommends that in order to achieve a sustainable and balanced goal, it is crucial to promote meaningful public-private dialogue within the policy dialogue framework of the programme, promote dialogue between RECs and AUC, as well as RECs to Member States, and national public policy dialogues. Lessons from the EU, with respect to poor communication of intent and results from regional integration, can lead to sustainability risks downstream.</p> | <p>This is duly noted. Inclusive and meaningful public-private dialogue will be promoted within the policy dialogue undertaken by the Embassy (as well as from MFA headquarters) in connection to the programme. The Embassy will also look at further public-private dialogue and partnership engagement as part of the formulation of additional funds for the topic from the 2020 Finance Act.</p> |

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| Budget and VfM | |
| 11. The appraisal recommends that the PD includes a detailed breakdown of the programme budget to output level and, if possible, activity level. | The programme document still contains a breakdown of the budgets at outcome level. This is maintained in order to have some flexibility with regards to the budgets across output level as this could potentially change with the approval of e.g. the AU's annual budgets (which is approved by Member States) which will also reflect progress in the negotiations and implementation of the AfCFTA. |
| 12. As the DA proposes some revisions to the 2 engagements' results frameworks, it is recommended that the budget allocation be revised accordingly. A proposed revision of the component budget is included in Annex 4 – Budget, as attached in Appendix C – Revised Programme Documents of this appraisal report. | This is duly noted. The budgets have been updated accordingly to reflect the regrouping of activities. |
| Programme Partners | |
| 13. It is recommended that the Royal Danish Embassy closely monitor the programme progress both through the agreed monitoring and evaluation framework as well as formal and informal dialogue with the implementing partners to spot any arising issues and devise for solutions | Duly noted. The Embassy will monitor the engagement closely and use the formulation of the additional 25 million as well as possible reviews to assess progress and adjust the programme as necessary to ensure relevance given the status of the ongoing negotiations. |
| Reflections on the Exit Strategy | |
| 14. The appraisal recommended that the programme documents include the risk of overrunning negotiations in the Risk Management matrix, re-assess the risk regularly and consider putting a possible top-up for the support to AfCFTA negotiations in additional package if needed. | Agreed. The risk matrix has been updated with this additional contextual risk. The Embassy will annually assess and update the risk-matrix and utilize reviews as necessary to inform the need for changes in the programme to reflect developments in the negotiations. |
| 15. It is recommended that the PD documents the projected transfer of financing sources under exit strategy discussion and closely monitor the progress. | Noted. The Embassy has incorporated a new section in the programme document that further elaborates on sustainability aspects including the envisaged exit strategy. |
| Results framework | |
| 16. The appraisal recommends that the results framework is expanded with indicators and targets for the cross-cutting issues. | This is duly noted. The results framework has been updated to also include indicators on cross-cutting issues (gender aspects) across the three outcomes. |

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| <p>17. The appraisal recommends refining and revising the results frameworks under the two DEDs to demonstrate better consistency and stronger linkage between the programme level results framework and the two DED results framework.</p> | <p>This is duly noted. The proposal from the appraisal team has been adopted in the final version of the results frameworks.</p> |
| <p>18. The appraisal recommends enriching the text in the PD to point out the expected linkage between the 2 implementing partners' activities. For example, it is recommended that UNECA's studies competition, investment and IPRs under UNECA Outputs 2.1 and 2.2 shall be utilised as inputs for AUC's Outputs 1.2 (TWG's meetings) and 1.3 (Capacity Building for MSs).</p> | <p>This is duly noted. The cross-fertilization of efforts will be pushed through regular dialogue with the partners. The programme document has been updated to underline this element in the political dialogue as well as highlighting the example provided by the appraisal.</p> |
| <p>19. It is also recommended that the Royal Danish Embassy carefully track the output indicators during M&E practice to ensure that the programme's expected results are achieved and that the programme activities are not implemented in silos.</p> | <p>Duly noted. The Embassy will monitor progress in relation to the results framework closely. Furthermore, through political dialogue with the two organisations as well as through the (formal or informal) coordination mechanisms with the other international partners providing support to the area, the Embassy will push for enhanced coordination between the work of the two organisations supported.</p> |
| <p>20. The DAs recommends refining the content and wordings of the AUC result framework as in the attached Annex 3 - Results Framework to Appendix C – Revised Programme Documents of the appraisal report.</p> | <p>The proposed changes to the results framework are well received and has been adopted in the final version of the documents.</p> |
| <p>21. The appraisal recommends splitting and re-arranging the proposed outputs in DED-UNECA to present clearer linkage between the component engagement outcomes and the overall programme outcome that they support, as well as to indicate stronger impact made from the combined efforts from both implementing partners. The proposed updates for UNECA results framework are included in Annex 3 – Results Framework to Appendix C – Revised Programme Documents of this appraisal report.</p> | <p>This is duly noted and adopted in the final version of the results framework.</p> |
| <p>22. It is also recommended that the wording in the DED-UNECA and the proposed budget allocation should also be amended accordingly to focus on the 2 Outcome areas (i.e. to support the conclusion of Phase II negotiations and implementation of the Phase I protocols).</p> | <p>This is duly noted and adopted in the final version of the results framework.</p> |

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| <p>23. The appraisal recommends revising the UNECA results framework to add indicators on the level of perception and adoption of the study/report recommendations. The proposed updates for UNECA results framework are in the attached Annex 3 - Results Framework to Appendix C – Revised Programme Documents of the appraisal report.</p> | <p>This is duly noted and adopted in the final version of the results framework.</p> |
| <p>Management set-up and monitoring</p> | |
| <p>24. The appraisal recommends following the management set-up and monitoring mechanisms proposed under the two DEDs. The Royal Danish Embassy should, however, maintain a dedicated team in the RDE Addis Ababa to manage the programme progress and timely respond to arising issues.</p> | <p>Duly noted. The programme is anchored in the regional team of the Embassy in Addis Ababa and will be managed as part of the portfolio of the team. This includes existing engagements with the African Union as well as existing dialogue with UNECA allowing for further integration of the programme to the existing portfolio of the team.</p> |
| <p>Communication of results</p> | |
| <p>25. The appraisal recommends that timing for communication be anchored on milestones such as the launch of Phase II negotiation, the publication of studies/reports, the workshops/trainings.</p> | <p>This is a good point. A more detailed communication plan has been developed using the inputs from the appraisal team. The communication plan aims to utilize the momentum created when different milestones are reached, including upon entry into force of the agreement on July 7 2020.</p> |
| <p>26. The appraisal recommends that the target audience should also be more specific on the African side, to those who might influence decisions or to those who might be impacted by the conclusion and implementation of the AfCFTA (for example, the business communities).</p> | <p>This is duly noted. The communications plan outlines the broad target audiences of the communication efforts, including African policy makers and stakeholders engaged in the AfCFTA negotiations and implementation. If the additional funds to be formulated will have a more specific focus on inclusion of the business community and ensuring public-private dialogue, further emphasis on reaching the business community will also be added to the communications plan.</p> |
| <p>27. The appraisal recommends that the programme leverages the implementing partners' network (UNECA 5 regional offices and AUC's convening capacity) to distribute more impactful messages.</p> | <p>This is a good point. This has been integrated within the communications plan and will be part of the ongoing dialogue with the partners.</p> |
| <p>Risks and risk-mitigation measures</p> | |
| <p>28. The appraisal recommends adding 2 more risk elements as misuse of resources (which is rated as low) and delay in programme implementation (which is rated as high). The proposed additional elements are included in</p> | <p>This is duly noted and the risk matrix has been updated accordingly.</p> |

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| Annex 5 – Risk Management Matrix to Appendix C – Revised Programme Documents of this appraisal report. | |
| 29. The appraisal recommends re-grouping risks identified in DED-UNECA under DANIDA’s standard categories for easy reference. | This is duly noted and the DED has been updated accordingly. |
| 30. The appraisal recommends that the risk of overrunning negotiations in the Risk Management matrix be included. | This is duly noted and the risk matrix has been updated accordingly. |
| Potential areas for expanding assistance | |
| <p>31. The appraisal recommends the potential expansion of DKK 25 million contributed to below additional areas to enhance the impacts and sustainability of Danish support:</p> <ul style="list-style-type: none"> (i) Support to the study and development of digital trade/e-commerce strategy for Africa through the AUC and UNECA (ii) Private sector support through existing or the establishment of new organisations supported through UNECA, in order to better integrate private-sector requests in the negotiations, and ensure the private sector gain a better understanding of the opportunities arising from the implementation of AfCFTA. (iii) Communication of results through the AUC by drawing up visibility materials and summary factsheets of progress, taking care not to overlap with the work in this area of GIZ and EU. (iv) Establishing the monitoring framework and supporting the set up the unit for monitoring the implementation at the AU level through AUC. (v) Establishment of Denmark-AfCFTA business/investment linkages, with the engagement of large Danish private sector players (for example, those operating in the beverage, pharmaceutical, financial, transportation and logistics, and wind energy sectors). | These suggestions are duly noted and will be taken into consideration in the formulation of the additional 25 million of support planned with the 2020 Finance Act. |
| Engagement Level | |

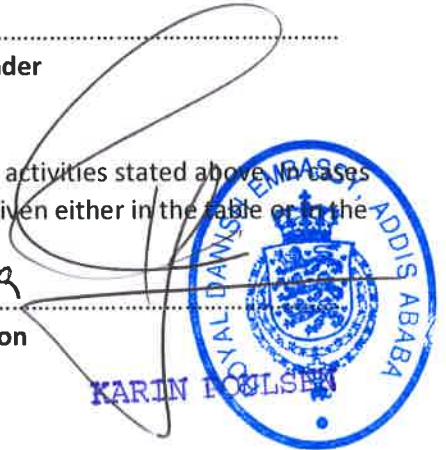
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| AUC | |
| 32. The appraisal recommends some revisions to the DED-AUC, including the suggested output indicators for the results framework as in the attached Appendix C. The DA recommends that the Royal Danish Embassy works with AUC to review and finalise the indicators and revise the DED. | The proposals are well received and have been adopted for the final version of the document. |
| UNECA | |
| 33. The appraisal recommends some revisions to the DED-UNECA, including the suggested output indicators for the results framework as in the attached Appendix C. The DA recommends that the Royal Danish Embassy works with AUC to review and finalise the indicators and revise the DED. | The proposals are well received and have been adopted for the final version of the document. |

I hereby confirm that the above-mentioned issues have been addressed properly as part of the appraisal and that the appraisal team has provided the recommendations stated above.

Signed in..... on the
Appraisal Team Leader

I hereby confirm that the responsible unit has undertaken the follow-up activities stated above, in cases where recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in... ADDIS ABABA ... on the ... 6/12-19 ...
Head of Unit/Mission



Annex 7: Communications Plan

The Embassy will make annual communication plans based on work plans from the two organisations and the concrete timing of activities supported. The communication will both target the general public in Denmark as well as the African public when possible through traditional channels (newspapers, radio and TV) as well as social media.

The Embassy will furthermore seek to exploit the existing communication strategies and channels of the organisations supported to ensure Denmark is branded when the supported activities are carried out and to ensure communication bits from the Embassy are boosted through the extensive outreach of the two organisations. This also includes utilizing the five sub-regional offices of UNECA as well as the AUC's close collaboration with the eight Regional Economic Communities.

The communication pieces will also follow the general implementation of the AfCFTA including the impacts on regional trade and integration as these unfold during the project period. In particular, communication will be anchored on milestones achieved, including upon the launch of the phase two negotiations, when the AfCFTA comes into effect, when workshops and trainings take place etc.

The following provides an overview of the key messages, timing and mechanisms of the communication efforts.

| What? (the message) | When? (the timing) | How? (the mechanism) | Audience(s) | Responsible |
|---|--|--|---|---|
| Danish support to the enhanced economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area (AfCFTA) | Timing will be based on partners' work plans and timeline of the supported activities. The communication pieces will also follow the general implementation of the AfCFTA including the impacts on regional trade and integration as these unfold. | The communication will be done through traditional channels (website of AUC and UNECA, newspapers, radio and TV) as well as social media. The RDE will furthermore seek to exploit the existing communication strategies of the organisations supported to ensure Denmark is branded when the supported activities are carried out. | The general public in Denmark and the African public. Public officials in Africa are particularly targeted, as well as the private sector and civil society which follows AfCFTA developments, are impacted by it and are part of the stakeholder consultations and able to also influence the developments of the negotiations and the implementation. | RDE Addis Ababa, in close coordination with AUC and UNECA |

Annex 8: Process Action Plan (PAP) – Contribution to implementation of African Continental Free Trade Area (AfCFTA)

| Deadlines | Action/product | Responsible/involved Person and unit | Comment/status |
|-----------------------|--|--------------------------------------|----------------|
| 31 January 2019 | Development of Process Action Plan | Jonas | Complete |
| January – March | Initial consultations with partners | Jonas | Complete |
| 31 March 2019 | Concept note for discussion with RDE Addis Ababa management | Jonas | Complete |
| April-June 2019 | Consultations with partner(s) and development of programme document | Jonas | Complete |
| 30 August 2019 | Draft programme document incl. annexes Draft development engagement document(s) Draft partner agreement(s) | Jonas | Complete |
| Mid-September 2019 | Agreeing on ToR for appraisal with KFU | Jonas | Complete |
| Ultimo September 2019 | Identifying and hiring consultant for external appraisal - Terms of reference | Jonas / Andreas | Complete |
| 4 October 2019 | Initiation of appraisal | Consultant | Complete |
| 7 October 2019 | Discussion in Embassy's Internal Programme Committee | Embassy | Complete |
| 29-31 October 2019 | External appraisal in Addis Ababa | Consultant | Complete |
| 6 November 2019 | Inputs from partners on DEDs | AUC / UNECA | Complete |
| 11 November 2019 | Final draft documents submitted to consultant for appraisal | Jonas | Complete |
| 11 November 2019 | Formal sharing programme document with APD, HPA, Geneva, Kenya, Uganda for comments | Jonas | Complete |
| 18 November 2019 | Draft appraisal report | Consultant | Complete |
| 20 November 2019 | Comments to draft appraisal report from Embassy, KFU (and APD?) | Jonas / KFU / APD | Complete |
| 22 November 2019 | Finalization appraisal report | Consultant | Ongoing |
| 25-29 November 2019 | Revising programme document and DED's as well as bilateral agreements | Jonas | Complete |
| 2 December 2019 | Final programme document incl. annexes | Jonas | Ongoing |
| 2 December 2019 | Approval by Embassy | Jonas | Ongoing |
| 10 December 2019 | Approval by Undersecretary for Development Cooperation - Appropriation for cover note - Final programme document incl. annexes - Signed quality assurance checklist | Jonas | |
| 12 December 2019 | Approval by Minister for Development Cooperation - Appropriation for cover note - Final programme document incl. annexes - Signed quality assurance checklist | Jonas | |
| 13 December 2019 | Signing legally binding agreements with partner(s) | Jonas | |
| 13 December 2019 | Commitment registration in MFA's systems | Jonas | |

Annex 9 - Quality Assurance checklist for appraisal of programmes and projects¹

File number/F2 reference: 2019-43953

Programme/Project name: Support to the African Continental Free Trade Area

Programme/Project period: 2020-2022

Budget: 25.0² million DKK

Presentation of quality assurance process:

The programme documents has been presented to the internal programme committee of the Embassy, has been exposed for an external appraisal by an independent consultant and has benefitted from comments from colleagues at other Danish Embassies and departments. The terms of reference for the external appraisal has been drafted in collaboration with the Technical Quality Support.

The design of the programme/project has been appraised by someone independent who has not been involved in the development of the programme/project.

Comments: The programme has undergone an external appraisal. The recommendations and the management response to these recommendations is included as annex 6 in the programme document.

The recommendations of the appraisal has been reflected upon in the final design of the programme/project.

Comments: Of the 33 recommendations in the appraisal report, 32 has been integrated in the programme documentation. The final recommendation was to include a budget at output or activity level. This recommendation has been considered, but has not been implemented due to the constraints and additional administrative burden associated with implementing a programme in a fluid environment.

The programme/project complies with Danida policies and Aid Management Guidelines.

Comments:

The programme/project addresses relevant challenges and provides adequate responses.

Comments:

Issues related to HRBA/Gender, Green Growth and Environment have been addressed sufficiently.

Comments: The additional funding of 25 million DKK to be formulated and approved in 2020 will further exploit the possibly entry points related to green growth and climate.

¹ This Quality Assurance Checklist should be used by the responsible MFA unit to document the quality assurance process of appropriations where TQS is not involved. The checklist does not replace an appraisal, but aims to help the responsible MFA unit ensure that key questions regarding the quality of the programme/project are asked and that the answers to these questions are properly documented and communicated to the approving authority.

² An additional 25.0 million DKK has been made available with the 2020 Finance Act. The additional funding will be formulated and going through regular approval process in early 2020, and managed as an integral part of the programme.

Comments from the Danida Programme Committee have been addressed (if applicable).
Comments: The programme has not been presented to the Danida Programme Committee.

The programme/project outcome(s) are found to be sustainable and is in line with the partner's development policies and strategies. Implementation modalities are well described and justified.
Comments:

The results framework, indicators and monitoring framework of the programme/project provide an adequate basis for monitoring results and outcome.
Comments:

The programme/project is found sound budget-wise.
Comments:

The programme/project is found realistic in its time-schedule.
Comments:

Other donors involved in the same programme/project have been consulted, and possible harmonised common procedures for funding and monitoring have been explored.
Comments: Key donors have consulted in the formulation process. Furthermore, the Embassy will work within existing informal donor coordination mechanisms and push for the establishment of more formal donor coordination mechanisms including the relevant implementing organisations.

Key programme/project stakeholders have been identified, the choice of partner has been justified and criteria for selection have been documented.
Comments:

The executing partner(s) is/are found to have the capacity to properly manage, implement and report on the funds for the programme/project and lines of management responsibility are clear.
Comments: The partners are either existing partners or partners with which the Embassy has past experience.

Risks involved have been considered and risk management integrated in the programme/project document.
Comments:

In conclusion, the programme/project can be recommended for approval: yes

Date and signature of desk officer: 6/12-19

Date and signature of management: 6/12-19

JONAS HELTH LONBORG

KARIN FOULSEN

