

Ministry of Foreign Affairs – (Royal Danish Embassy Addis Ababa)

Meeting in the Council for Development Policy 29th of October 2020

Agenda item 5


















- 1. Overall purpose:** For discussion and recommendation to the Minister
- 2. Title:** Support to the African Continental Free Trade Area
- 3. Presentation for Programme Committee:** 23rd of June 2020

Table of Content

1. Cover Note	4
2. Programme Document.....	5
3. Development Engagement Document – AUC	35
4. Development Engagement Document – UNECA	60
5. Annex 1: Context Analysis	95
6. Annex 2: Partners.....	108
7. Annex 3: Results Framework.....	113
8. Annex 4: Budget	121
9. Annex 5: Risk Management Matrix	124
10. Annex 6: List of Supplementary Material	130
11. Annex 7: Communication Plan	131
12. Annex 8: Process Action Plan (PAP)	133
13. Annex 9: Quality Assurance Checklist	135
14. Desk Appraisal Report	138
15. Appraisal, Annex 1: Summary of Recommendations w/ Management response	153

Support to the African Continental Free Trade Area

<p>Objective: The overall objective of the programme is to enhance economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area (AfCFTA). The Danish support will pay specific attention to climate adaptation and mitigating and possible climate-related impacts of the AfCFTA, as well as ensuring that attention is paid to women, youth and vulnerable groups in the negotiation and implementation of AfCFTA.</p> <p>Key results:</p> <ul style="list-style-type: none"> - Finalisation 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. - Climate change, green transition and attention to women, youth and vulnerable groups are incorporated in 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	2023	Total
	Commitment	25.0	25,0				50.0
	Projected disb.		3,77	17,3	15,03	13,90	50.0
	Duration	January 2020 – December 2023 (48 months)					
	Finance Act	§ 06.32.01.23. Other initiatives in Africa					
	Head of unit	Karin Poulsen					
	Desk officer	Alexander Skommer Larsen					
	Reviewed by CFO	Jesper Clausen					

<p>Justification for support:</p> <ul style="list-style-type: none"> - The African Continental Free Trade Area 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. - 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, youth and vulnerable groups have the required knowledge and capacity to benefit from the new opportunities and ensuring inclusive and sustainable impacts. - Trade holds considerable potential for climate mitigation and adaptation. Support to the AfCFTA is a natural entry point for Danish support that has focus on climate change and green transition. <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. - The COVID-19 pandemic restricts the programme partners in their capacity to deliver on the development engagements. 	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	

<p>Programme 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.</p> <p>Objective of engagement with AUC: to contribute to the AfCFTA negotiations and establishment of the institutional framework for AfCFTA to achieving progress towards an inclusive and sustainable AfCFTA</p> <p>Objective of engagement with UNECA: to contribute to the negotiations and enhance the capacity of member states and RECs to develop and implement policies and programmes in the areas of intra-African trade with a clear green ambition, and create an environment conducive to attracting investments through enhanced competition policies.</p>		
Engagement	Partner	Total budget (mill.)
Completion of negotiations and establishment of institutions to	African Union	18.35
Investment, competition policy and trade facilitation	UNECA	30.00
	Programme	1.65
	Total	50.0

Support to implementation of African Continental Free Trade Area (AfCFTA)

Programme Document

Revised version 12th October 2020

FINAL DRAFT

Table of contents

List of abbreviations	7
1. Introduction	8
2. Strategic considerations and justification	8
2.1. Towards an African free trade area	8
2.2. The impact of COVID-19	10
2.3. Status on the processes related to AfCFTA	11
2.4. Alignment with Danish priorities	12
2.5. Synergies with existing Danish engagements	13
2.6. Existing support to the AfCFTA from other donors	14
2.7. Justification for support	16
3. Presentation of the Danish Programme	19
3.1. Programme level results framework and intervention logic	19
3.2. Theory of change	21
3.3. Aid effectiveness	23
3.4. Considerations on the human rights based approach and environmental concerns	24
3.5. Sustainability of support and exit strategy	25
4. Programme Partners	26
4.1. Lessons learned from previous support	26
4.2. Support to the African Union Commission (AUC)	27
4.3. Support to the United Nations Economic Commission for Africa (UNECA)	28
5. Management set-up	30
5.1. Implementation modality and donor coordination	30
5.2. Communication	31
5.3. Mid-term review	31
6. Budget	31
6.1. Absorption capacity in and synergies between the partner organisations	32
6.2. Revision of AUC DED in 2021	33
6.3. Budget lines on programming assistance	33
7. Risk assessment and mitigating measures	33

List of abbreviations

AfCFTA	African Continental Free Trade Agreement
AMG	Aid Management Guidelines
AMU	Arab Maghreb Union
ARIA	Assessing Regional Integration in Africa
ATPC	Africa Trade Policy Centre
AU	African Union
AUC	African Union Commision
AUPG	African Union Partners Group
AUSP	African Union Support Programme
CEN-SAD	The Community of Sahel-Saharan States
COMESA	Common Market for Eastern and Southern Africa
DTI	Department of Trade and Industry
EAC	East African Community
EAPs	Economic Partnership Agreements
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EIF	Enhanced Integrated Framework
GAC	Global Affairs Canada
GATF	Global Alliance for Trade Facilitation
HRBA	Human Rights Based Approach
IGAD	Intergovernmental Authority on Development
ITC	International Trade Center
JFA	Joint Financing Arrangements
JPO	Junior Professional Officer
LDCs	Least Developed Countries
NTBs	Non-tariff barriers
RECs	Regional Economic Communities
REISP	Danish Regional Economic Integration Support Programme
SADC	Southern African Development Community
STDF	Standards and Trade Development Facility
TFWA	Trade Facilitation West Africa
TMEA	TradeMark East Africa
UNECA	The United Nations Economic Commission for Africa
UPR	Council for Development Policy (Udviklingspolitisk Råd)
UPSIDE	Uganda Programme on Sustainable and Inclusive Development
ASEAN	Association of Southeast Asian Nations
EU	European Union
GDP	Gross Domestic Product
MFA	Ministry of Foreign Affairs
DED	Development Engagement Document
DfID	Department for International Development (UK)
FTA	Free Trade Area
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
MSMEs	Micro- Small- and Medium-sized Enterprises
UNCTAD	United Nations Conference for Trade and Development
UN	United Nations

1. Introduction

In December 2019, the Danish Ministry of Foreign Affairs approved a Programme Document to support the African Continental Free Trade Area (AfCFTA). The programme budget was 25 million DKK and the support was to be implemented during the three-year time span from 2020-2022. With the 2020 Finance Act, an additional 25 million DKK has been made available for the programme, bringing the budget to 50 million DKK. Due to the accumulation principle, the Programme Document is to be presented to the Council for Development Policy (UPR) for approval. The present Programme Document covers the entire allocation of 50 million DKK and therefore replaces the existing Programme Document. The COVID-19 pandemic has caused delays in the implementation of the Danish Programme as well as in the process of negotiation and implementation of the AfCFTA. The Danish Programme to support AfCFTA is therefore extended to cover 2020-2023.

2. Strategic considerations and justification

2.1. Towards an African free trade area

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. In 1999, 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 2015¹. However, the population growth in the region means that the number of people living in extreme poverty actually has increased in absolute numbers, from 378 million individuals to 408 million during the period. The population growth means that the otherwise impressive economic growth has a limited impact on the absolute number of people living in poverty. An additional challenge for many African economies is that they continue to rely heavily on export of raw materials, with little or no value added making them vulnerable to fluctuations in 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, ensuring that the transformation includes key target groups such as women and youth, and by expanding intra-African trade. The latter is important, as intra-African trade to a large extent is made up of trade in manufactured goods (see Context Analysis in 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 (AfCFTA). As a consequence, the agreement to establish the African Continental Free Trade Area has seen unprecedented support across the continent. The African Union Commission (AUC) has the overall responsibility for the negotiations of this agreement as well as an oversight role during implementation.

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

¹ According to the World Bank World Development Indicators, www.wdi.worldbank.org

in 2015 and the identification of the African Union 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, and 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. Today (September 2020) 31 Member States have ratified the agreement.

Once fully implemented, the AfCFTA will bring together 1.2 billion people of 55 countries² 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 percent³ 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, and a number of obstacles are evident. Firstly, phase I negotiations on trade in goods and five selected services⁴ need to be supplemented by completed phase II negotiations on investment, intellectual property rights and competition policy, and phase III on e-commerce. Secondly, 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*”.⁵ 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, namely AMU (Arab Maghreb Union), CEN-SAD (The Community of Sahel-Saharan States), COMESA (Common Market for Eastern and Southern Africa), EAC (East African Community), ECCAS (Economic Community of Central African States), ECOWAS (Economic Community of West African States), IGAD (Intergovernmental Authority on Development), and SADC (Southern African Development Community). This causes at least two additional obstacles: i) the RECs are extremely diverse – from the developed and well-functioning RECs such as EAC and SADC, to RECs with limited

² The African Union consists of 55 member states, i.e. all countries on the African continent including the Republic of Western Sahara.

³ https://www.uneca.org/sites/default/files/PublicationFiles/aria9_en_fin_web.pdf

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

⁵ https://www.brookings.edu/wp-content/uploads/2019/05/Keys_to_success_for_AfCFTA.pdf

capacity, especially when it comes to regional integration, such as ECCAS and IGAD and ii) the issue of overlapping membership of the REC's.

The AfCFTA Agreement explicitly recognises the RECs as building blocks for the AfCFTA. RECs will not be replaced by the AfCFTA, but will continue to play a central role in the African trading landscape. They will actively contribute to the finalisation, implementation and application of the AfCFTA. It is expected that while the AfCFTA provides the overarching framework for trade between African states, RECs will continue to provide many of the key structures and institutions to support intra-African trade. They will also remain relevant in their roles beyond trade and economic integration, including on governance, mobility, health and other themes (See Annex 1 for more information).

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 building within both the member states and the Africa Union Commission to successfully manage the negotiations and implementation; establishment of a functioning Secretariat for AfCFTA; 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; ensuring that women, youth and vulnerable groups will also be able to reap the benefits of the agreement, as well as the broader African population.

2.2. The impact of COVID-19

The total or partial lockdowns related to the COVID-19 pandemic enforced by most African countries has caused a socio-economic crisis within the region at a time when the AfCFTA is in its critical phase of negotiation and start-up of implementation. The expectation of enhanced intra-African trade is being hampered by challenges such as border closures, travel bans, and uncertainty in tariffs and exchange rates. In early 2020, Africa was moving steadily towards an agreement on the AfCFTA, with trading set to begin on 1st of July 2020. However, due to the COVID-19 pandemic, the implementation starting date has now been moved to 1st of January 2021.

The pandemic has driven the global economy into recession which in turn has resulted in a significant drop in demand for African commodities; both agricultural products (such as barley, sugar, cocoa bean, cotton, and maize), industrial metal (such as copper, iron ore, nickel, lead, aluminium, and zinc), precious metal (such as gold), and energy (such as natural gas, coal and oil). Africa is and will be hit hard by the pandemic. The African continent is set for its first recession in 25 years⁶. The region's GDP pr. capita is set to decline 3-5 percent and as many as 50 million Sub-Saharan Africans will be pushed into extreme poverty⁷. Additionally, African government revenues are estimated to drop by USD 45 billion in 2020⁸. The pandemic will have a considerable impact on the African economies with the lowest per capita incomes, that by large depend on agriculture for their export earnings. Food supply chains have been disrupted and demand has fallen putting a large part of the African workforce (60 percent rely on agriculture) at risk of losing their livelihoods. In addition, the African reliance on trade

⁶ <https://www.worldbank.org/en/region/afr/publication/for-sub-saharan-africa-coronavirus-crisis-calls-for-policies-for-greater-resilience>

⁷ World Bank estimate.

⁸ Statement by President of South Africa Cyril Ramaphosa at AfCFTA secretariat handover.

imports for food has created a demand risk during COVID-19 that has increased the risk of food insecurity across the continent⁹.

COVID-19 has delayed negotiations and implementation of the AfCFTA as governments are struggling to adapt to the consequences of the pandemic. However, it is widely recognized that the pandemic has highlighted the need for more regional economic integration on the continent in order to build regional food value chains, platforms and partnership that can decrease dependence on other regions and help build resilience against COVID-19 and future pandemics. So, although the implementation of the AfCFTA has been made more difficult by COVID-19, African member states remain committed to the agreement.

COVID-19 has obviously also impacted the way the support to the AfCFTA is being implemented. The two DEDs that relate to the Danish engagement include considerations in this respect.

2.3. Status on the processes related to AfCFTA

While the achievements already obtained by the AUC and its member states are impressive, much needs to be done if the AfCFTA is to become successful and have the envisioned impacts on the African economies. Phase I negotiations are still to be fully finalised and although the phase II negotiations have been initiated there is still a long way to go before they are concluded. If the AfCFTA is to come into effect on 1 January 2021 as planned, member states need to be ready to support free trade across borders, assess and review their existing trade and 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, including women, youth and vulnerable groups such as informal traders, who constitute a large share of the African economies. The United Nations Economic Commission for Africa (UNECA) is supporting 39 countries in preparing national AfCFTA implementation strategies which are addressing these issues along with arrangements for disciplining non-tariff barriers.

In terms of the Phase I negotiations, much progress has been reported regarding submission of schedules of tariff concessions with ongoing consultations on the preparation of services commitment. This includes specification of the 90 percent of products to be liberalized as well as specifying the 7 percent sensitive goods and the 3 percent of excluded products for start of trading. The negotiations on rules of origin have progressed but rules for the final 5 percent of products remain to be resolved. The expectation is that this work will be concluded by the end of the year.

Phase II negotiations, which centres on investment, intellectual property rights and competition policy have been delayed due to COVID-19 but are expected to commence later in 2020. Successful phase II negotiations will require numerous national stakeholder consultations to enlighten the formulation of national positions before negotiations are concluded at a continental level. National stakeholder consultations and capacity building at member state level (including business associations) are also relevant entry points for ensuring that due attention are paid to women, youth and vulnerable groups in the AfCFTA negotiations and implementation. These groups can potentially experience adverse negative impact of the agreement and/or become even more marginalised. The fact that the negotiation

⁹ <https://www.pwc.com/ng/en/pdf/covid19-key-considerations-afcfta.pdf>

process is still ongoing provides an obvious entry point to ensure that due considerations are made in this respect to ensure that the AfCFTA becomes both sustainable and inclusive.

In January 2020, a decision was made to incorporate an additional round of Phase III negotiations on e-commerce, which are yet to start, but are so far scheduled to be concluded in 2022.

To effectively and successfully implement the AfCFTA once trading starts on 1 January 2021, 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. On 17 August 2020, the headquarters of the AfCFTA Secretariat was officially handed over by the Republic of Ghana to the African Union. Until then, the AUC has been acting as an interim secretariat.

2.4. Alignment with Danish priorities

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 and with Danish priorities in general. In the 2019 Finance Act, the support to AfCFTA was envisioned to be rather broad on operationalisation of the agreement including negotiations, analytical/research work, technical assistance and establishment of a Secretariat responsible for the implementation of the AfCFTA. With the additional support granted with the 2020 Finance Act, emphasis is furthermore placed on ensuring that women, youth and vulnerable groups will also benefit from the agreement.

The support 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 and other donors to the economic integration of the African countries and the AfCFTA specifically.

According to The World 2030, the primary objective of Danish development cooperation 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*”. The ambition of the AfCFTA is to create a more predictable and 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 sustainable societies with opportunities and jobs – especially for young people*’ as well as the ambitions of promoting “*free trade*”¹⁰. Denmark has a specific focus on Africa in its development priorities, so due to the continental nature of the engagement, the support will cover widely. It will both cover African 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

¹⁰ The World 2030

enhance the framework conditions under which African companies operate, which is essential for ensuring job creation.

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.

The Danish Government has a strong focus on climate, the environment, nature and sustainability. The government has an ambition of taking on international leadership in the green transition¹¹. In line with this, and as also evident in the Danish government's priorities for Danish Development Cooperation 2020 and 2021, the AfCFTA programme has a clear green ambition that will contribute to positioning Denmark as a leader in green transition. This is also in line with the 3rd strategic aim of the world 2030: Inclusive, sustainable growth and development. The Danish support will contribute to the inclusion of aspects addressing the consequences of climate change and the potential for green transition in the negotiations and implementation of the AfCFTA. The support will contribute to building the knowledge base of member states, the AUC and the AfCFTA Secretariat in regards to climate change and the potentials found in green solutions and green transition. The Danish support will among other things assist individual Member States in 'greening' their AfCFTA implementation strategies, and as such can contribute to helping more vulnerable countries to build resilience against climate change. The ambition is that this will contribute to a more environmentally sustainable implementation of the agreement. While the first allocation of 25 million DKK to the programme as mentioned had a rather broad scope, the additional 25 million DKK will besides its focus on women, youth and vulnerable groups, also be used to support this green agenda which is also in alignment with the principle of *Building Back Better and Greener* in the aftermath of COVID-19. The green agenda will be mainstreamed as much as possible into already ongoing engagements and will also be a specific focus area of new outcomes. As such, the support to AfCFTA is fully aligned to the Danish priorities.

2.5. Synergies with existing Danish engagements

Through the Danish development assistance, significant amounts have been provided to the promotion of regional integration and free trade. This includes multilateral support to Geneva based aid-for-trade institutions, regional programmes of support as well as bilateral support focused on Danish priority countries. The current programme will 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 Centre (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. Until 2024,

¹¹ Politisk forståelse mellem Socialdemokratiet, Radikale Venstre, SF og Enhedslisten: Retfærdig retning for Danmark, 2019

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 of, and continues to support, TradeMark East Africa (TMEA), 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) TradeMark East Africa 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 TMEA in combatting non-tariff barriers continentally. The Danish contribution to TMEA 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 TMEA. Through the country programme for Kenya, the thematic component for green growth and employment provides support to the work of TMEA 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 TMEA in implementing trade facilitation initiatives targeted at informal traders and women, including establishment of an e-commerce platform.

2.6. 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 negotiations and 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 support can be categorized into two main areas

(1) Support to the AfCFTA negotiation process (EUR 21.1 million up until 2019) and (2) Support to the AfCFTA implementation (EUR 16 million up until 2019). 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 International Trade Centre 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 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.

The European Commission is currently (2020) planning to support the finalization of outstanding AfCFTA negotiations and implementation at the national and regional level for an additional EUR 30 million. Key work streams will be on the AfCFTA Agreements Protocol, Rules of Origin, support to the African Trade Observatory and the setting up of an AU-EU dialogue, i.e. areas that are complementary to the Danish support.

In addition, The European commission has as part of the revised long-term EU budget 2021-2027 package, proposed a budget of EUR 118.2 billion for external action. One instrument under this budget will be the Neighbourhood, Development and International Cooperation Instrument (NDICI). The current budget allocation to the NDICI is EUR 86 billion, making the NDICI EU's main financial tool to contribute to eradicating poverty and promoting sustainable development, prosperity, peace and stability¹².

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 EUR 9 million for the period of February 2019 to February 2021.

One of the aims of the GIZ support is to successfully transform the AfCFTA unit in AUC, 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

¹² https://ec.europa.eu/international-partnerships/system/files/factsheet-mff-multiannual-financial-framework-v08-clean_0.pdf

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 AU and its member states are reluctant to allow technical assistance from a number of international partners.

GIZ have just started a new phase 08/2020 that will run until 07/2022 with a budget of EUR 18.5 million, meaning that they will more than double their previous commitment to the AfCFTA process. The new phase will, more than earlier, focus on the national level working with 6 countries (Ghana, Tunisia, Ethiopia, Nigeria, Rwanda and Tanzania) on trade in goods, trade in services, investment and intellectual property rights. GIZ will include an output aimed at how climate change and green transition can be incorporated into the AfCFTA. The exact approach in this regard remains to be modelled but provides an obvious option for integration with the proposed Danish support, which as mentioned has a clear green focus.

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 provide 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 USAID 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.

2.7. Justification for support

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 women, youth and vulnerable groups across the continent. The support will in line with the above-mentioned Danish priorities pay particular attention to these groups. In respect of women a focus will be placed on support to women's business associations to ensure that they are actively engaged and in terms of youth, youth groups on entrepreneurship and innovation are targeted. They are particularly interesting in terms of their engagement in cross-border

trade and innovative green solutions which as mentioned is also a focus area. Lastly, a number of cross-border trade associations are also targeted, as they can capture traders from the informal economy which constitute a significant part of the traders in Africa, and who are particularly vulnerable.

Similarly, whilst the ongoing reform process of the African Union Commission (AUC) 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.

Since 2010 the United Nations Economic Commission for Africa (UNECA) has engaged in close strategic alignment with the African Union. This strategic cooperation has resulted in an AU-UN framework on implementation of the AU Agenda 2063 and the UN Agenda 2030. UNECA partly works as a think tank and can provide analytical capacity to help facilitate AUC processes as well as activities as member state level.

The Danish support is envisioned to assist the AUC and UNECA in implementing activities crucial for the implementation of the AfCFTA, 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 secretariat¹³ will be fully funded by member state contributions adding to the sustainability of the envisioned programme of support.

Additionally, and very much in line with the priorities of the Danish Government, the support will have a clear green focus. The climate crisis is a global challenge that affects all continents. However, the effects of climate change will hit the African continent especially hard. The African continent is set to be impacted by higher temperatures, drought and irregular rainfall. This coupled with a general poor ability and limited possibilities to adapt to climate change on a continent where 60 percent of the workforce rely on agriculture, means that livelihoods are at risk. As an example, 96 percent of farmland in Sub Saharan African is rainfed and most farmers have little or no possibility of adapting to climate change through the use of e.g. irrigation and solar power. It is therefore of paramount importance, that the African continent increases its focus on climate change and green transition in order to achieve sustainable development. The Danish support to the AfCFTA offers an entry point for considerations on climate change and green transition in trade. Increased trade has enormous potential for opportunities to include actions relating to climate change and green transition. Support to both the remaining negotiations and the early phase implementation serve as ideal entry points for including these considerations early on in the trade agreement. Incorporation of considerations towards climate change and green transition is an area that other donors are becoming increasingly interested in, however the area remain relatively underdeveloped. This

¹³ 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.

represents a unique opportunity for Denmark to be a leader in green transition in relation to the AfCFTA and in pursuit of the Danish Government's ambitions.

Relevance: The programme as presented in the following sections is clearly relevant for the AU and UNECA as it fully aligns with the organisations' strategies and priorities specifically in regard to regional integration. It is also 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. The Danish support is highly relevant for the AfCFTA, as it will focus on the establishment of the AfCFTA through support to negotiations and implementation processes ensuring that the trade agreement is built on a solid foundation and that the member states have capacity to utilize and implement the agreement.

Coherence: The establishment of the AfCFTA has received considerable attention from the donor community, especially EU, GIZ and Canada have been heavily involved in the process. Consultations have been held with the different donors in order to ensure coherence and complementarity in interventions and to seek out possible integration of support as also clarified above.

Effectiveness. The approach taken in the Danish programme builds on ownership and alignment. This 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 ensuring greatest impact in relation to the implementation of the continental framework for free trade.

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 build capacity to finalize negotiations as well as provide 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.

3. Presentation of the Danish Programme

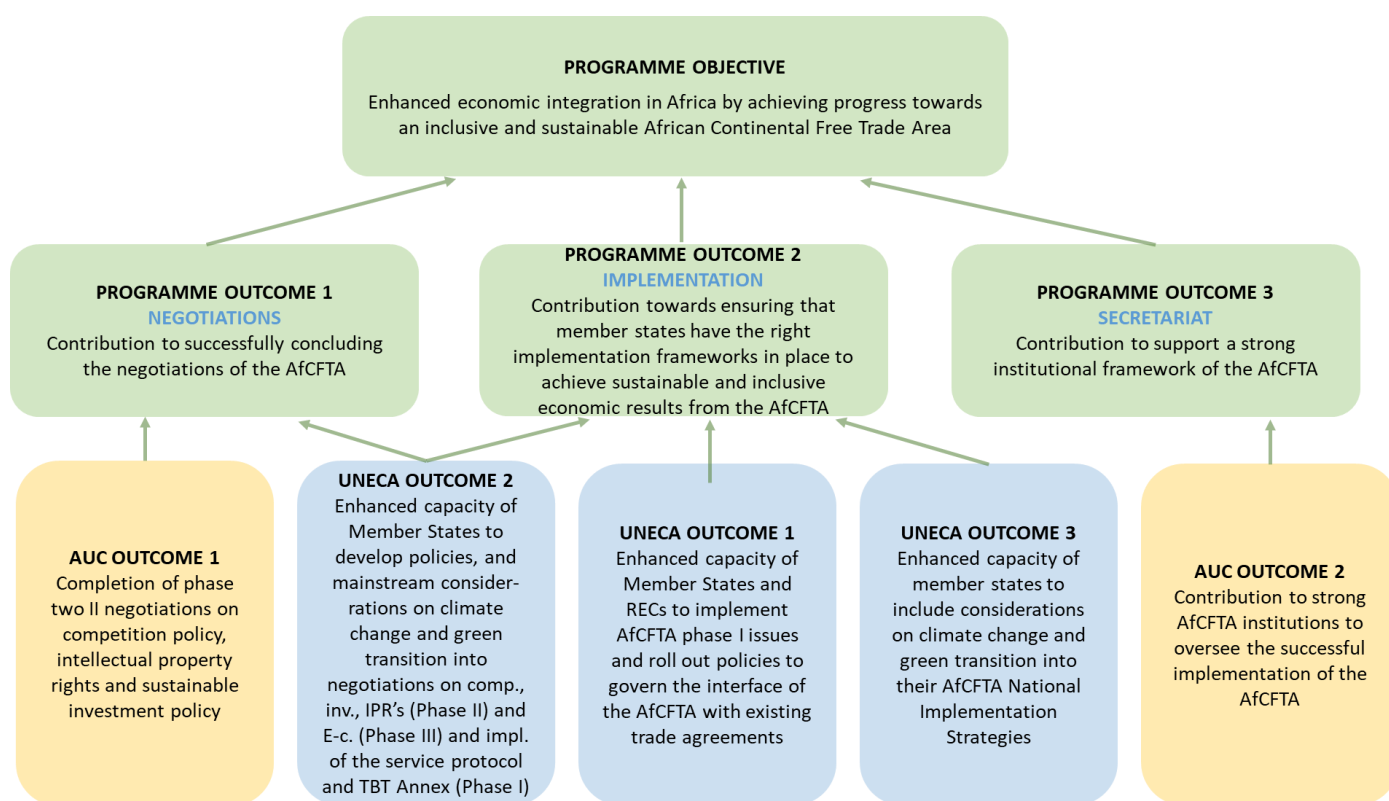
3.1. Programme level results framework and intervention logic

The Danish programme supports three distinct aspects of AfCFTA, namely the negotiation process, implementation aspects, and the institutional structure, i.e. the establishment of the AfCFTA secretariat. The Danish support includes one objective and three outcomes with the following targets for the end year 2023:

Objective	Enhanced economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area
Target 2023	Adoption of protocols on phase I and II issues containing clear reference to different aspects of sustainable and inclusive development (e.g. climate change, green transition and attention to women, youth and vulnerable groups) and commencement of trading under the AfCFTA regime.
Outcome 1	Contribution to successfully concluding the negotiations of the AfCFTA
Target 2023	Protocols on competition policy, investment policy and intellectual property rights, with a clear green ambition, adopted by the African Union and its member states.
Outcome 2	Contribution to ensuring that member states have the right implementation frameworks in place to achieve sustainable and inclusive economic results from the AfCFTA
Target 2023	20 countries have utilized the analysis undertaken to design, implement and monitor policies related to implementation of AfCFTA.
Outcome 3	Contribution to support a strong institutional framework of the AfCFTA
Target 2023	The AfCFTA secretariat is established in Accra, Ghana, and staffed according to the organigram approved by the African Union and its member states.

The Danish support to the AfCFTA is made up of two separate development engagements with AUC and UNECA. Each development engagement document (DED) has its own results framework with a number of outcomes and outputs. These are included in Annex 3. The DED outputs and outcomes feed into the results framework that is established for the overall programme document. The intervention logic between the programme level results areas and the DEDs results areas (outcome level only) is depicted in Figure 1 below:

Figure 1: Intervention logic of the Danish support to AfCFTA



3.2. Theory of change

The overall objective of the Danish support is **enhanced economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area.**

Two development engagements will contribute to this objective. The objective of the development engagement with the AUC is to **contribute to the AfCFTA negotiations and establishment of the institutional framework for AfCFTA to achieving progress towards an inclusive and sustainable AfCFTA.** The objective of the development engagement with UNECA is to **contribute to the negotiations and enhance the capacity of member states and RECs to develop and implement policies and programmes in the areas of intra-African trade with a clear green ambition, and create an environment conducive to attracting investments through enhanced competition policies.**

As depicted in the figure above, the Danish support will be implemented through three distinct programme level outcome areas, namely (1) Contribution to successfully concluding the negotiations of AfCFTA (2) Contribution towards ensuring that member states have the right implementation frameworks in place to achieve sustainable and inclusive economic results from the AfCFTA (3) Contribution to support a strong institutional framework of the AfCFTA.

In order to achieve Programme Outcome 1 relating to negotiations, AUC will be supported through internal capacity building that will enhance their capability to conduct the necessary rounds of negotiations related to Phase II with member states. Additionally, AUC will engage in capacity building of members states related to Phase II technical issues. This will be based on knowledge work carried out by UNECA which is also supported by Denmark. UNECA will contribute to programme outcome 1 by producing the necessary knowledge base that will feed into the negotiations, enabling AUC to effectively conduct negotiations, while also building the capacity of member states to develop the necessary policies to be used in negotiation. This will ensure that the negotiations are based on a solid and relevant foundation. A strong focus of UNECA will be to ensure that due attention is paid to women, youth and vulnerable groups in its research, and to produce knowledge on climate change and green transition that can be introduced into the negotiation process and included in the policies prepared by member states.

In order to achieve Programme Outcome 2 relating to implementation, UNECA will engage in knowledge production aimed at ensuring that member states have a solid and evidence-based foundation for implementation of protocols and agreements reached through Phase I negotiations. UNECA will work with member states on a demand driven basis in order to develop relevant policies that will contribute to the successful implementation of the AfCFTA. A specific focus of the Danish support is incorporation of considerations towards climate change and green transition. UNECA will work with member states to include these considerations into their National Implementation Strategies. This will ensure that the green agenda is considered and included during implementation, contributing to a more environmentally sustainable trade agreement. Additionally, and in line with the ambition to create sustainable and balanced economic results from the AfCFTA under programme outcome 2, UNECA will engage with the private sector in an effort to explore investment opportunities in general, but with a specific focus on green investment opportunities in relation to green transition in light of the AfCFTA.

In order to achieve Programme Outcome 3 relating to support to the institutional framework of the AfCFTA, the Danish support will contribute to the establishment of the

AfCFTA secretariat. The Secretariat will be supported by putting in place the necessary experts to strengthen the institution, making it possible for the secretariat to fulfil its mandate of overseeing the successful implementation of the AfCFTA. It is the ambition that the Secretariat will also have internal capacity related to lifting the green agenda and overseeing implementation through this lens, but due to the infant stage of the secretariat, this discussion would need to be taken up at a later stage, cf. section on budget below.

More details on the outputs and outcomes including annual targets can be found in the DEDs.

The partnerships with AU and UNECA and the successful implementation of the organisation specific outputs and outcomes will lead to the programme outcomes. Reaching the programme level outcomes will also lead to the programme objective of "*Enhancing **economic integration** in Africa by achieving progress towards an **inclusive** and **sustainable** African Continental Free Trade area*".

If the Danish support to the negotiations, implementation along with the support to the institutional framework of the AfCFTA is successful it will contribute to **increased economic integration** in Africa through the AfCFTA. The AfCFTA is estimated to increase the inter-African trade by as much as 50 percent, leading to industrialization, job creation and ultimately sustainable economic growth.

Additionally, the Danish support has a strong focus on the AfCFTA being **inclusive**, which will be a distinct focus area in the different workstreams that support member states in both the negotiations and implementation processes. The member states, who have varying capacity, will have access to support and expertise that provides them with the tools to incorporate issues such as gender considerations and focus on youth entrepreneurship and employment into the negotiations and implementation of the AfCFTA. Traders from the informal economy are also specifically vulnerable and in need of targeted support (capacity building, targeted policies etc), in order to reap the benefits of AfCFTA. The partnership with AUC will incorporate gender specific targets in relation to negotiations and targets for female staff members in the Secretariat. UNECA will integrate issues on gender and youth in all their workstreams, both in regard to the Danish support and to an increasing extent their workstreams in general that have an increasing focus on gender/youth and vulnerable groups. UNECA will have a special focus on LDCs and member states with less capacity, as such also contributing to an inclusive AfCFTA at the continental level. The partnership with UNECA will include specific targets on women/youth and vulnerable groups in order to expand the body of knowledge available on the effects and potential for women/youth and vulnerable groups in relation to the AfCFTA. UNECA will use the knowledge they produce actively in their work with REC's and member states to make sure that these issues are addressed during negotiations and implementation. This work continues with the interventions aimed at private sector engagement. UNECA will among other engagements with the private sector work with business associations in the selected countries in order to contribute to a better understanding of the AfCFTA. If the AfCFTA is to be successful it is important that the private sector has sufficient knowledge on how they can benefit from the AfCFTA. This is especially true for women/youth and vulnerable groups who to a lesser degree have access to information that can help them benefit from the AfCFTA. UNECA will target women's business associations, youth groups, cross-border traders and in general focus on MSME's in their work with the business associations. All these efforts will contribute to a more **inclusive** AfCFTA.

Lastly, the Danish support to the AfCFTA will have a strong focus on climate change and green transition. Resources will be allocated to make sure that contributions are made both in

regards to negotiations and implementation, and as such in regards to 'greening' the AfCFTA which can contribute to a more environmentally **sustainable** free trade area when fully established.

The Danish support will contribute to finalisation of the negotiations and the full establishment of 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.

It is important to bear in mind that 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 compromises. 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.

For the Danish support to reach outcomes and ultimately the programme objective some **key assumptions** have been made:

- There is continued political will from the member states to complete the AfCFTA process, also in the aftermath of COVID-19
- UNECA is able to continue to be a trusted partner by the African Union and its member states in facilitation and analysing aspects of the AfCFTA
- UNECA continues to utilize their strategic partnership with the AU (AUC, member states and RECs) in order to have a 'seat at the table' in the negotiations and in the implementation at national level
- Member states are willing to incorporate considerations on climate change and green transition into the negotiations and implementation of the AfCFTA
- The AUC continues to be successful in facilitating the necessary negotiations
- The AfCFTA secretariat will swiftly be adequately staffed and will successfully oversee the implementation of the AfCFTA, including incorporation of climate change and green transition in relevant processes.
- The African countries will work positively towards ensuring that the structural transformation expected from the AfCFTA will lead to inclusiveness and benefit women, youth and MSME's.
- COVID-19 will not cause delays that hinder the programme partners in delivering on targets and they are able to use the funds made available within the agreed timeframe.

These assumptions and their developments as a corner stone in the theory of change will be monitored as part of the programme monitoring. This will be integrated into the continuous risk assessment and monitoring of risk development.

3.3. Aid effectiveness

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, UNECA Strategic Framework for 2018-2019 and the UNECA work plan for 2019-2021.). 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 (JFA) which has earlier been in place. Until these are developed, 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. Denmark will continue to be an active member of existing relevant donor harmonisation arrangements (e.g. the African Union Partners Group¹⁴ (AUPG), and steering committees of existing JFAs which are in pilot phase¹⁵). The Embassy will continue to push for informal donor coordination with the partners also during the JFA pilot phase, and consider to channel Danish support through this.

3.4. Considerations on the human rights based approach and environmental concerns

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 others 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.

Small-scale traders and especially women, who generally exhibit lower literacy and empowerment levels and more limited voice and options for being heard compared to their male counterparts makes women more vulnerable to abuses in cross-border trade, and less likely to participate in policy-making processes related to trade facilitation. This will be a focus area in the deliberations both during negotiations, in discussions at REC- and country level during implementation to ensure that the implementation of the AfCFTA will 'leave no one behind'. One activity is to include women business associations in activities at country level.

The above-mentioned UNECA study also identified a number of recommendations for the ongoing policy dialogue to ensure the AfCFTA becomes inclusive and benefits all socio-

¹⁴ The African Union Partners Group comprises 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.

¹⁵ 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 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 currently in pilot phase– 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.

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 provides recommendations for how the AfCFTA can be developed while addressing concerns about climate change and environmental degradation, which is a very concrete focus area of the current Danish support to both AU and UNECA. 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, outcome 2 and 3 of the support to UNECA (see above) have specific focus on climate change and green transition and ensuring that such considerations are included in both the negotiation process and the implementation of the AfCFTA. The Embassy will furthermore push for attention to climate-related issues through political dialogue with the partners.

Additionally, the Danish Embassy 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.

3.5. Sustainability of support and exit strategy

As mentioned above, the Danish funding will assist in the inception phase of the AfCFTA. The support to analytical capacity and stakeholder consultations undertaken by UNECA will only be relevant during the initial phases of establishing the AfCFTA and are therefore time-bound and does not require long-term financing beyond the period of the Danish programme support. 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 AUC's 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 which the Embassy has with the AUC through e.g. the Africa Programme for Peace.

As for the programme and the cooperation with the partners (AUC/AfCFTA Secretariat and UNECA), the Embassy will continuously assess the progress and results achieved as well as how the cooperation between the partners and the Embassy is unfolding. Should partners fail to meet expected progress or deliver results as agreed, the modalities of the programme and the cooperation with the partners will be reassessed by the Embassy, who will consider making changes as appropriate in order to get the programme back on track. The same applies in case the cooperation between the Embassy and the partners is not deemed acceptable and conducive to creating the desired results.

4. Programme 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 and reflects the factors highlighted in the description of partners in Annex 2.

The AUC is chosen because the AU is the paramount inter-governmental African organisation responsible for the establishment of the AfCFTA including the ongoing negotiations. The mandate of ensuring a successful AfCFTA rests with the AU. The primary aim of UNECA is to work towards achieving Agenda 2030 as well as Agenda 2063, 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.

4.1. Lessons learned from previous support

As mentioned in the introduction in section 1, Denmark has worked with and supported the two organisations since the initial 25 million was approved in late 2019. Due to COVID-19 the programme did however not move much forward and the Danish experience in working with AU and UNECA on the specific issues supported as part of this programme is therefore fairly limited. Denmark does however have an extensive history with both the organisations on other issues, and the current programme builds on the key lessons learned from this support. Denmark has a longstanding partnership with the African Union as part of the Africa Programme for Peace providing support to the organisation's work on peace, security and democratic governance. Denmark has also previously provided support directly to UNECA, including 30 million DKK support to the 2014-2015 business plan provided through a Joint Financing Arrangement. 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 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 have 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 to mention), but also in relation to urgent requirements where partner support is desired.

Another 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 in pilot phase between the African Union Commission and the international partners.

As mentioned, the Danish Embassy is already engaged in this work through the collaboration with the African Union as part of the Africa Programme for Peace.

4.2. Support to the African Union Commission (AUC)

The African Union is responsible 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.¹⁶ Its current vision and mission are set out in Agenda 2063, which includes amongst its objectives – the 7 so-called aspirations, where the first two are especially relevant in relation to this programme: 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. The objective is to accelerate intra-African trade and boost Africa’s trading position in the global marketplace. 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.

The theory of change underlying this engagement is therefore that Danish support is expected to contribute to the effective and efficient conclusion of phase II 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 Danish programme:

Programme Outcome 1: Contribution to successfully concluding the negotiations of the AfCFTA.

Within this programme outcome area, the principal focus will be on conducting necessary rounds of negotiations between the member states with a special emphasis on competition policy and green growth. The outcome will inter alia be achieved through providing funding to a senior expert on competition policy who will guide relevant parts of the phase II negotiations within this thematic area, and an expert of green growth who will be responsible for ensuring that climate change and green transition are considered and included in the negotiations, especially in relation to investment and competition policies (AU outcome 1).

Programme Outcome 3: Contribution to supporting a strong institutional framework of AfCFTA.

Within this outcome area, the principal focus will be on supporting an interim secretariat embedded in AUC (during 2020), establishing the AfCFTA secretariat in Accra, Ghana (from 2020), and ensuring sufficient capacity to successfully oversee the implementation of the continental free trade area (AU outcome 2). The Secretariat in Accra will be an autonomous entity under the African Union. Additionally and of equal importance funds will also be allocated towards a green growth/climate expert and an expert in gender, youth and vulnerable groups in the Secretariat in order to ensure that the circle is complete in terms of

¹⁶ AU Constitutive Act, Article 3

focusing on climate change and green transition and incorporation of consideration on gender, youth and vulnerable groups from knowledge work through negotiations to implementation. The DED with AU further details the outcomes, outputs and activities to be undertaken by AUC and the Secretariat.

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

The UN Economic Commission for Africa is one of five regional commissions under the United Nations. UNECA's mandate is to promote the economic and social development of its member States, foster intra-regional integration, and promote international cooperation for Africa's development. 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 realisation of the AfCFTA to ensure the potential gains to job creation and integration are reaped. This includes assisting member states in their work in negotiating coherence in trade policies at a continental level, mainstreaming of gender and youth, as well as consultative work in harmonizing rules and policies within investment, competition and intellectual property rights to facilitate the ongoing phase II 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. More details on this is provided in the DED with UNECA.

UNECA's mandate 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."

In line with UNECA's 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 of member states and RECs on issues at the heart of the AfCFTA pertaining to trade, investment, competition and intellectual property rights.

With contribution from Denmark, UNECA will work in the following work streams i) enhancing the capacity of member states and RECs to implement AfCFTA phase I issues and roll out policies to govern the interface of the AfCFTA with existing trade agreements, and ii) enhancing capacity of member States to mainstream considerations on climate change and green transition into phase II negotiations and phase I implementation through knowledge work and policies, and iii) enhancing capacity of member states to 'green' their national implementation strategies. The private sector is a key stakeholder in a successful AfCFTA and there will be several engagements with the private sector through the partnership with UNECA. The engagements will among other things be targeted at providing the private sector actors

with sufficient knowledge to benefit from the trade agreement not least in regard to green investment opportunities. Throughout the workstreams, it is ensured that specific attention is paid to women, youth and vulnerable groups in order to ensure that these groups will also reap the benefits of increased intra-regional trade.

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

***Programme Outcome 1:** Contribution to successfully conclude the negotiations of the AfCFTA.* Within this programme outcome area, 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. This will also include how this can encompass 'green' aspirations and considerations, and how the private sector can be engaged in and benefit from green investment opportunities. 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.

***Programme Outcome 2:** Contribution towards ensuring that member states have the right implementation frameworks in place to achieve sustainable and inclusive economic results from the AfCFTA.* Within this programme outcome area, 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 will 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. UNECA will also work directly with member states on their national implementation strategies including ensuring that they have clear green ambitions. The AfCFTA can only be successful through involvement of the private sector, as it will be the driver of the economic growth made possible by the AfCFTA. UNECA will engage with the private sector in several ways that are aimed at contributing to a better understanding of the AfCFTA for private sector stakeholders. The interventions will have a focus on inclusiveness through incorporation of women/youth and vulnerable groups.

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 Commission's activities related to AfCFTA. 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 DED with UNECA further details the outcomes, outputs and activities to be undertaken by UNECA.

5. Management set-up

5.1. Implementation modality and donor coordination

The programme will be implemented by the two supported organisations and will be managed from the Embassy of Denmark in Addis Ababa. The management of the 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. It is not the intention that the Danish Embassy will be involved in any day-to-day organisation or management of the work of the two organisations. In order to maintain an adequate level of overview of the programme, the Embassy 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.

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

The existing engagements with the two organisations have made Denmark a trusted partner. Denmark can utilize this position as a platform for policy dialogue so to expand 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.

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. As mentioned, the EU plays a key role in this coordination as the biggest donor to the regional integration agenda, and Denmark has, as an EU member, special access to assistance from the multilateral EU-delegation.

Based on the timely input from AUC and UNECA, the Embassy 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 be able to draw upon the Monitoring, Evaluation, Accountability and Learning (MEAL) contract that is funded as part of the Danish support to the African Programme for Peace and through this contract get M&E support specifically related to AUC but also UNECA implementation. Through the management budget line funds has been allocated to this on a yearly basis. The M&E support is also aimed at ensuring adaptive learning and flexibility as there are many unknowns in regard Covid-19 and the general progress of the AfCFTA that necessitates a flexible implementation approach in line with DDD principles.

The Danish Embassy in Addis Ababa will ensure that the Danish MFA 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 video conferences with the relevant Danish missions such as other Embassies in Africa and the Danish Mission in Geneva. This could be jointly coordinated with the Department for Africa, Policy and Development (APD) in the Ministry of Foreign Affairs in Copenhagen.

5.2. Communication

The Embassy – supported by the MEAL-team to be contracted under the regional programme, Africa Programme for Peace - 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. Specific attention will also be given to informing the Danish private sector on the status and possibilities of the AfCFTA through relevant channels with the aim of increasing knowledge of the commercial potentials that the AfCFTA will also bring to Danish companies when implemented. 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.

5.3. Mid-term review

A mid-term review of the Danish support is foreseen in Q2 2022. If possible and relevant, the mid-term review could be undertaken jointly with other donors supporting the AU and UNECA in the implementation of AfCFTA. Besides implementation progress, development in risks and assumptions made in the theory of change and adjustment needed to the engagement, it is proposed that the mid-term review should pay particular attention to the following:

- Progress in budget uptake by AUC and absorption capacity
- Effectiveness of the AfCFTA Secretariat in Accra
- Uptake of UNECA's knowledge products, especially those related to green growth, at the level of AUC, the AfCFTA secretariat and member states
- Extent to which women and youth are included in the processes and the extent to which considerations on vulnerable groups are included in the products, processes and procedures
- Timeline of the negotiation process and implementation
- Assessing possible needs for re-allocation and adjustment to the funding profile
- Revision of results frameworks to correspond to new AMG formats

6. Budget

The total budget allocated to the programme is 50.0 million DKK. The budget will be allocated to the African Union Commission and the UN Economic Commission for Africa. The programme has the following budget for planned disbursements.

Budget for Danish support to AfCFTA 2020-2023 (million DKK)

Engage ment	Outcome	2020	2021	2022	2023	Total
----------------	---------	------	------	------	------	-------

AUC	Outcome 1 - Phase II negotiations	2,65	2,65	2,65	7,95
	Outcome 2 - AfCFTA institutions	3,55	3,55	3,30	10,40
	Total	6,20	6,20	5,95	18,35
UNECA	Outcome 1 - Implementation of phase I	2,35	1,65	1,55	7,09
	Outcome 2 - Phase II negotiation and phase I implementation	0,40	3,65	2,55	9,25
	Outcome 3 - 'Greening' the AfCFTA Impl.	2,95	1,95	1,84	6,74
	UNECA admin costs ¹⁷	0,47	1,40	1,03	3,92
	JPO	0,30	1,00	1,00	3,00
	Total	3,52	10,65	8,08	30,00
	Programming assistance, Reviews, M&E	0,25	0,45	0,75	1,65
	Total	3,80	16,95	15,55	50,00

6.1. Absorption capacity in and synergies between the partner organisations

The budget includes an overview of the allocated funds, for the two partnerships with AUC and UNECA. A budget at output level can be found in the UNECA DED, while a budget at output level for the AUC will be provided in connection to the inception review in 2021. Due to the COVID-19 pandemic limited spending has occurred in 2020 and the programme has been extended with one year to 2023 to accommodate for the delay. While close to DKK 18,35 million is directed to AUC, UNECA is supported with DKK 30 million. The reasons for this apparent imbalance are several. While AU (and the AUC) is the cornerstone in ensuring the negotiation process and the subsequent implementation of the AfCFTA, the organisation is also financed by its members states with an explicit objective of ensuring self-sufficiency and less dependence on donor funding. Secondly, the organisation has a relatively low absorption capacity. Thirdly, it can be challenging to channel funds to specific programmes via the AUC budget, which is the proposed modality of the Danish support. UNECA on the other hand has significant in-house expertise on the topics in question and has unique access to the AUC and to assist in facilitation of and feeding into the processes in the AUC. As such there exists a synergetic and almost symbiotic relationship between the two organisations in terms of negotiating and implementing the AfCFTA. UNECA's absorption capacity is considered solid.

It is noted that the budget allocated for AUC in 2020 is nil. The first part of the Danish programme was approved in December 2019, at a time when AUC's budget for 2020 was already approved, and hence the Danish support could not be added to the budget. At that time, it was expected to include the Danish funding for 2020 originally planned for through an AUC supplementary budget proposal in early 2020 in order to move forward with the support by Denmark for both the AUC negotiations (outcome 1) and the AfCFTA Secretariat (outcome 2). The COVID-19 pandemic however disrupted this process, and at the time of reprogramming the support to cater for an increased appropriation (September 2020), no funds had been transferred and spend, which is why the budget for 2020 above reads 0. For 2021, the Danish support will be included in the AUC budget.

¹⁷ The 13% PSC is a UN General Assembly Resolution and mandate. This is specifically for the UN Secretariat in which UNECA and other regional economies are part. Waiving the 13% PSC is possible under certain circumstances but this would require putting forward a special case to the UN Controller's Office.

6.2. Revision of AUC DED in 2021

Since the AfCFTA secretariat as of August 2020 is no longer an interim secretariat in Addis Ababa, but an autonomous entity under the AUC, the funding should from 2022 be directed directly to the Secretariat and not to the AUC. It is not possible to do from 2021, as the AUC budgeting process for 2021 is already ongoing and the Danish 2021 support to the Secretariat is on the AUC budget.

From 2022 there exist two options on how to move forward with providing Danish support to the secretariat.

1. **Revision of the parties to the AUC.** A shift from signatory from the African Union Commission to the African Union would mean that the support included in the DED could be directed to both the AUC and the Secretariat as two separate legal entities under the African Union. This option would probably be the easiest to implement, if it is an option that is practically and legally possible for the African Union.
2. **Establishment of a separate DED with the AfCFTA Secretariat.** When the Secretariat has its own legal unit, procurement unit etc., a DED could be made directly between the Danish Embassy in Addis Ababa and the AfCFTA Secretariat. The budget related to Outcome 2 of the support from 2022 onwards should then be included in the DED with the secretariat, and the current DED with the AUC correspondently be revised.

No matter what option is decided upon, the DED with AUC will need to be revised. Due to the budgeting process in the AU, the change would need to take place at the latest during Q2 2021, in order to ensure that the Danish support will be budgeted correctly for 2022. The Danish Embassy in Addis Ababa will be responsible, through commissioning of an inception review, for revision of the DEDs in close cooperation with the AUC, cf. below.

6.3. Budget line on programming assistance

The funds for management include funding to undertake a scoping and formulation mission of additional funding to the programme available through the 2020 finance act. In 2021 funds have been allocated for the Embassy to conduct an inception review concerning the Danish support to the AfCFTA secretariat and to receive assistance to reformulate the DED with the AUC. In 2022 funds have been allocated for a midterm review (Q2) that includes a revision of the results framework in accordance with new formats being developed by the MFA. For each year of the programme, funds have been allocated for M&E support to the Embassy which could be procured through the APP MEAL contract.

7. 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 risks of the programme are considered relatively low.

Contextual risks: 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. Additionally, the COVID-19 pandemic represents a contextual risk that needs to be considered for its potential impact

The AfCFTA is a highly politicised process that has to accommodate a multitude of different national agendas, a situation could occur where there is lack of political support to the AfCFTA

if continued work with member states is not undertaken to ensure inclusivity. Numerous regional free trade areas exist within the African continent, and it is important that continued work is done to highlight the benefits of the AfCFTA once fully implemented, otherwise the AfCFTA could end up competing with other regional free trade areas that have already been implemented. The on-going COVID-19 and the complete or partial lock downs still in place in many countries can have an impact on the ability of the partners to deliver on activities within the given timeframes, additionally the AfCFTA process is at risk of being delayed if pandemic continues to restrict interaction and mobility. Additionally, the COVID-19 pandemic creates a risk in regards to protectionism and nationalism that could develop in the wake of the pandemic hindering the effective implementation of the AfCFTA.

Programmatic risks: Main programmatic risks relate to possible delays in negotiations due to competing agendas and engagements at partner level, or due to too high level of optimism in terms of the timeline of the negotiations. This would lead to a delay in implementation and that momentum of some of the activities might be lost. There is also a risk of comprehensive procurement processes delaying the staffing of both the AUC and the AfCFTA Secretariat which would lead to the experts not being in place in time to contribute efficiently to the AfCFTA processes.

Institutional risks: There are no great risks at the institutional level for Denmark in engaging in the programme. The partners are well known well-reputed organisations and the programme is high on the political agenda. The AfCFTA is of high priority for most African countries and the contribution to the process of the AfCFTA by AUC and UNECA does not present them with major institutional risks

Annex 5 includes a detailed risk management matrix.

Support to implementation of African Continental Free Trade Area (AfCFTA)

Development Engagement Document

African Union Commission

Revised version 12th October 2020

FINAL DRAFT

Contents

1.	Preamble	38	
2.	Parties	38	
3.	Documentation	38	
4.	Status of AfCFTA	38	
5.	Background to the African Union and its role in regional integration in Africa	39	
6.	AUC and the COVID-19 pandemic	40	
7.	AUC as Programme Partner	40	
8.	Development engagement objectives	41	
9.	Outcomes, outputs and activities	42	
9.1.	Outcome 1	42	
9.2.	Outcome 2	44	
10.	Budget	45	
10.1.	Notes to the original budget vs. the updated budget	45	
10.2.	The budget from 2022 onwards	45	
10.3.	Other budget notes	46	
11.	Risk Management	46	
12.	Management arrangement	47	
13.	Financial Management	48	
13.1.	Disbursement modalities	48	
13.2.	Arrangements concerning support provided through JFAs	49	
13.3.	Arrangements concerning support provided bilaterally	49	
13.4.	Use of interest accrued	49	
13.5.	Procurement	49	
13.6.	Cost conscious management	50	
13.7.	Audit	50	
14.	Monitoring and Evaluation	50	
14.1.	Monitoring	50	
14.2.	Reviews and evaluation	50	
15.	Pre-requisites	51	
16.	Signatures	51	
	Annex A: Institutional context	52	
	Annex B: Results Framework	54	
	Annex C: Risks Management Matrix	56	
	Annex D: Intervention logic of the Danish Programme Support	59	

1. Preamble

The present Development Engagement Document (DED) details the objectives and management arrangements for the development cooperation concerning Danish support to the African Union Commission (AUC) as agreed between the parties specified below. The engagement document is annexed to the support agreement between the parties and constitutes an integrated part hereof together with the documentation specified below. The Danish support is part of the Danish Support to Implementation of the African Continental Free Trade Area (AfCFTA) running from 2020 - 2023.

This DED replaces the DED dated December 2019. The original DED was signed before additional funding to the programme was made available from the Danish Ministry of Foreign Affairs in 2020. The current DED covers the initial as well as the additional funding, and the narrative has been updated to reflect the newest developments in AfCFTA.

This development engagement document should be read in conjunction with the Programme Document for the Support to Implementation of the African Continental Free Trade Area (AfCFTA).

2. Parties

The Parties are the Royal Danish Embassy in Addis Ababa and the African Union Commission in Addis Ababa (AUC).

3. Documentation

Documentation refers to the partner documentation for the supported intervention, which includes the AU Constitutive Act; the AU's most recent overall strategic policy statement - Agenda 2063 – and its first 10 year Implementation Plan, the Medium Term Plan (2018-2023), annual work plans and joint programme documents.

4. Status of AfCFTA

The adoption by heads of state and government of the "Agreement establishing the African Continental Free Trade Area" on 21 March 2018 during the 10th Extraordinary Summit of the Assembly of the African Union in Kigali, Rwanda was preceded by years of negotiations between the member states. These negotiations were facilitated by the AUC.

Sierra Leone became the 22nd country to ratify the agreement on 30 April 2019, meaning the Agreement came into force one month later on 30 May 2019. As a result, the 12th Extraordinary Summit of the Assembly of the African Union on 4 July 2019 in Niamey, Niger, launched the operational phase of the AfCFTA. By the end of July 2019, 54 of 55-member states had signed the Agreement (with only Eritrea yet to sign) and 27 countries had delivered their notice of ratification.

Trading under the AfCFTA was supposed to start on 1 July 2020 between the ratifying countries but it is now delayed until 1st of January 2021 due to the COVID-19 pandemic. The establishment of the AfCFTA Secretariat in Accra, Ghana has also been delayed. It was expected to start operating 31st of March 2020, but was not handed over until 17 August 2020. An extraordinary summit, initially scheduled on 30 May, now rescheduled for 5th December 2020, should approve all instruments required for the start of trading under the AfCFTA as from the 1st January 2021.

The negotiations on Phase I Protocols on trade in goods (product exclusions, rules of origin, trade defence measures) and trade in services are still ongoing between African Union Member States and/or Regional Economic Communities - RECs. Negotiations on Phase II Protocols on competition policy, intellectual property rights and investments are yet to fully kick-off, but are set to commence in 2020. In January 2020, a decision was made to incorporate an additional round of Phase III negotiations on e-commerce, which are yet to start, but are scheduled to be concluded in 2022.

5. Background to the African Union and its role in regional integration in Africa

The African Union 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.¹⁸ Its current vision and mission are set out in Agenda 2063, which includes amongst its objectives – the 7 so-called aspirations, where the first two are especially relevant in relation to this programme: 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 marketplace. 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.

The idea of a more integrated continent 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 and the identification of the flagship programmes, however, that the ambitions were concretized. The 25th Ordinary Session of the Assembly of the African Union in Johannesburg, South Africa, in 2015 decided to launch negotiations to establish the Continental Free Trade Area and to work towards concluding these by 2017. Heads of state and government adopted the “Agreement establishing the African Continental Free Trade Area” on 21 March 2018 during the 10th Extraordinary Summit of the Assembly of the African Union in Kigali, Rwanda. Sierra Leone became the 22nd country to ratify the agreement on 30 April 2019, meaning the Agreement came into force one month later on 30 May 2019. As a result, the 12th Extraordinary Summit of the Assembly of the African Union on 4 July 2019 in Niamey, Niger, launched the operational phase of the AfCFTA. 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

¹⁸AU Constitutive Act, Article 3

population and 46 percent of its economy. Today (September 2020) 31 Member States have ratified the agreement.

While the achievements already obtained by the AUC and its member states are impressive, much needs to be done if the AfCFTA is to become successful and have the envisioned impacts on the African economies. Phase I negotiations are still to be fully finalised and although the phase II negotiations have been initiated there is still a long way to go before they are concluded. If the AfCFTA is to come into effect on 1 January 2021 as planned, member states need to be ready to support free trade across borders, assess and review their existing trade and investment and competition policies in order to reap the benefits of the AfCFTA. Finally, the AfCFTA Secretariat, which was officially inaugurated in August 2020 (i.e. during the Danish programme), needs to be fully staffed and institutionalised in order to monitor and guide the implementation of the AfCFTA.

6. AUC and the COVID-19 pandemic

The COVID-19 has had a significant impact on the work of the AUC in relation to the AfCFTA. Due to travel restriction most activities have been carried out online. If the operationalisation timeline of 1st January 2021 is to be met it is the view of the AUC that negotiations must be held online. This has in turn been cause for concern from the Member States in regard to infrastructure stability, security and confidentiality. In an effort to mitigate these issues the AUC received support from among other the African Virtual Trade-Diplomacy Platform (AVDP) to find solution to these issues. To ensure that Member States' concerns about the security and reliability of the digital platforms, the Commission constituted a committee of experts, including representatives from Member States, relevant Departments and Directorates of the AU Commission and security and Information technology specialists from the African private sector, to examine all aspects of the matter and present comprehensive guidance and advice to the Senior Trade Officials of Member States tasked with the AfCFTA program. Work still remains in addressing all the issues related to conducting negotiations online, but the AUC have taken decisive actions towards mitigating the affects COVID-19 and AfCFTA negotiations.

7. AUC as Programme Partner

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. Similarly, Denmark has worked extensively to promote sustainable, inclusive growth across the continent through enhanced regional economic integration through bilateral as well as regional programmes. For instance, Denmark is a founding partner of the TradeMark East Africa initiative that has worked to promote regional economic integration in the East African Community since 2010.

The current programme aims to expand the existing cooperation between Denmark and the African Union Commission by providing support to the AUC's work on negotiating and implementing the AfCFTA.

The theory of change underlying this engagement is therefore that *if* Denmark provides support to the ongoing phase two negotiations and the establishment of an AfCFTA Secretariat and *if* AUC is able to continue to enjoy political support from its member states to the

negotiations and the subsequent implementation of the AfCFTA and *if* the AUC is able to secure sufficient staff capacity in key positions including green growth, *then* the continent will see an effective and efficient implementation of an inclusive and sustainable AfCFTA leading to increased intra-African trade and promoted intra-African integration.

8. Development engagement objectives

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

The specific objective of the development engagement with AUC is to **contribute to the AfCFTA negotiations and establishment of the institutional framework for AfCFTA to achieve progress towards an inclusive and sustainable AfCFTA** thus drawing upon Aspirations 1 and 2 of the Agenda 2063 and outcome 3 of the Medium-Term Plan 2018-2023.

The engagement will contribute to this objective by supporting the following two outcomes:

Outcome 1: Completion of phase II negotiations on competition policy, intellectual property rights and sustainable investment policy

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 and green growth. The outcome will inter alia be achieved through providing funding to a senior expert on competition policy who will guide relevant parts of the phase II negotiations within this thematic area, and an expert of green growth who will be responsible for ensuring that climate change and green transition are considered and included in the negotiations.

Outcome 2: Contribution to strong AfCFTA institutions to oversee the successful implementation of the AfCFTA

Within this outcome area, the principal focus will be on supporting an interim secretariat embedded in AUC (during 2020), establishing the AfCFTA secretariat in Accra Ghana (from 2020), and ensuring sufficient capacity to successfully oversee the implementation of the continental free trade area. The Secretariat in Accra will be an autonomous entity under the African Union.

The expected outputs under each of the outcome areas is further described below. Annex A includes a detailed results framework for the DED. The outcome areas of the current engagement will work towards outcomes 1 and 2 of the overall outcomes of the programme, as envisioned in the programme document, cf. intervention logic of the Danish programme support in Annex D.

Denmark will base its support on progress attained in the implementation of the engagement as described in the AU and AUC's planning documents (incl. Agenda 2063 and the relevant decisions taken at Assembly and Executive Council meetings) and on progress measured through the AUC's own monitoring frameworks. Progress is however also monitored by the key result indicators included in the results framework in Annex B.

9. Outcomes, outputs and activities

Through the Danish funding, support will be provided to the following activities and outputs based on approved work plans and budgets for the African Union Commission Department for Trade and Industries.

9.1. Outcome 1

Completion of phase II negotiations on competition policy, intellectual property rights and sustainable investment policy.

This outcome area will provide support to the completion of the phase two negotiations on competition policy, sustainable investment policy and intellectual property rights. The support will be directed towards undertaking negotiation rounds and conducting stakeholder analysis at national and regional level. A particular emphasis will be given to the negotiations on competition policy through funding to a senior-level expert on the topic.

The support will be directed towards activities related to outcome three of the AU 2018-2023 Medium Term Plan: "Infrastructure development and environment for inclusive economic development, industrialization, private sector-led intra-African trade and sustainable utilization of natural resources created".

The Tenth Extraordinary Session of The Assembly of the African Union on 21 March 2018 Kigali, Rwanda (Ext/Assembly/AU/Dec.1(X)) in their Decision, requested the African Union Commission to facilitate the conclusion of the outstanding issues (the so-called "Built-In Agenda") in Phase I, and to continue to support Phase II of the negotiations under the institutional framework which was adopted by the Assembly in June 2015. In particular, Article 7 of the Framework Agreement provides that Member States shall enter into Phase II negotiations within i) intellectual property rights (IPR), ii) investment and iii) competition policy.

The seventh meeting of African Union Ministers of Trade (AMoT), held on 12 - 13 December 2018 in Cairo, Arab Republic of Egypt further directed the African Union Commission to:

- i. Develop draft terms of reference for each Technical Working Group (TWG) for consideration by the AfCFTA Negotiating Forum (NF) by April 2019;
- ii. Carry out the planned situation analysis studies on Phase 2 issues by April 2019; and
- iii. Provide the requisite logistical and administrative support to Phase II Negotiations.

The 32nd Ordinary Session of the Assembly of Heads of State and Government of the African Union which took place from 10 to 11 February 2019 in Addis Ababa, Ethiopia, requested the African Union Ministers responsible for trade to conclude the negotiations on Investment, Competition Policy and Intellectual Property Rights, and submit the draft legal texts to the January 2021 Session of the Assembly for adoption through the Specialized Technical Committee on Justice and Legal Affairs. As described above, these timelines have been postponed due to the general delays in the process resulting from the Covid-19 pandemic outbreak.

Output 1.1: Enhanced expertise to support progress in Phase II negotiations and domestication of 3 protocols

A senior level expert (P5) on Competition Policy will be funded through the Danish contribution. The expert will lead the phase two negotiations on competition policy. Similar positions are funded by other partners on Intellectual Property Rights and Investment respectively. An expert on Green Growth will also be recruited by AUC. This expert will work in the commission with a specific focus on ensuring that considerations on climate related issues, green transition and green growth more broadly are included in the negotiations. The United Nations Economic Commission for Africa (UNECA) will, as part of the Danish support, carry out studies, research and policy papers on green topics, which will be used actively by AUC and the expert in this process.

The Danish support will also finance two Technical assistants (P1). The Technical assistants will support the Senior Experts on Competition Policy and Intellectual Property Rights (IPR) respectively in order to carry out the phase II negotiations within these themes.

Due to the budget cycle of AU (1st January – 31 December) and the timing of the original Danish support (agreement signed in December 2019), and later the COVID-19 pandemic, the recruitment process of the Expert on competition policy has been delayed. The results framework in Annex B provides yearly targets that take into consideration this updated timeline. AUC will be recruiting the expert early 2021. The expert on green growth has been included in this revised DED (September 2020), and will be part of a supplementary budget proposal by AUC in Q1 2021 in order for the expert to be in place as early as possible in 2021. Cf. also Budget section below.

The expert team will work towards contribution to the domestication of three protocols (with focus on Competition policy and green growth) into national legislation in at least 10 member states.

Output 1.2: Successful meetings of the Technical Working Groups (TWG's) contribute to the progress of Phase II Negotiation

As part of successfully contributing to the Phase II negotiations, meetings in the Technical Working Groups (TWGs) on the Competition Policy, Investment and IPR will be supported. The TWGs are established in accordance with Rule 5.2(f) of the Rules of Procedure for the African Continental Free Trade Area Negotiating Institutions. The TWGs would undertake technical work in this subject area and shall report to the AfCFTA-Negotiating Forum on their activities and outcomes thereof. The work in the TWGs will make use of relevant knowledge work undertaken by UNECA within the same areas, including considerations on climate change and green transition. The TWG's work will also contribute to the drafting of the three protocols as legal texts in 10 countries cf. output 1.1.

Output 1.3: Capacity building of Member States on issues related to the phase II protocols including climate change and green transition

The AUC will undertake training and capacity building workshops for member states and regional entities on the issues included in the Phase II negotiations, including the green angle. Attention will be paid to ensuring female participants in the workshops, and that the workshop are needs based (based on member states' needs) but paying due attention to areas related to vulnerable groups in trade, greening of trade protocols, in order to ensure an inclusive and sustainable approach. The capacity building will make use of the knowledge base developed by UNECA.

9.2. Outcome 2

Contribution to strong AfCFTA institutions to oversee the successful implementation of the AfCFTA

This outcome area will provide support to the establishment of the necessary AfCFTA institutions as well as building the required capacity of these to oversee the successful implementation of the AfCFTA. Until August 2020, an interim AfCFTA secretariat has been working from within the AUC in Addis Ababa. The Danish support have contributed to and will continue to contribute to the following outputs.

Output 2.1: Organogram for the AfCFTA Secretariat adopted and implemented

In order to establish an efficient secretariat, agreement needs to be made on the institutional structure. This process is supported by Denmark and other donors. An organogram will be developed and approved, and position should be filled in a prioritised manner. The Secretariat based in Accra, Ghana will work as an autonomous institution under the African Union. It is a priority to ensure that a certain ratio of the positions are filled by women.

Output 2.2: AfCFTA Secretariat has adequate capacity to fulfil its mandate

The Danish support will assist in recruiting key staff for the Secretariat and provide budget salaries and related costs for the following staff members:

- Senior Investment Expert level P5
- Senior Intellectual Property Rights Expert level P5
- Senior Competition Policy Expert, level P5
- Web-based consultation expert
- Senior industry expert
- Senior Expert-P5 on green growth and climate change
- Expert (P3/P4) on gender, youth and vulnerable groups

The Danish funding of positions within the AfCFTA structures will be on a temporary basis, and it is expected that the positions will be funded by Member States as part of the regular budgetary process of the African Union after the support from international partners in the initiation phase.

10. Budget

Denmark will make available DKK 18,35 million from the Support to the Implementation of the African Continental Free Trade Area to cover the support for the four years 2020 to 2023 in line with this engagement document. The budget at outcome level is as follows¹⁹:

Development Engagement - AUC						
		2020	2021	2022	2023	Budget DKK millions
Outcome 1	Completion of phase II negotiations on competition policy, intellectual property rights and sustainable investment policy.		2,65	2,65	2,65	7,95
Outcome 2	Contribution to strong AfCFTA institutions to oversee the successful implementation of the AfCFTA		3,55	3,55	3,30	10,40
TOTAL AUC						18,35

There are a few important notes to make to the budget for AUC as presented above.

10.1. Notes to the original budget vs. the updated budget

Firstly, the first part of the Danish programme was approved in December 2019, at a time when AUC's budget for 2020 was already approved, and hence the Danish support could not be added to the budget. At the time it was expected to include the Danish funding for 2020 originally planned for (and part of the original version of this DED) through an AUC supplementary budget proposal in early 2020 in order to move forward in the recruitment process funded by Denmark for both the AUC negotiations (outcome 1) and the AfCFTA Secretariat (outcome 2). The COVID-19 pandemic however disrupted this process, and at the time of reprogramming the support to cater for an increased appropriation (September 2020), no funds had been transferred and spent, which is why the budget for 2020 above reads 0. For 2021, the Danish support will be included in the AUC budget.

10.2. The budget from 2022 onwards

Secondly, since the AfCFTA secretariat as of August 2020 is no longer an interim secretariat in Addis Ababa, but an autonomous entity under the AUC, the funding should from 2022 be directed directly to the Secretariat and not to the AUC. It is not possible to do so from 2021, as the AUC budgeting process for 2021 is already ongoing and the Danish 2021 support to the Secretariat is on the budget. The Danish funds included in the AUC budget for 2021 can be used for AUC activities as well as for the AfCFTA Secretariat in Accra as these funds were allocated for the AUC while they served as the interim Secretariat.

From 2022 there exist two options on how to move forward with providing Danish support to the secretariat.

¹⁹ A budget for the AUC at output level will be provided in connection to the inception review in 2021.

3. **Revision of the parties to this DED.** A shift from signatory from the African Union Commission to the African Union would mean that the support included in the DED could be directed to both the AUC and the Secretariat as two separate legal entities under the African Union. This option would probably be the easiest to implement, if it is an option that is practically and legally possible for the African Union.
4. **Establishment of a separate DED with the AfCFTA Secretariat.** When the Secretariat has its own legal unit, procurement unit etc., a DED could be made directly between the Danish Embassy in Addis Ababa and the AfCFTA Secretariat. The budget related to Outcome 2 of this current DED from 2022 onwards should be included in this DED, and the current DED with the AUC correspondently revised.

No matter what option is decided upon, this DED will need to be revised. Due to the budgeting process in the AU, the change would need to take place at the latest during Q2 2021, in order to ensure that the Danish support will be budgeted correctly for 2022. This will be a specific focus of the inception review scheduled for the 2nd quarter of 2021. The Danish Embassy in Addis Ababa will be responsible for commissioning support to the revision of the DEDs which will be done in close cooperation with the AUC.

10.3. Other budget notes

Any substantial reallocation (i.e. more than 10 percent) between budget lines from the budget above requires written approval from the Danish Embassy in Addis Ababa.

The commitment by Denmark is made in DKK. Possible losses or gains due to exchange rate fluctuations with regards to disbursed amounts in USD will be borne by AUC. Any unspent funds at the end of the programme period will have to be returned to the Embassy of Denmark in Ethiopia.

The funding profile in the budget assumes that Denmark will be joining with other partners in all of the areas supported and that the AU's relative share of costs will increase in line with the funding reform underway (the Kaberuka report) that is intended to increase the level and predictability of member state financing. It is expected that this will have implications during the programme period but that the full effects will likely not be evident until the final stages of the programme. Assessing possible needs for re-allocation and adjustment to the funding profile will thus be part of the task for a Mid Term Review expected to take place during 2022.

Disbursements will be made twice a year. 70 percent of the annual planned disbursement will be disbursed in the first quarter of the year and the remaining 30 percent will be disbursed in the third quarter after receipt of the financial report for the first half of the year with a clearly demonstrated need of additional funds. Disbursements will be based on a transfer request from the AUC indicating bank account detailed information. A written notification acknowledging receipt of funds should be submitted by the AUC no later than 14 days after receipt of the funds.

11. Risk Management

Risk management will be an integrated part of programme implementation and will be considered on a continuous basis by the Steering Committee which will be established. A programme level risk management matrix is attached the Programme Document and an overview of risks associated with this engagement is attached in Annex B.

12. Management arrangement

The Embassy of Denmark in Ethiopia is responsible for managing the support provided to AUC as part of the Danish programme to Support the implementation of the African Continental Free Trade Area. This includes monitoring the progress of the planned activities as well as political dialogue.

The parties have agreed to the following management arrangement with the aim to ensure adequate dialogue and timely decisions in regard to this development engagement. The arrangements will draw upon existing practices used for the Danish support and which have been largely successful. The support will be provided in accordance with the AU's Mutual Accountability Framework, which prioritises alignment and harmonisation of partner contributions together with transparent and accountable utilisation by the AUC.

The parties will prioritize the harmonization of support via the AU Partner Group (AUPG) that includes most of the AU's active partners. The AUPG will continue to be used for joint dialogue between the partners and the AUC and it will be supplemented as necessary by bilateral contacts. The Danish Embassy in Addis Ababa will continue to be represented in the AUPG and the Steering Committee as well as technical groups under the new Joint Financing Arrangement structure.

The Embassy will coordinate closely with the Department for Africa, Policy and Development within the Danish Ministry of Foreign Affairs in Copenhagen.

12.1. Prevention of sexual exploitation, abuse and harassment

The organisation agrees to ensure that the engagement is implemented in an environment free from all forms of harassment, exploitation, abuse and harassment, sexual or otherwise, especially in case of vulnerable groups. Sexual abuse is defined as actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions. Sexual exploitation is defined as any actual or attempted abuse of position of vulnerability, differential power or trust, for sexual purposes, including, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another. Sexual harassment is defined as any form of unwanted verbal, non-verbal or physical conduct of a sexual nature with the purpose or effect of violating the dignity of a person, in particular when creating an intimidating, hostile, degrading, humiliating or offensive environment.

The above definitions are referred to as Sexual Exploitation, Abuse and Harassment (SEAH).

The organisation confirms:

- 1) that it has adequate policies/standards or frameworks in place to prevent SEAH ;
- 2) that all employees have been informed about these policies/standards/frameworks; and
- 3) that there are appropriate SEAH reporting procedures and complain mechanisms in the organisation including the protection of victims of SEAH and that prompt and adequate action is taken if SEAH is observed, reported or suspected.

In case the development engagement includes subgrantees, the grantee is responsible for ensuring the prevention of SEAH also at the level of subgrantee.

Danish Ministry of Foreign Affairs has zero-tolerance towards SEAH and will consider non-adherence to point 1, 2 and 3 as grounds for immediate termination of grant.

12.2. Child labour clause

The organisation shall abide by the local laws and by applicable international instruments, including the UN Convention on the Rights of the Child and International Labour Organisation conventions.

The authority, organisation shall ensure that no one under 14 years of age or the age of the end of compulsory schooling in that area, whichever is lower, is engaged by the organisation or anyone working or acting under the authority of the organisation.

13. Financial Management

Both parties will strive for full alignment of the Danish support to the AUC's financial management rules and procedures and Danida Aid Management Guidelines.²⁰

The AUC has had success in introducing a consolidated and comprehensive budget process, which has improved dialogue with donors and harmonisation. The Commission is introducing multi-year budgeting and this is expected to be extended during the lifetime of the development engagement (i.e. using a Medium Term Expenditure Framework – MTEF). AUC has also increased transparency by publishing its 2014 and 2015 financial statements online.

The AUC follows international standards for financial management (accounting, procurement, auditing and reporting) and these are growing stronger. The most recent Pillar Assessment from the EU noted broad progress, although there were still shortfalls in some areas. The AUC is working to overcome these and its full transition to International Public Sector Accounting Standards (IPSAS) will be a significant achievement.

An assessment by the World Bank in 2012 judged that AUC has adequate procedures for preparing programme budgets, a good software system (SAP) for budget monitoring, and adequate internal controls and reporting arrangements. Its information management system, called AMERT (the African Management, Evaluation and Reporting Tool), is used for budget preparation, although there remains a need to strengthen the quality of outcomes, output statements and their indicators.

13.1. Disbursement modalities

The AUC has expressed a strong preference for joint arrangements whereby groups of donors supply funds as part of a common basket with common reporting and management. Several joint financing arrangements have existed, but currently work is underway to establish two encompassing joint financing arrangements – one for support to the peace and security department and one for the support to the AUC on other thematises. The support provided under this programme will to the extent possible be included in the upcoming joint financing arrangement.

²⁰<https://amg.um.dk/en/programmes-and-projects/january-2018-guidelines-for-programmes-and-projects/>. See also <https://amg.um.dk/en/tools/financial-management/>

13.2. Arrangements concerning support provided through JFAs

The JFAs are based on AUC plans and programmes and use AUC financial and reporting procedures and templates. JFA partners generally establish bilateral agreements with the AUC whereby their contributions are defined. In Denmark's case, the bilateral agreement will state that the JFA procedures agreed by the AU and the partners concerned will apply.

13.3. Arrangements concerning support provided bilaterally

Should the final establishment of the joint financing arrangement be postponed the Danish contribution will be provided directly in line with the following guidelines and make use of AU management and reporting.

The support will be based on the following criteria: that it is in line with AU strategies (Agenda 2063 and its sub-plans); there will be a demonstrated funding need (i.e. budget not met from other sources); there will be clear and result orientated plans underpinning the programme areas; it will be based on the priorities set forth in this agreement. Activities must be firmly anchored in AUC departments/divisions that have or can access capacity to achieve the required results. Activities must be described in an annual work plan, delivered to RDE Addis Ababa by November of the year before, and subject to discussion with and approval by the Embassy in December of the previous year. Changes in the agreed work plan can be done with the agreement from RDE Addis Ababa.

With this agreement, the first tranche will be of 50 percent of the yearly amount, and the remaining 50 percent will be released upon documentation of demonstrated needs as well as receipt of due financial reports and approved budgets.

Disbursements will be based on a transfer request from AUC indicating the requested amount as well as detailed bank account information. A receipt acknowledging receipt should be submitted by AUC no later than 14 days after receipt of the funds.

The possible allocation of technical assistance resources will be managed through a regular dialogue between the AUC and RDE Addis Ababa and taking into account support provided by other partners and the AU's own resources.

Financial and narrative reporting from the AU will take place on an annual basis. The Danish contribution shall clearly be identified in the financial reports.

13.4. Use of interest accrued

Interest accrued from bank holdings must be returned to RDE Addis Ababa on an annual basis. If it is not possible to calculate the interest pertaining to Danish funds, the interest should be used for the activities within the programme area, once the agreement of the Embassy has been sought.

13.5. Procurement

Procurement is not expected to form a significant part of the Danish support. Any procurement required will be in accordance with AUC agreed work plans and will be in line with AUC procurement rules, which have been assessed by the World Bank (2012) as being satisfactory.

13.6. Cost conscious management

AUC Management will ensure efficient and effective management of Danish funds. Administrative costs levied on the Danish grant should not exceed 7 percent of the annual disbursements. AUC will also ensure that a cost conscious travel policy is applied in accordance with AUC travel policy with the following limitations for the Danish funds: All staff travel with scheduled flight duration of eight (8) hours or less will be in economy class while all travel with scheduled flight duration exceeding eight (8) hours can be in business class. If there is no class designated as "business class" for the flight, the entitlement can be the class immediately below first class and the level of per diem for travel not exceeding UN rates. Consultants will not travel on business class.

13.7. Audit

Audit will take place in accordance with AUC procedures on an annual basis and as stated in JFA documentation (if different). Separate external audits of the Danish contributions not forming part of a JFA will be required annually. AU will take lead in the audits and will discuss the terms of reference with RDE Addis Ababa. The annual audits should be presented to RDE Addis Ababa no later than by June 30 the following year. The expense for the audits must be covered within the total Danish support to the AU.

14. Monitoring and Evaluation

14.1. Monitoring

The AUC will take overall responsibility for monitoring the implementation of its programmes and for narrative and financial reporting to partners. The reporting to RDE Addis Ababa must as a minimum occur at the same level of detail as the agreed budget above. The AUC now uses common reporting formats and this will form the basis also for reporting on the Danish support. The AUC (DTI) has agreed with its partners that progress reports will be delivered on an annual basis. A joint monitoring system will thus cover all of the Danish support based on AUC narrative and financial reporting and indicators that have been established for the individual programme areas.

Monitoring will also be carried out by RDE Addis Ababa – in close cooperation with the Monitoring, Evaluation, Accountability and Learning (MEAL) team that is contracted and funded as part of the Danish support to the African Programme for Peace – on the basis of its regular dialogue with the AUC, other contacts and reporting from the AU, and in conjunction with other donors (such as through the steering groups established for JFAs).

14.2. Reviews and evaluation

A Mid-Term Review is expected to take place in Q2 2022 to assess progress in the programme including the AUC engagement regarding planning, budgeting and results delivery. The baselines for this will be the agreed results framework presented in Annex B.

The Royal Danish Embassy maintains the right to undertake other reviews and evaluations as part of comprehensive management of the project and the support provided. Such reviews and evaluations will be coordinated with the African Union Commission.

15. Pre-requisites

The Danish cooperation with the AC Commission under this development engagement will become effective upon signature of this document.

16. Signatures

For the African Union

Chairperson of the AUC

Date:

For the Royal Danish Embassy in Addis
Ababa

Ambassador Karin Poulsen

Date:

Annex A: Institutional context

The African Union (AU) was established in 2002, replacing the then Organisation for African Unity (OAU). Its membership includes all countries on the continent – in all 55 member states. 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 and is led by a Chairperson, a Deputy Chairperson and eight Commissioners. The overall operating budget in 2019 is some USD 624million which covers USD 145 million operational budget, USD 254 million programme budget and 225 million for peace support operations.

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 a number of strategic goals (aspirations): Aspiration 1: A Prosperous Africa based on inclusive Growth and Sustainable Development; Aspiration 2: An integrated continent, politically united, based on the ideals of Pan Africanism and the vision of Africa's Renaissance; Aspiration 3: An Africa of good governance, respect for human rights, justice and the rule of law; Aspiration 4: A peaceful and secure Africa; Aspiration 5: An Africa with a strong cultural identity, common heritage, values and Ethics; Aspiration 6: An Africa whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children; and Aspiration 7: Africa as a strong, united, resilient and influential global player and partner.

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; (b) realign AU institutions to deliver against these priorities; (3) manage the AU efficiently at political & operational levels; finance the AU ourselves & sustainably. Complementing these, former AfDB President Donald Kaberuka has proposed a number of funding reforms, including financing the AU through a 0.2% 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% of programmes as well as 25 % of funding to peace support operation.

Until now, the majority of the programme funding and peace support funding has been provided by international partners, of which there is 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 at 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, which while improving, still fall short of EU requirements (pillar assessment), although a new pillar assessment is expected to be undertaken in the near future, which might impact on the available funding modalities. The AUC utilises SAP-based systems for strategic planning and reporting (AMERT), although this is not optimised. Reporting, for example, remains largely activity-based.

Annex B: Results Framework

The results framework below details the expected outputs under the two outcome areas. The outcome areas of the current engagement will work towards outcomes 1 and 3 of the overall outcomes of the programme, as envisioned in the programme document.

Outcome 1		Completion of phase II negotiations on competition policy, intellectual property rights and sustainable investment policy.	
Outcome indicator		Status on protocols on competition policy, investment policy and intellectual property rights	
Baseline	Year	2019	Phase II negotiations initiated.
Target	Year	2023	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 and green growth) achieved through mobilization of a relevant expert team	
Baseline	Year	2019	Expert team not mobilised
Annual target	Year 1	2020	AUC budget for 2021 include provisions for expert team
Annual target	Year 2	2021	Terms of reference for Expert team (Senior Competition Policy Expert (P5), Senior Trade and Green Growth Expert, and 2 Technical Assistants (P1)) prepared. Experts recruited and relevant preparation work commenced
Annual target	Year 3	2022	Expert team's work contributed to the conclusion of Phase II negotiations
Annual target	Year 4	2023	Expert team's work contributed to the domestication of the protocols (with focus on Competition policy and green growth) into national legislation in at least 10 member states.
Output 1.2		Successful 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	No TWG meetings undertaken
Annual target	Year 1	2020	Draft work Plan of the AfCFTA, activities and budget for the phase II prepared
Annual target	Year 2	2021	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 3	2022	15 stakeholder consultations undertaken to raise awareness in order to promote domestication of laws and policies in Investment, Intellectual Property Rights and Competition Policy including considerations on climate change and green transition
Annual target	Year 4	2023	TWG's work contributed to the drafting of the 3 protocols as legal texts in 10 countries

Output 1.3		Capacity building of Member States on issues related to the phase II protocols including climate change and green transition.	
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	No capacity building engagement initiated
Annual target	Year 1	2020	Preparation work for training and capacity building workshops commenced, utilising the policy recommendations from UNECA's relevant studies
Annual target	Year 2	2021	<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 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
Annual target	Year 4	2023	<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	Secretariat not established
Annual target	Year 1	2020	Draft organogram for the AfCFTA Secretariat exists but is not approved and adopted.
Annual target	Year 2	2021	Adoption of the organogram, of which at least 30 percent of staff are female
Annual target	Year 3	2022	75 percent of positions according to Organogram for the AfCFTA Secretariat filled, 30 percent of which are female
Annual target	Year 4	2023	Organogram for the AfCFTA Secretariat fully staffed, at least 30% of which are female

Output 2.2		AfCFTA Secretariat has adequate capacity to fulfil its mandate	
Output indicator		Staffing of the AfCFTA Secretariat adequately equipped with necessary experts	
Baseline	Year	2019	Secretariat not established. No experts in place.
Annual target	Year 1	2020	Terms of Reference for the experts being prepared
Annual target	Year 2	2021	Senior Investment Expert-P5, Senior Intellectual Property Rights Expert-P5, Senior Competition Policy Expert-P5 recruited, Senior Expert-P5 on green growth and climate change, and an Expert (P3/P4) on gender and vulnerable groups.
Annual target	Year 3	2022	Web-based consultation Expert and Snr. Industry Expert recruited
Annual target	Year 4	2023	Experts deployed to fulfil their mandate as required in relevant ToR

Annex C: Risks Management Matrix

Programmatic Risks for support to AU

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
The proposed reforms (Kagame and Kaberuka) are not implemented as planned (take longer and less far-reaching).	Likely	Minor	Allocate support to areas that still see traction despite lack of reforms.	Risk reduced, but residual risk remains	It is likely that a (big) part of the proposed reforms of AU will not be implemented, either due to lack of political will or lack of capacity. Should this occur, the impact will only be minor, as Danish support is already used to work in an environment, where reforms are not implemented.
The new AU Commission fails to deliver on its mandate.	Unlikely	Major	Careful monitoring. Maintain dialogue, also via other donors (esp. EU). In the worst case, reconsideration of Danish support to AU.	Risk reduced, but residual risk remains	Observers have high hopes for the new AU Commission, and it might be difficult to live up to those. Should the new Commission lose credibility and fail to deliver on its mandate, it could have a major

					impact on Danish support, if Danish priority areas see a loss of traction.
The lengthy and difficult recruitment processes do not improve bringing programme implementation into danger	Unlikely	Minor	Consider further temporary funding of staff positions in priority areas	Direct risk not reduced by risk response.	For a number of years, donors including Denmark have agreed to fund salaries in key positions (JFA salaries). The effect of a continuation of the current constraints in recruitment would be to maintain the present capacity, which, while not adequate, enables a minimum operating capability.
It is not possible to direct funding directly to the Secretariat in 2022	Unlikely	Major	Considerable attentions has been given to respond to this risk. See also section 9.2.	No residual risk.	The AfCFTA secretariat as of August 2020 is no longer an interim secretariat in Addis Ababa, but an autonomous entity under the AUC, the funding should from 2022 be directed directly to the Secretariat and not to the AUC
The COVID-19 pandemic restricts the AUC in their capacity to deliver on the development	Medium	Low	The AUC will adapt to the restriction imposed by Covid-19 through e.g. more e-	There is a risk that the mitigating efforts will lead to less effective collaborations	The Covid-19 pandemic has had considerable implications for mobility and has

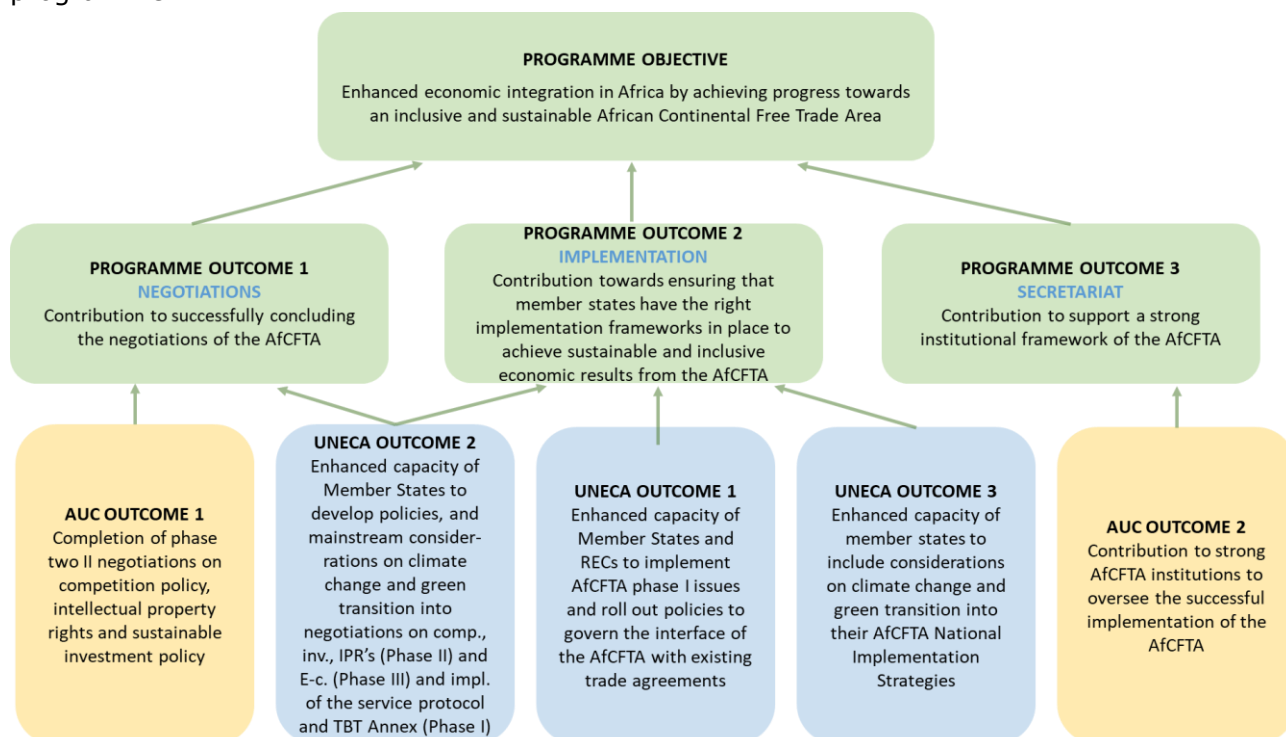
engagements			meetings and consultations.	with the member states due to the increased number of e-meetings and lack of physical meetings.	necessitated that workers adapt to online modalities. The exact implications of the change are still unknown.
-------------	--	--	-----------------------------	---	---

Institutional Risk for support to AU

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Reduced interest in AU for cooperation with traditional donors leading to a more earmarked and complex donor environment with negative consequences for aid efficiency	Likely	Major	Monitor and maintain a positive dialogue. Reconsider Danish support in the worst case	Risk reduced, but residual risk remains	Some of the bigger African countries (e.g. South Africa, Sudan) have official policies towards new partners (BRICS) and may influence other African countries.
AUC unable to account for donor funds	Unlikely	Major	Withdraw from JFA and support specific projects with tight financial control	Risk reduced, but residual risk remains	AUC financial management has improved substantially over recent years although still not passed the EU pillar assessment. The improvements may rely on too few persons and they might be tempted to leave for 'greener pastures' and this could bring the improvements in danger.

Annex D: Intervention logic of the Danish Programme Support

The support to AUC as laid down and governed by this DED is part of a Danish programme to support of the implementation of AfCFTA. Under the programme support is also provided to the United Nations Economic Commission (UNECA). The Intervention Logic for the support to AUC thereby fits into an overall programme intervention logic. The figure below illustrates the intervention logic and hence the relationship between the support to AUC and the overall programme.



Support to implementation of African Continental Free Trade Area (AfCFTA)

Development Engagement Document

**United Nations Economic Commission for
Africa**

Revised version 12th October 2020

FINAL DRAFT

Contents

1.	Preamble	62	
2.	Parties	62	
3.	Documentation	62	
4.	Status of AfCFTA	62	
5.	Background to UNECA and its role in regional integration in Africa		63
6.	UNECA and the Covid-19 pandemic	65	
7.	UNECA as Programme Partner	65	
8.	Development engagement objectives	67	
9.	Outcomes, outputs and activities	68	
9.1.	Outcome 1	68	
9.2.	Outcome 2	71	
9.3.	Outcome 3	74	
10.	Budget	77	
11.	Risk Management	79	
12.	Management arrangement	79	
12.1.	Prevention of sexual exploitation, abuse and harassment		47
12.2.	Child labour clause	48	
13.	Financial Management	80	
13.1.	Disbursement modalities	81	
13.2.	Use of interest accrued	81	
13.3.	Procurement	81	
13.4.	Audit	81	
14.	Monitoring and Evaluation	81	
14.1.	Monitoring	81	
14.2.	Reviews and evaluation	82	
15.	Pre-requisites	82	
16.	Signatures	82	
	Annex A: Institutional context	83	
	Annex B: Results Framework	85	
	Annex C: Risks Management Matrix	90	
	Annex D: Intervention logic of the Danish Programme Support	93	
	Annex E: Intervention logic of UNECA	94	

1. Preamble

The present development engagement document (DED) details the objectives and management arrangements for the development cooperation concerning Danish support to the United Nations Economic Commission for Africa (UNECA) as agreed between the parties specified below. The engagement document is annexed to the general support agreement between UNECA and the Embassy of Denmark in Ethiopia and constitutes an integrated part hereof together with the documentation specified below. The Danish support is part of the Danish Support to Implementation of the African Continental Free Trade Area (AfCFTA) running from 2020 - 2023²¹.

This DED replaces the DED dated December 2019 which was signed before additional funding was made available from the Danish Ministry of Foreign Affairs. The current DED covers the initial as well as the additional funding, and the narrative has been updated to reflect the newest developments in AfCFTA.

This DED should be read in conjunction with the Programme Document for the Support to Implementation of the African Continental Free Trade Area (AfCFTA).

2. Parties

The Parties are the Embassy of Denmark in Ethiopia and the United Nations Economic Commission for Africa in Addis Ababa (UNECA).

3. Documentation

Documentation refers to the partner documentation for the supported intervention, which includes the Agenda 2063, the 2018-2019 UNECA strategic framework, 2020 programme plan and budget of UNECA, the UNECA financing proposal to the Embassy of Denmark on “*Operationalizing the AfCFTA: Strategic interventions in investment, competition policy, innovation, digitalization and trade facilitation*”, the UNECA proposal note “*ECA-Danida Partnership on “Greening the African Continental Free Trade Area”*”, the programme document “Support to the African Continental Free Trade Area” and annual work plans.

4. Status of AfCFTA

The adoption by heads of state and government of the “Agreement establishing the African Continental Free Trade Area” on 21 March 2018 during the 10th Extraordinary Summit of the Assembly of the African Union in Kigali, Rwanda was preceded by years of negotiations between the member states. These negotiations were facilitated by the African Union Commission (AUC) but UNECA played a key role in analysing the possible impacts of different scenarios to enable the negotiations and assist in the decision making.

Sierra Leone became the 22nd country to ratify the agreement on 30 April 2019, meaning the Agreement came into force one month later on 30 May 2019. As a result, the 12th Extraordinary Summit of the Assembly of the African Union on 4 July 2019 in Niamey, Niger, launched the operational phase of the AfCFTA. By the end of July 2019, 54 of 55-member

²¹ A DED was signed between the Embassy of Denmark and UNECA in December 2019, covering support from 2020-2022. With an additional Danish grant in 2020 the scope of the original DED has been widened to cover support from 2020-2023 and include areas related to climate change, green transition and the private sector's role. The present DED covers the totally of the support and hence replaces the original DED.

states had signed the Agreement (with only Eritrea yet to sign) and 27 countries had delivered their notice of ratification.

Trading under the AfCFTA was supposed to start on 1 July 2020 between the ratifying countries but it is now delayed until 1st of January 2021 due to the COVID-19 pandemic. The establishment of the AfCFTA Secretariat in Accra, Ghana has also been delayed. It was expected to start operating 31st of March 2020, but was not handed over until 17 August 2020. An extraordinary summit, initially scheduled on 30 May, now rescheduled for 5th December 2020, should approve all instruments required for the start of trading under the AfCFTA as from the 1st January 2021.

The negotiations on Phase I Protocols in trade in goods (product exclusions, rules of origin, trade defence measures) and trade in services are still ongoing between African Union Member States and/or Regional Economic Communities - RECs). Negotiations on Phase II Protocols on competition policy, intellectual property rights and investments are yet to fully kick-off, but are set to commence in 2020. In January 2020, a decision was made to incorporate an additional round of Phase III negotiations on e-commerce, which are yet to start, but are scheduled to be concluded in 2022.

5. Background to UNECA and its role in regional integration in Africa

UNECA is one of the five UN regional commissions and a key Pan-African institution aimed at promoting economic and social development through African solutions for Africa. The overarching objectives of the organisation is to work towards achieving Agenda 2030 as well as Agenda 2063 for the "Africa we want".

UNECA is mandated by the United Nations to promote the economic and social development of its Member States, foster intra-regional integration, and promote international cooperation for Africa's development subject to the general supervision by the UN Economic and Social Council. UNECA is part think tank, part convener and part executing agency. The Commission has 54 Member States and plays a dual role as a regional arm of the United Nations and as a key constituent of the African institutional landscape. UNECA is well-positioned to make unique policy contributions to address the Continent's development challenges and increasingly appears as a relevant partner in promoting 'African solutions to African problems'. UNECA is an emerging leader in economic policy reform on the African continent and enjoys the status as a trusted and preferred partner of its Member States.

UNECA has a close and formalised partnership with the African Union (AU). The AU as a leader in policy formulation across the continent seeks knowledge and advice from UNECA, whose work, in turn, is informed by its sister organisations, the Regional Economic Communities (RECs) and its Member States. The cooperation in particular concern regional integration, economic growth, trade and employment on the Continent. With their different mandates, the continental organisations take different roles in complementarity to each other but driving the same political agenda.

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 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 II negotiations within AfCFTA.

The logic behind UNECA's interventions can be described through its three core functions, namely, its convening function, its function as a think-tank and its operational function, as described below:

UNECA's **convening function** where they provide regional intergovernmental and multi-stakeholder platforms with strong ownership by Member States, regional bodies and development banks that result in agreed development policy frameworks, standards and action plans that reinforce multilateralism at the regional and subregional levels.

UNECA's **think-tank function** where they conduct multisectoral research and analysis that nurture the integration of the three pillars of sustainable development (economic, environmental, social), and promote peer learning, innovative thinking and the advocacy of public policies while fostering intersectoral linkages and synergies, the latter is made available through dissemination to policy makers in order to support evidence based decision making.

UNECA's **operational function** that provides advisory services and technical assistance at country level through direct demand-based support to Member States, RECs and pan-African institutions in areas related to its normative and analytical work and in collaboration with the United Nations system at the country level. Often, the operational function follows up a chain of requests in the area of intervention: a) from conceptualization to b) operationalization. For example, since 2019 UNECA has assisted member states to develop AfCFTA strategies and the same Member States have asked for support in the implementation of their respective strategies.

The three core functions are executed through strategic partnerships among others with the AU (AUC, Member States and RECs). On the AfCFTA, UNECA has been a strategic partner with the AU since early discussions on the AfCFTA. In addition, UNECA has access to the AfCFTA negotiations, possess a long standing technical partnership at AUC, RECs and national levels with access to policy makers and other stakeholders (private sector, media, CSOs). It is in this context that the increase in AfCFTA related requests for support from stakeholders is a show of relevance and credibility on UNECA's capacity to effectively support the AfCFTA²².

As such, UNECA is centrally placed with a clear mandate to work with the African Union Commission and the member states 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.*"

²² A visual representation of UNECA's intervention logic is available under Annex E.

6. UNECA and the Covid-19 pandemic

The COVID-19 pandemic has and is impacting the way UNECA delivers on its objectives and overall mandate. Based on the three core functions of UNECA, the following describes mitigating actions that will be taken:

Convening function: The provision of dedicated regional intergovernmental and multi-stakeholder platforms has become increasingly virtual with the organisation of webinars linking its objectives with issues related to the COVID-19 pandemic but also in carrying committed outputs from the 2020 programmes and projects.

Think-tank function: UNECA continues to provide timely analytical work on the socio-economic impact of COVID-19 with recommendations aiming to inform policy decisions by member States and advocacy efforts around continental strategic initiatives and in overall support of the African continent. UNECA provides analyses that outline recommendations for stakeholders, and it is expected that this work will contribute to Member States' policies and strategies for "building back better" after COVID-19 both for immediate responses and long-term recovery.

In addition, staff also share their expertise and findings through invitations as presenters and discussants to webinars and other virtual exchanges on various topics related to issues of trade, industrialization and overall regional integration in the context of the pandemic.

Operational function: UNECA continues to provide advisory services and technical assistance through direct demand-based support to member States, RECs and pan-African institutions in collaboration with the UN Development System (RCOs, UNCTs). The latter involves the production of operational documents through a mixture between in-country consultations by national ECA experts and e- working/e-consultations. The model proved to be efficient since the beginning of the pandemic.

In addition, UNECA has continued to ensure training services for Member States through online modalities.

7. UNECA as Programme Partner

In line with the UNECA Strategic Framework for 2018-2019 and the UNECA work plan 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 and intellectual property rights. Additionally, and in line with the UNECA work plan for 2020, UNECA has several initiatives aimed at climate change and green transition making them an ideal partner for the Danish support that has a strong focus on climate change action and green transition.

Thus, the work of UNECA is closely linked with Aspirations 1 and 2 of Agenda 2063: 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*". Additionally, UNECA has an increasing focus on climate change

initiatives and green transition linking them with agenda 7 goal of Agenda 2063
"Environmentally sustainable and climate resilient economies and communities".

Additionally, it is important to add that UNECA has a focus on mainstreaming considerations on women and youth into their work. Workstreams related to women and youth are clearly represented in the UNECA workplan for 2020, indicating that they are well positioned to include considerations on opportunities and adverse effects in relation to these important groups and the AfCFTA. Additionally, the gender strategy of the African Trade Policy Centre in UNECA, which is the main unit responsible for AfCFTA, aims to improve staff capacity to mainstream gender considerations into all knowledge products produced by UNECA. As part of this, ATPC gender and trade experts will collaborate with ATPC experts on Phase II and III issues to develop resources that reflect the gender dimension of Phase II and Phase III issues. As such the work of UNECA integrates gendered considerations in a broad selection of their work related to the AfCFTA.

UNECA and their work with national stakeholder consultations and capacity building at member state level (including business associations) are relevant entry points for ensuring that attention is paid to women, youth and vulnerable groups in the AfCFTA negotiations and implementation. These groups can potentially experience adverse negative impact of the agreement and/ become even more marginalised. The fact that the negotiation process is still ongoing provides an obvious entry point to ensure that due considerations are made in this respect to ensure that the AfCFTA becomes both sustainable and inclusive.

The work of UNECA within regional integration has been geared towards supporting member states in the realization of the AfCFTA through among other things supporting the development of AfCFTA National Implementation Strategies. Successful negotiations require harmonization of rules in all policy areas covered by the AfCFTA, which will provide a unique opportunity for greater coherence and coordination across member states. This, in turn, will provide opportunities to level the playing field for greater investment into the continent, as well as support efforts to have greater productivity and welfare gains associated to increased competition, whilst fostering innovation and technology development geared toward the productive sectors of the continental market.

The on-going work of UNECA in these areas makes the organisation well positioned to develop opportunities for including evidence-based initiatives towards climate change and green transition into the negotiations through their support to AfCFTA National Implementation Strategies. This engagement will have a clear green ambition that strives to incorporate climate change and green transitions considerations into the AfCFTA process. This is also in line with the policy on 'building back better and greener' in the aftermath of COVID-19.

The theory of change underlying this engagement is therefore that *if* Denmark supports the work of UNECA within investment, services, regional integration and trade integration as well as competition policies, regulation and green transition *and if* UNECA is able to continue to be a trusted partner by the African Union and its member states in facilitation and analysing aspects of the AfCFTA *then* this will contribute to the effective and efficient conclusion of phase II negotiations and the implementation of the AfCFTA, which will help promote African integration and increase sustainable intra-African trade.

8. Development engagement objectives

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

The specific objective of the development engagement with UNECA is **to contribute to negotiations and to enhance the capacity of member states and RECs to develop and implement policies and programmes in the areas of intra-African trade with clear green ambitions, and create an environment conducive to attracting investments through enhanced competition policies.**

The engagement will contribute to this objective by supporting the following three outcomes:

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

Within this outcome area, the principal focus will be on promoting regional trade and integration through supporting the completion of remaining phase II issues; governing the interface between the AfCFTA and the existing free trade agreements under the regional economic communities.

Outcome 2: Enhanced capacity of Member States to develop policies, and mainstream considerations on climate change and green transition into negotiations on competition, investment and IPRs (phase II) and e-commerce (phase III), and implementation of the service protocol and TBT Annex (phase I)

Within this outcome area, the principal focus will be on investment and competition policies and regulation through competition market studies and capacity building of African competition councils, as well as research on services, climate change, green transition trade and creation of a common investment area under AfCFTA. Additionally, this outcome area will contribute to knowledge production and dissemination on options for incorporation of climate change and green transition into the phase II and phase III negotiations. This includes producing and disseminating products on private sector finance and investments into green transition in relation to the AfCFTA.

Outcome 3: Enhanced capacity of member states to include considerations on climate change and green transition into their AfCFTA National Implementation Strategies

This outcome will have a clear green focus. The outcome will reach its target through knowledge production and modelling work. Under this output UNECA will, among other things conduct value chain analyses on options for including considerations, on climate change and green transition in National Implementation Strategies and utilizing UNECA's position to incorporate a green agenda in National Implementation Strategies.

In addition to the three outcome areas above, Denmark will also fund a Junior Professional Officer (JPO) embedded within UNECA. The JPO will work within the African Trade Policy Centre (ATPC) of UNECA to support ongoing and future work on the ratification and implementation of the AfCFTA. This includes analytical work, preparatory work on conducting the Assessing Regional Integration in Africa (ARIA) report as well as assisting in providing support to member states in the ongoing phase one and phase two negotiations. As such, the JPO will add

additional capacity to the ATPC in their implementation of the three outcome areas described above.

The expected outputs under each of the three outcome areas is further described below. Annex A includes a detailed results framework. The outcome areas of the current engagement will work towards outcomes 1 and 2 of the overall outcomes of the programme, as envisioned in the programme document, cf. intervention logic of the programme support in Annex D.

9. Outcomes, outputs and activities

9.1. 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

UNECA will continue supporting the effective operationalization of phase I issues under the AfCFTA. This pertains to goods negotiations, in particular, the development of tariff schedules, services policies and regulations, services schedules, as well as the completion and adoption of rules of origin. Services schedules will also need to be developed, once negotiations on services are finalized, which it is estimated still lies some time into the future. It is anticipated that Member States will need support in developing these instruments, as these require a high level of technicality and practical understanding of what concessions may imply for the adaptation of national trade regimes and customs operations.

A related aspect that the Commission envisages to work on is the governance of the interface between the AfCFTA and RECs FTAs, including the COMESA, EAC and SADC Tripartite FTA. The focus here would be on carefully analysing and understanding the range of inter-institutional issues and dynamics, underpinning the integration of RECs FTA's into the AfCFTA in light of the status of RECs as the building blocks of the African Economic Community. It will set out to articulate strategies to leverage the successes of RECs in engendering free trade among their respective member states, while also learning from and avoiding their failures with a view of enhancing the implementation of the AfCFTA.

Output 1.1: Toolkits and materials developed, advisory services delivered, and consultations held at country level to support the completion of AfCFTA phase 1 issues

For trading to begin under the AfCFTA as envisioned by Jan 2021²³ two things must happen.

First, according to Article 8 of the Protocol on Trade in Goods, the State Parties to the Agreement must submit to the AU Commission their schedules of tariff concessions (i.e. a schedule of how they will apply the modalities for the liberalization of trade in goods that requires 90 per cent liberalization of tariff lines immediately upon entry into force of the agreement, 7 per cent of tariff lines that are designated as sensitive products and 3 per cent designated as excluded products and the time frame for phasing out sensitive and excluded products which is up to 13 years for least developed countries and 10 years for developing countries. In the meantime, State Parties are also required to allow duty-free imports of up to 10 per cent of import value in the sensitive and excluded product categories on a request-offer basis).

²³ It is important to add that most countries will not have submitted schedules by Jan 2021, so even though trade will begin in Jan 2021 it will not for all countries and support will be needed moving forward.

Second is the completion of the rules of origin. These are the rules for goods that do not wholly originate from within the AfCFTA to enjoy the tariff concessions. An example is the import of yarn from say China or India that is then used to make fabrics for clothing in an AfCFTA State Party. The technical work on the rules of origin was completed on 6 April 2019. Specific rules that will apply to 100 per cent of the tariff lines were more or less agreed. A tolerance threshold for non-originating material of 15 per cent of the final value of the product was agreed with alternative variations for application. The draft rules of origin were reviewed and adopted by the meetings that are being scheduled of the negotiating forum, senior officials and ministers of trade from 20th of May to 8th of June 2019 in Kampala, ahead of the Niamey Summit that took place from the 4th to the 8th of July 2019.

The purpose of this envisaged activity is to provide support to up to 15 countries that may need assistance for submitting tariff schedules and specific services commitments, as well as the finalization of rules of origin prior the Niamey Summit. The Senior Trade Officials and African Ministers of Trade Meetings on 5-8 June 2019 in Kampala provided a platform to assess the level of demand-driven support required from the member States.

Output 1.2: Capacity building for targeted countries on the measurement and analysis of services trade value chains for AfCFTA implementation

The specific objective under this area is to strengthen capacities of national and regional services trade policymakers to measure value chains and design services policy aimed at increasing integration and penetration into regional and global value chains through the AfCFTA. The focus would be 20 African countries in the five services sectors that are critical for enabling trade and fostering inclusiveness, as mentioned above. Among the interventions, training and sensitization seminars as well as guided efforts to collect, quantify and analyse services value chain data at country and regional level would be envisaged.

ECA is already piloting this work in 6 countries in Africa jointly with UNCTAD (Ethiopia, Kenya, Mali, Nigeria, the Gambia and Togo) and services trade are an integral part of the AfCFTA national implementation strategies that ECA is supporting in a number of African member States. Support in services value chain analysis through this output could therefore directly serve as an input to the development of such strategies in the countries ECA is backstopping under phase I negotiations issues.

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

The report, Assessing Regional Integration in Africa (ARIA) is one of UNECA’s flagship knowledge products, produced over the years in partnership with the African Union and the African Development Bank, as well as with the support of UNCTAD more recently. The report, which consists of in-depth, evidence-based and policy-relevant analysis on diverse aspects of Africa’s integration, is entering into its 10th edition. It has remained a premier reference document on the continent’s integration, and has, in fact, greatly contributed to the adoption and implementation of a number of important decisions on Africa’s integration, including on the rationalization of RECs; bringing about the AfCFTA and evaluating the next steps for the AfCFTA.

ARIA X will focus on unearthing the contours of the types of approaches to liberalization of trade in services that have the most potential to support Africa’s development, including through the enhancement of intra-African trade in services, the establishment of regional value chains, enabling of better and more effective integration into global value chains and overall

greater competitiveness in global markets. The results of this analysis will improve understanding and appreciation of the critical role of services to trade, production and the economy. It would help to guide African countries in decision-making on how best to approach services liberalization, as well as how best to support African exports of services under the AfCFTA.

Output 1.4: Study on Governing the interface between the AfCFTA and RECs Free Trade Areas is produced and disseminated

While the launch of the AfCFTA undeniably constitutes a major breakthrough in the path towards the decades' old dream of an African common economic space, its coming to being has not by any means resolved all the challenges that have characterized African integration. The AfCFTA is seen as a tool for driving African industrialization, economic diversification and development. It has the potential to greatly contribute to the promotion of the type of trade that produces sustainable growth, creates jobs for Africa's youth, and fosters opportunities for nurturing Africa's businesses and entrepreneurs. However, the AfCFTA has been thrust into an already heavily populated African integration institutional and normative landscape. Its successful implementation, therefore, requires a careful analysis and understanding of a range of inter-institutional issues and challenges.

Given the pivotal role accorded to RECs in the establishment of the African Economic Community by the Abuja Treaty and other continental and regional instruments, the successful implementation of the AfCFTA would depend in no small measure on how smoothly or otherwise, it is interfaced with RECs FTA's, including through the articulation of a clear roadmap or/and strategy and timelines for this interface. Against this background, another envisaged issue of focus for this results area is the governance of the interface between the AfCFTA and RECs Free Trade Areas. In the coming year, ECA envisages carrying out in-depth research and analyses on the governance of the interface between the AfCFTA and RECs FTAs, including the EAC/COMESA/SADC Tripartite FTA.

The specific objective of the intervention under this area would be to research and provide member states of the African Union and RECs with concrete policy actions that need to be adopted and implemented to ensure a coherent, coordinated and fully responsive interface between the AfCFTA and RECs FTA's, including strategies on how to leverage the trade integration achievements of RECs for the benefit of the AfCFTA; as well as lessons that could be learnt from areas of failure of RECs FTAs towards enhancing the successful implementation of the AfCFTA.

In line with the Danish priorities this activity will have a strong focus on incorporation of climate change and green transition while maintaining a focus on inclusiveness. Policy support under this activity will incorporate considerations on climate change and green growth. Specific attention will also be given to incorporation of considerations on women/youth and vulnerable groups.

UNECA is publishing a report on the capacity for gender mainstreaming and the RECs in the context of the AfCFTA, along with a clear plan with actionable recommendations. UNECA therefore has a strong knowledge base to incorporate women/youth and vulnerable groups in their work and will use the report actively in this activity.

9.2. Outcome 2

Enhanced capacity of Member States to develop policies, and mainstream considerations on climate change and green transition into negotiations on competition, investment and IPRs (phase II), and e-commerce (phase III) and implementation of the service protocol and TBT Annex (Phase I)

Competition regulations and policies are essential aspects of developing markets. Competition rules permit consumers and producers to obtain 'fair' prices and promote the creation of innovative commerce initiatives. Market governance solutions include the establishment of national competition policies as well as national competition authorities. However, developing countries often lack the capacity and information to support new agencies and many African countries have very limited laws in the area of market competition. The AfCFTA will include an important legal provision which is the Competition Protocol, in an attempt to harmonize competition regulation across the continent.

UNECA will work with member states in order to increase their capacity surrounding the negotiations on competition and investment. Work will be done to ensure that member states have the capacity to produce policies, based on needs and considerations developed at national level, that can be introduced to the negotiations. Ultimately this will feed directly into the programme objective of achieving progress towards an inclusive and sustainable AfCFTA.

In addition, as is a clear ambition of the Danish support, work will be done to include considerations on climate change and green transition into the phase II and III negotiations. Climate change is closely intertwined with phase II and III AfCFTA issues and should therefore be central to these negotiations. Appropriate intellectual property rights structures will be required to incentivise and facilitate the development and diffusion of green technologies and stimulate Africa's technological catch-up. Effective competition and low barriers to entry are crucial to green innovation and market dynamics, but at the same time, environmental regulations, practices or enforcement may adversely affect competition without appropriate checks. IPRs will help to protect biodiversity and traditional knowledge. Regulatory convergence on investment will be required to develop common incentives to facilitate investment in green-friendly research and development, technologies and infrastructure in a broader African market, and transfer of technology to African countries will depend on enabling conditions and financing. As African countries expand e-commerce and online shopping solutions, appropriate rules and regulations will be needed to ensure that extensive last mile services with short delivery frames do not exacerbate emissions, and the use of efficient and digitalized logistics are fast tracked.

Effective competition and low barriers to entry are important factors in fostering the necessary market dynamics that can spur green innovation. Similarly, regulations that give incentives towards green technology investments are an important factor in creating an enabling environment for climate change action and green transition. An important factor in generating the investments needed is involvement of the private sector. UNECA will continue their work with the private sector bringing together private sector actors in an effort to highlight the possibilities in green investments.

Output 2.1: Competition Market Studies are produced for African Competition Councils

UNECA has commenced work in this area by providing a platform where competition authorities can contribute to the discussions on competition policies in a globalizing world

economy. The area of Competition Policy and Regulations and consumer rights protection matters has not been a primary focus in many of our Member States.

During the upcoming year, ECA will work to promote the adoption of competition principles in the implementation of national and regional economic policies of African countries, in order to alleviate poverty and enhance inclusive economic growth, development and consumer welfare by fostering competition in markets and thereby increasing investment, productivity, innovation and entrepreneurship.

The 9th edition of ECA's Assessing Regional Integration in Africa (ARIA) report highlighted Competition issues and addressed the role that Competition policies play in the context of Phase II of the African Continental Free Trade Area (AfCFTA). Phase II of the AfCFTA negotiations shall include a Protocol dedicated to these fundamental competition issues of market institutions and encouraging fair competition which would ultimately benefit the citizens of African countries.

In this regard, the Commission plans to address procedural aspects of market studies and advocate on behalf of "young" competition protection agencies that require capacity development. In addition, various market studies need to be conducted at the national levels (agricultural studies such as the distribution and sale of grains through large enterprises vs. the retail sector, online money transfer sectors, mobile banking sectors, network industries, telecom, etc.). The regulatory mechanisms need to be enhanced through proper policy frameworks.

Competition Policy and Consumer Protection requires that basic norms of competition law should extend to the operations of enterprises, including Transnational Corporations (TNCs) in developing countries. ECA would provide technical capacity projects to enhance the development of human resources in national competition agencies. ECA would support the competition agency officials with peer learning and practical exchange opportunities.

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

In an effort to attract more investment, many African countries have signed investment treaties and/or adopted regulations to improve their investment environment. Among such efforts, countries have also removed administrative barriers to investment and developed various policies ranging from the granting of incentives such as profit repatriation, simplification of the approval process through one-stop investment centres, fiscal incentives, deregulation of foreign exchange controls, support for investment promotion and export development, and also commitment to sustained political and macro-economic stability among others.

Despite the positive narrative around Africa as the next frontier for investments, negative investor perceptions still persist and pre-empt business and opportunities in the continent, especially in sectors where investment could considerably reduce the financial divide that exists in Africa, such as women, youth and the rural sector. In order to encourage additional FDI flows towards Africa, deeper investment analysis is required. Investors would be more likely to invest in the entrepreneurial sectors, which currently do not appeal to them once they obtain relevant and accurate information on drivers, linkages and opportunities. In this context, increased investment could have a veritable role to play in providing additional capital resources to the African private sector at large in a continental market, and in particular in

those subsectors where entrepreneurial activity tends to be overlooked by domestic, regional and foreign investors.

A major study envisaged in UNECA entitled *“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”* shall be done to support this programme outcome area. This study intends to support efforts being made at the continental, regional and national levels to promote investment, competition, and innovation through policy dissemination, advocacy and advice. The study seeks to determine what discriminatory practices and barriers impede the African private sector from tapping into greater investment opportunities, raising its ability to compete and harnessing its innovation potential for business. It would further determine what prerequisites need to be in place for the private sector to effectively benefit from rules enshrined in the RECs and AfCFTA protocols dealing with trade in goods, services, investment, competition policy and intellectual property.

Output 2.3: Research on how to incorporate climate change, green transition and gender & youth considerations into the AfCFTA services liberalization, development/harmonisation of African standards, and phase II and III negotiations.

Climate change and green transition is closely intertwined with services liberalisation and phase II issues and should therefore be central to these negotiations. Liberalising trade in ‘green’ services will be critical to reduce the costs of e.g. preventing and controlling pollution by allowing firms to source the service they need from foreign suppliers. Appropriate intellectual property rights structures will be required to incentivise and facilitate the development and diffusion of green technologies and stimulate Africa’s technological catch-up. Effective competition and low barriers to entry are crucial to green innovation and market dynamics, but at the same time, environmental regulations, practices or enforcement may adversely affect competition without appropriate checks. Regulatory convergence on investment will be required to develop common incentives to facilitate investment in green-friendly research and development, technologies and infrastructure in a broader African market, and transfer of technology to African countries will depend on enabling conditions and financing.

In order to have a solid an evidence-based foundation to work from, this output will produce 4 separate research papers. One research paper on ‘green’ priority areas in regards to the AfCFTA services liberalisation and another 4 research paper on options for incorporating climate change and green transition in AfCFTA phase II and III negotiations on (1) competition policy, (2) intellectual property rights and (3) investment (4) e-commerce. In addition, issues related to women/youth and vulnerable groups will be mainstreamed into all research papers. Based on the research, policy briefs will be produced that will be shared with AUC, AfCFTA trade negotiators and the AfCFTA Secretary General in order to ensure that it can effectively influence the direction of the AfCFTA process. Additionally, five identified countries will use policies supported by UNECA.

Output 2.4: Knowledge products on private sector finance and investments towards green growth prepared and disseminated

In connection with the ambitious goals of including climate change and green transition in National Implementation Strategies and the AfCFTA negotiations, it is necessary to involve the private sector. This will increase knowledge and investment incentives that can spur innovation and create the necessary markets for green transition related to the AfCFTA including climate change adaptation, clean energy, sustainable transport, green infrastructure and climate-

resilient agriculture. A focus on private sector investments are especially relevant in the light of the COVID-19 pandemic that has reduced the fiscal space for investments in climate change and green transition. This output will have a focus on producing knowledge on current financing models and on how the AfCFTA Investment Protocol can be designed to include a 'green' agenda that will provide incentives for green investments.

Specifically, a research paper to review and assess existing (African and international) private and public-private financing models and incentives to encourage green investments will be produced. Within this research paper special focus will be given to MSME's as they potentially could play a key role in driving the 'green agenda' as they account for 80% of the continent's enterprises. Additionally, a policy brief on how the AfCFTA Investment Protocol will be designed to create appropriate rules and incentives to encourage African and foreign investors to invest in new green investment opportunities. The research and policy brief will be shared with AUC, AfCFTA trade negotiators and the AfCFTA Secretary General in order to influence the direction of the AfCFTA process. In order to have practical involvement of the private sector in this output, advocacy forums in 5 RECs to share information on green investment opportunities will be held.

Output 2.5: Deliver targeted trainings to business associations (incl. women's business associations, cross border trade associations and youth groups on entrepreneurship) in five African countries on the business opportunities connected to the AfCFTA, that also include a focus on 'green' investment opportunities

If the AfCFTA is to be successful it is of paramount importance that the private sector understands the benefit of the AfCFTA and how they can use it. UNECA will engage in targeted trainings in five selected countries, aimed at capacity building of the private sector in regard to the AfCFTA, contributing to a better understanding of how they can use and benefit from it.

UNECA will work through business associations using the knowledge products that they have produced. In line with the priorities of the programme, the approach will have a strong focus on being inclusive as well as having a focus on green opportunities.

UNECA will work with at least 25 business associations in 6 different countries. At least 10 of the business associations will be women's associations and 20 % of all the participants in the trainings will be youth. The trainings will be targeted to specific groups depending on what business association is trained, e.g. trainings delivered to women's associations will include content that is specific targeted towards them and how they can benefit from the AfCFTA. Part of the work in this activity will also be targeted at knowledge gathering in connection to the work that is done with the business associations. UNECA will document insights gained from their interactions with the business associations to inform their ongoing work with the AfCFTA negotiations and implementation.

9.3. Outcome 3

Enhanced capacity of member states to include considerations on climate change and green transition into their AfCFTA National Implementation Strategies

According to the Intergovernmental Panel on Climate Change (IPCC), Africa will be hit hard by climate change. Africa will experience more irregular weather patterns and extreme events, having a severe impact on the agricultural sector that currently is reliant on stable weather

patterns. Other sectors will also be hit hard by climate change a few that can be mentioned are livestock and fisheries, the energy sector and tourism.

Trade is an obvious entry point for climate change action and green transition if the necessary knowledge is produced. The AfCFTA represents a unique opportunity to bring climate change and green transition to the table in the early days of a trade agreement, paving the ground for a more environmentally sustainable trade agreement. UNECA will build on their extensive modelling and research experience to produce research papers aimed at identifying the best options to mitigate and adapt to climate change that fit into the AfCFTA process. Specific focus will be given to incorporating green initiatives in to the AfCFTA National Implementation Strategies aimed at putting the knowledge produced into action.

Output 3.1: Data and modelling work activities on trade, green growth and women/youth. Identifying the potential for green growth and inclusion of issues related to women/youth in the context of the AfCFTA.

In order to create a solid foundation and justification for incorporation of climate change and green transition in the National Implementation Strategies and negotiations in connection to the AfCFTA process, robust analytical work that assesses the potential implications of the AfCFTA reforms on environmental issues is of key importance, not least in regards to climate change in Africa. Such work requires data at country-level, including identification and development of value chains for goods and services. UNECA has significant experience developing Computer General Equilibrium (CGE) models in the context of the AfCFTA and will produce the necessary data in order have a foundation for working with Member States. Data availability for African countries remains low and is a significant challenge for producing the necessary analytical work in regards to a 'greening' of the AfCFTA.

This output will as a point of departure improve the coverage of African countries in the Global Trade Analysis Project (GTAP) and Trade in Value Added (TiVA) databases, with a focus on those African countries that are the most vulnerable to climate change and environmental shocks. This initial work will feed into empirical analyses aimed at assessing (1) What implementation of a comprehensive AfCFTA agreement (inclusive of liberalization of trade in goods and trade in services, as well as addressing some non-tariff measures) means for climate change and related environmental issues in along with the implications for African economies (2) How can the AfCFTA to a greater degree include issues relating to climate change and green transition e.g. looking at greener energy alternatives to achieve expected benefits of the AfCFTA and explore policies that can lead to a path towards green transition through e.g. carbon taxes.

Considerations on women/youth and vulnerable groups will be mainstreamed into all the analytical work produced under this activity,

Output 3.2: Inclusion of green initiatives in AfCFTA National Implementation Strategies

It is widely recognized that climate change significantly influences patterns of agricultural production and value chains and threatens the sustainability of traditional agricultural systems. The essential role intra-African agro- value chains can play to adjusting to shifts in agricultural and food production patterns resulting from climate change is an area that until now has been largely overlooked. Additionally, most African countries are not competitive producers of refined minerals, and the majority of minerals are exported with little to no value addition. UNECA will conduct value chain analysis in order to support the development of value addition strategies focusing on green initiative in the priority value chains identified.

UNECA is currently supporting African countries with their AfCFTA National Implementation Strategies and there is a clear scope for UNECA to include the knowledge produced through value chain analyses in connection to climate change and green transition under output 3.1 & 3.2 in these strategies.

Under this output activities are (1) Preparing value chain analyses, with a specific focus on climate change and green transition, on selected priority value chains identified in the AfCFTA National Implementation Strategies. (2) Prepare research paper to analyse the opportunities and challenges of environmental standards in the development of competitive green value chains in Africa, including the potential role of public-private partnerships to support progress in compliance with these standards. (3) Support at least 20 African countries to prepare climate change and green transition initiatives in their AfCFTA National Implementation Strategies. (4) The strategies will be informed by a series of national stakeholder meetings, including representation from government, private sector, civil society and women and youth groups.

10. Budget

Denmark will make available DKK 30 million from the Support to the Implementation of the African Continental Free Trade Area (AfCFTA) to cover the support for the four years 2020 to 2023 in line with this engagement document. The below table provides a detailed overview at output basis of the Danish support.

Outcome 1	Enhanced capacity of member States and RECs to implement AfCFTA phase I issues and roll out policies to govern the interface of the AfCFTA with existing trade agreements	2020	2021	2022	2023	Budget DKK millions
Output 1.1	Toolkits and materials developed, advisory services delivered, and consultations held at country level to support the completion of AfCFTA phase 1 issues	0,50	0,30	0,30	0,20	1,30
Output 1.2	Capacity building for targeted countries on the measurement and analysis of services trade value chains for AfCFTA implementation	0,80	0,65	0,65	0,69	2,79
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	0,75	0,45	0,35	0,35	1,90
Output 1.4	Study on Governing the interface between the AfCFTA and RECs Free Trade Areas is produced and disseminated	0,30	0,25	0,25	0,30	1,10
Outcome 1						7,09

Outcome 2	Enhanced capacity of Member States to develop policies, and mainstream considerations on climate change and green transition into negotiations on competition, investment, IPRs (phase II) and e-commerce (phase III), and implementation of the service protocol and TBT Annex (Phase I)	2020	2021	2022	2023	Budget DKK
Output 2.1	Competition Market Studies are produced for African Competition Councils	0,15	0,35	0,45	0,40	1,35
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	0,25	0,20	0,15	0,15	0,75
Output 2.3	Research on how to incorporate climate change, green transition and gender & youth considerations into the AfCFTA services liberalization,		0,65	0,20	0,40	1,25

	development/harmonisation of African standards, and phase II and III negotiations.					
Output 2.4	Knowledge products on private sector finance and investments towards green growth prepared and disseminated		2,00	1,30	1,30	4,60
Output 2.5	Deliver targeted trainings to business associations (incl. women's business associations, cross border trade associations and youth groups on entrepreneurship) in five African countries on the business opportunities connected to the AfCFTA, that also include a focus on 'green' investment opportunities.		0,45	0,45	0,40	1,30
Outcome 2						9,25

Outcome 3	Enhanced capacity of member states to include considerations on climate change and green transition into their AfCFTA National Implementation Strategies	2020	2021	2022	2023	Budget DKK
Output 3.1	Data and modelling work activities on trade, green growth and women/youth. Identifying the potential for green growth and inclusion of issues related to women/youth in the context of the AfCFTA.		0,45	0,45	0,44	1,34
Output 3.2	Inclusion of green initiatives in AfCFTA National Implementation Strategies		2,50	1,50	1,40	5,40
Outcome 3						6,74

TOTAL outcomes	23,08
-----------------------	--------------

Admin costs (13% PSC²⁴, 1% levy, 3% evaluation)	0,47	1,40	1,03	1,02	3,92
JPO	0,30	1,00	1,00	0,70	3,00

TOTAL UNECA	30,00
--------------------	--------------

Any substantial reallocation (i.e. more than 10 percent) between budget lines from the budget above requires written approval from RDE Addis Ababa.

The commitment by Denmark is made in DKK. Possible losses or gains due to exchange rate fluctuations with regards to disbursed amounts in USD will be borne by UNECA. Any unspent

²⁴ The 13% PSC is a UN General Assembly Resolution and mandate. This is specifically for the UN Secretariat in which UNECA and other regional economies are part. Waiving the 13% PSC is possible under certain circumstances but this would require putting forward a special case to the UN Controller's Office.

funds at the end of the programme period will have to be returned to the Embassy of Denmark in Ethiopia.

Assessing possible needs for re-allocation and adjustment to the funding profile will thus be part of the task for a Mid Term Review in 2022.

11. Risk Management

Risk management will be an integrated part of programme implementation and will be considered on a continuous basis by the Steering Committee which will be established. A programme level risk management matrix is attached the Programme Document and an overview of risks associated with this engagement is attached in Annex B.

12. Management arrangement

The Embassy of Denmark in Ethiopia is responsible for managing the support provided to UNECA as part of the Danish programme to Support the implementation of the African Continental Free Trade Area. This includes monitoring the progress of the planned activities as well as political dialogue. The Embassy will coordinate closely with the Department for Africa, Policy and Development within the Danish Ministry of Foreign Affairs in Copenhagen. Where synergies between the work of UNECA and member states and RECs emerge, the Embassy will coordinate and share information with relevant Danish representations across the continent.

The Embassy of Denmark will seek to exploit the existing communication strategies of UNECA to ensure Denmark is branded when the supported activities are carried out.

UNECA is part of the UN structure and thus under the authority of the UN General Assembly and the Economic and Social Council which approves budgets and frameworks. The Executive Secretary and her senior management team ensure the day-to-day management of the organisation, including approval of annual work plans and budgets.

The work of UNECA is aligned with the African Union and undertaken in cooperation with the RECs. The African Trade Policy Centre (ATPC) will be the primary focal point for the cooperation. ATPC is governed by its own steering committee, where UNECA holds a seat.

The parties will prioritize the harmonization of support via existing partnership coordination fora. If and where such coordination forum does not exist, the Embassy of Denmark in Ethiopia will work towards regular interaction between the international partners and UNECA.

12.1. Prevention of sexual exploitation, abuse and harassment

The organisation agrees to ensure that the engagement is implemented in an environment free from all forms of harassment, exploitation, abuse and harassment, sexual or otherwise, especially in case of vulnerable groups. Sexual abuse is defined as actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions. Sexual exploitation is defined as any actual or attempted abuse of position of vulnerability, differential power or trust, for sexual purposes, including, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another. Sexual harassment is defined as any form of unwanted verbal, non-verbal or physical conduct of a sexual nature with the purpose or effect of violating the dignity of a person, in particular when creating an intimidating, hostile, degrading, humiliating or offensive environment.

The above definitions are referred to as Sexual Exploitation, Abuse and Harassment (SEAH).

The organisation confirms:

- 4) that it has adequate policies/standards or frameworks in place to prevent SEAH ;
- 5) that all employees have been informed about these policies/standards/frameworks; and
- 6) that there are appropriate SEAH reporting procedures and complain mechanisms in the organisation including the protection of victims of SEAH and that prompt and adequate action is taken if SEAH is observed, reported or suspected.

In case the development engagement includes subgrantees, the grantee is responsible for ensuring the prevention of SEAH also at the level of subgrantee.

Danish Ministry of Foreign Affairs has zero-tolerance towards SEAH and will consider non-adherence to point 1, 2 and 3 as grounds for immediate termination of grant.

12.2. Child labour clause

The organisation shall abide by the local laws and by applicable international instruments, including the UN Convention on the Rights of the Child and International Labour Organisation conventions.

The authority, organisation shall ensure that no one under 14 years of age or the age of the end of compulsory schooling in that area, whichever is lower, is engaged by the organisation or anyone working or acting under the authority of the organisation.

13. Financial Management

Both parties will strive for full alignment of the Danish support to the UN rules and procedures as well as rules and procedures under the Danida Aid Management Guidelines.²⁵ UNECA will manage funds in accordance with sound financial management procedures, including internal controls as contained in the UN Financial Rules and Regulations.

The UN General Assembly has resolved that the UN Secretariat – in which UNECA and other regional economic commissions are part – are entitled to a 13 percent programme support cost. In addition, all contributions to UN-programmes and projects are subject to a 1 percent levy as also agreed by the UN General Assembly, and a standard 3 percent is allocated to evaluation. UNECA will also ensure that cost-conscious travel policy is applied in accordance with UNECA travel policy with the following limitations for the Danish funds: All staff travel will be in economy class. Level of per diem for travel cannot exceed UN rates.

Financial and narrative reporting from UNECA will take place on a bi-annual basis. Financial and narrative reports are due no later than 2 months after the end of the period. I.e. financial and narrative reports covering the period 1 January – 30 June are due on 31 August and financial and narrative reports covering the period 1 July – 31 December are due on 28 February the subsequent year. The Danish contribution shall clearly be identified in the financial reports.

²⁵ <https://amg.um.dk/en/programmes-and-projects/january-2018-guidelines-for-programmes-and-projects/>. See also <https://amg.um.dk/en/tools/financial-management/>

13.1. Disbursement modalities

With this agreement, the first tranche will be of 50 percent of the yearly amount, and the remaining 50 percent will be released upon documentation of demonstrated needs as well as receipt of due financial reports and approved budgets.

Disbursements will be based on a transfer request from UNECA indicating the requested amount as well as detailed bank account information. A receipt acknowledging receipt should be submitted by UNECA no later than 14 days after receipt of the funds.

13.2. Use of interest accrued

Interest accrued from bank holdings must be returned to RDE Addis Ababa on an annual basis. If it is not possible to calculate the interest pertaining to Danish funds, the interest should be used for the activities within the programme area, once the agreement of the Embassy has been sought.

13.3. Procurement

Procurement is not expected to form a significant part of the Danish support. Any procurement required will be carried out in accordance with UN procurement rules.

13.4. Audit

Being part of the global UN system, UNECA auditing is part also of the global UN audit system under the Office of the Internal Oversight Services. Funds made available through this arrangement shall be subject to internal and external audit procedures as provided for in the UN Financial Regulations and Rules. A copy of the audited accounts of the UN will be submitted to RDE Addis Ababa.

RDE Addis Ababa reserves the right to undertake a separate audit of the Danish funds if this is deemed necessary and this will be funded separately.

14. Monitoring and Evaluation

14.1. Monitoring

UNECA will take overall responsibility for monitoring the implementation of its programmes and for narrative and financial reporting to partners. UNECA will deliver progress reports on a bi-annual basis where progress is measured against the agreed results framework in Annex B and the agreed budget in section 9 of this Development Engagement Document.

The progress reports will be discussed at bi-annual progress meetings between UNECA and RDE Addis Ababa.

Monitoring will also be carried out by RDE Addis Ababa – in close cooperation with the Monitoring, Evaluation, Accountability and Learning (MEAL) team that is contracted and funded as part of the Danish support to the African Programme for Peace – on the basis of its regular dialogue with the UNECA and in conjunction with other donors where applicable.

14.2. Reviews and evaluation

A Mid-Term Review is expected to take place in Q2 2022 to assess progress in the programme including the UNECA engagement regarding planning, budgeting and results delivery. The baselines for this will be the agreed results framework presented in Annex B.

The Royal Danish Embassy maintains the right to undertake other reviews and evaluations as part of a comprehensive management of the project and the support provided. Such reviews and evaluations will be coordinated with UNECA.

15. Pre-requisites

The Danish cooperation with UNECA under this development engagement will become effective upon signature of this document.

16. Signatures

For the UN Economic Commission for Africa

XXXX

Date:

For the Royal Danish Embassy in Addis
Ababa

Ambassador Karin Poulsen

Date:

Annex A: Institutional context

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:

- Promoting economic and social development of its member states
- Fostering intraregional integration
- Promoting international cooperation for Africa's development

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 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 subregions 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 the 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

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.

Annex B: Results Framework

The results framework below details the expected outputs under each of the three outcome areas. The outcome areas of the current engagement will work towards outcomes 1 and 2 of the overall outcomes of the programme, as envisioned in the programme document.

Outcome 1		Enhanced capacity of member States and RECs 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	1 country
Target	Year	2023	Minimum 20 countries
Output 1.1		Toolkits and materials developed, advisory services delivered, and consultations held at country level to support the completion of AfCFTA phase 1 issues	
Output indicator		Number of countries supported	
Baseline	Year	2019	1 country
Annual target	Year 1	2020	+3 countries
Annual target	Year 2	2021	+5 countries
Annual target	Year 3	2022	+5 countries
Annual target	Year 4	2023	+2 countries
Output 1.2		Capacity building for targeted countries on the measurement and analysis of services trade value chains for AfCFTA implementation	
Output indicator		Number of countries trained	
Baseline	Year	2019	2 countries
Annual target	Year 1	2020	+5 countries
Annual target	Year 2	2021	+5 countries
Annual target	Year 3	2022	+5 countries
Annual target	Year 4	2023	+5 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		Progress and dissemination of ARIA X report Number of countries using ECA proposed policies based on report	
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	6 countries using ECA proposed policies, including policies adopted incorporating climate concerns and adaptation responses

Annual target	Year 3	2022	6 countries using ECA proposed policies, including policies adopted incorporating climate concerns and adaptation responses
Annual target	Year 4	2023	8 countries using ECA proposed policies, including 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		Progress and dissemination of study Number of RECS using ECA proposed policies based on study	
Baseline	Year	2019	Work on the study commenced
Annual target	Year 1	2020	Study completed and disseminated.
Annual target	Year 2	2021	2 RECs using ECA proposed policies. Policies adopted mainstream climate concerns, adaptation responses and considerations on women/youth
Annual target	Year 3	2022	3 RECs using ECA proposed policies. Policies adopted mainstream climate concerns, adaptation responses and considerations on women/youth
Annual target	Year 4	2023	3 RECs using ECA proposed policies. Policies adopted mainstream climate concerns, adaptation responses and considerations on women/youth

Outcome 2		Enhanced capacity of Member States to develop policies, and mainstream considerations on climate change and green transition into negotiations on competition, investment, IPRs (phase II) and e-commerce (phase III), and implementation of the service protocol and TBT Annex (Phase I)	
Outcome indicator		Number of countries and RECs that apply UNECA research on competition, investment, and climate change/green transition in phase II negotiations and phase I implementation	
Baseline	Year	2019	TBD
Target	Year	2023	4 RECs 20 countries
Output 2.1		Competition Market Studies are produced for African Competition Councils	
Output indicator		10 countries that develop market studies on competition	
Baseline	Year	2019	No competition market studies exist
Annual target	Year 1	2020	2 policies
Annual target	Year 2	2021	3 policies
Annual target	Year 3	2022	3 policies
Annual target	Year 4	2023	2 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		Progress and dissemination of study Number of countries using ECA proposed policies based on study	
Baseline	Year	2019	Study commenced
Annual target	Year 1	2020	Study finished and disseminated
Annual target	Year 2	2021	7 countries using ECA proposed policies
Annual target	Year 3	2022	7 countries using ECA proposed policies
Annual target	Year 4	2023	6 countries using ECA proposed policies
Output 2.3		Research on how to incorporate climate change, green transition and gender & youth considerations into the AfCFTA services liberalization, development/harmonisation of African standards, and phase II and III negotiations.	
Output indicator		Knowledge production on options for incorporating considerations on climate change, green transition and women & youth into the Phase II and III negotiations.	
Baseline	Year	2019	No work done yet on 'greening' the AfCFTA
Annual target	Year 1	2020	-
Annual target	Year 2	2021	5 research papers prepared
Annual target	Year 3	2022	Policy briefs produced for AUC, AfCFTA trade negotiators and the secretary general.
Annual target	Year 4	2023	5 countries using ECA proposed policies
Output 2.4		Knowledge products on private sector finance and investments towards green growth prepared and disseminated	
Output indicator		Studies and dissemination activities	
Baseline	Year	2019	No knowledge work done
Annual target	Year 1	2020	-
Annual target	Year 2	2021	Preparation of 1 research paper and 1 policy brief
Annual target	Year 3	2022	4 Advocacy forums held in RECs share information on green investments opportunities
Annual target	Year 4	2023	4 Advocacy forums held in RECs share information on green investments opportunities
Output 2.5		Deliver targeted trainings to business associations (incl. women's business associations, cross border trade associations and youth groups on entrepreneurship) in five African countries on the business opportunities connected to the AfCFTA, that also include a focus on 'green' investment opportunities.	
Output indicator		Number of business associations and countries that have received training.	
Baseline	Year	2019	No countries reached and no business associations trained
Annual target	Year 1	2020	Target countries and business associations identified
Annual target	Year 2	2021	2 countries and minimum 10 business associations (40% women's associations and 20 % youth)

Annual target	Year 3	2022	2 countries and minimum 10 business associations (40% women's associations and 20 % youth)
Annual target	Year 4	2023	2 country and minimum 5 business associations (40 % women's associations and 20 % youth)

Outcome 3		Enhanced capacity of member states to include considerations on climate change and green transition into their AfCFTA National Implementation Strategies	
Outcome indicator		Number of member states with AfCFTA National Implementation Strategies with a clear green and evidence-based strategy.	
Baseline	Year	2019	0
Target	Year	2023	Minimum 20 countries have included green growth in their AfCFTA National Implementation Strategies (including smaller economies, LLDCs and SIDSs that face specific climate challenges and capacity constraints)
Output 3.1		Data and modelling work activities on trade, green growth and women/youth. Identifying the potential for green growth and inclusion of issues related to women/youth in the context of the AfCFTA.	
Output indicator		Number of studies conducted.	
Baseline	Year	2019	-
Annual target	Year 1	2020	-
Annual target	Year 2	2021	One completed empirical study produced and disseminated that includes recommendations on green growth, sustainable practices and inclusion of women/youth in the context of the AfCFTA.
Annual target	Year 3	2022	One completed empirical study produced and disseminated that includes recommendations on green growth, sustainable practices and inclusion of women/youth in the context of the AfCFTA.
Annual target	Year 4	2023	One completed empirical study produced and disseminated that includes recommendations on green growth, sustainable practices and inclusion of women/youth in the context of the AfCFTA.
Output 3.2		Inclusion of green initiatives in AfCFTA National Implementation Strategies	
Output indicator		Number of countries supported with 'greening' their National Implementation Strategies	
Baseline	Year	2019	-
Annual target	Year 1	2020	-
Annual target	Year 2	2021	Completion of national stakeholder meetings. Necessary value chain analysis, policy briefs and research papers produced.
Annual target	Year 3	2022	+10 countries supported
Annual target	Year 4	2023	+10 countries supported

Annex C: Risks Management Matrix

Contextual risk

Risk factor	Likelihood	Impact	Risk response	Residual risk	Background to the assessment
The COVID-19 pandemic restricts UNECA in its capacity to deliver on the development engagement	Medium	Low	UNECA will adapt to the restriction imposed by Covid-19 through e.g. more e-meetings and consultations.	There is a risk that the mitigating efforts will lead to less effective collaborations with the member states due to the increased number of e-meetings and lack of physical meetings.	The Covid-19 pandemic has had considerable implications for mobility and has necessitated that workers adapt to online modalities. The exact implications of the change are still unknown.
Member States, RECs and other stakeholders may not demonstrate the level of commitment needed to ensure the success of the AfCFTA.	Medium	High	Continuous communications and visibility, advocacy and engagement with key stakeholders during the implementation of the project to secure and maintain political buy-in. Consulting fully with stakeholders to ensure that the project remains relevant to their needs. Networking and establishment of meaningful partnerships in support of delivery of project outputs	Risk is reduced considerably; however residual risk remains.	The member states involved in the AfCFTA process represent a very heterogeneous group with many different agendas. If not handled with care the negotiations could end up in a standstill and political backing for the AfCFTA could fade. Additionally, 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 free trade areas.

Lack of support from national bodies for achieving the goals	Medium	High	Supporting national bodies by sufficient dissemination and information about the project benefits and impact.	Risk is reduced considerably; however residual risk remains.	If the political backing to the AfCFTA faced, there is a risk that national bodies will withdraw from the programme making implementation problematic.
--	--------	------	---	--	--

Programmatic risk

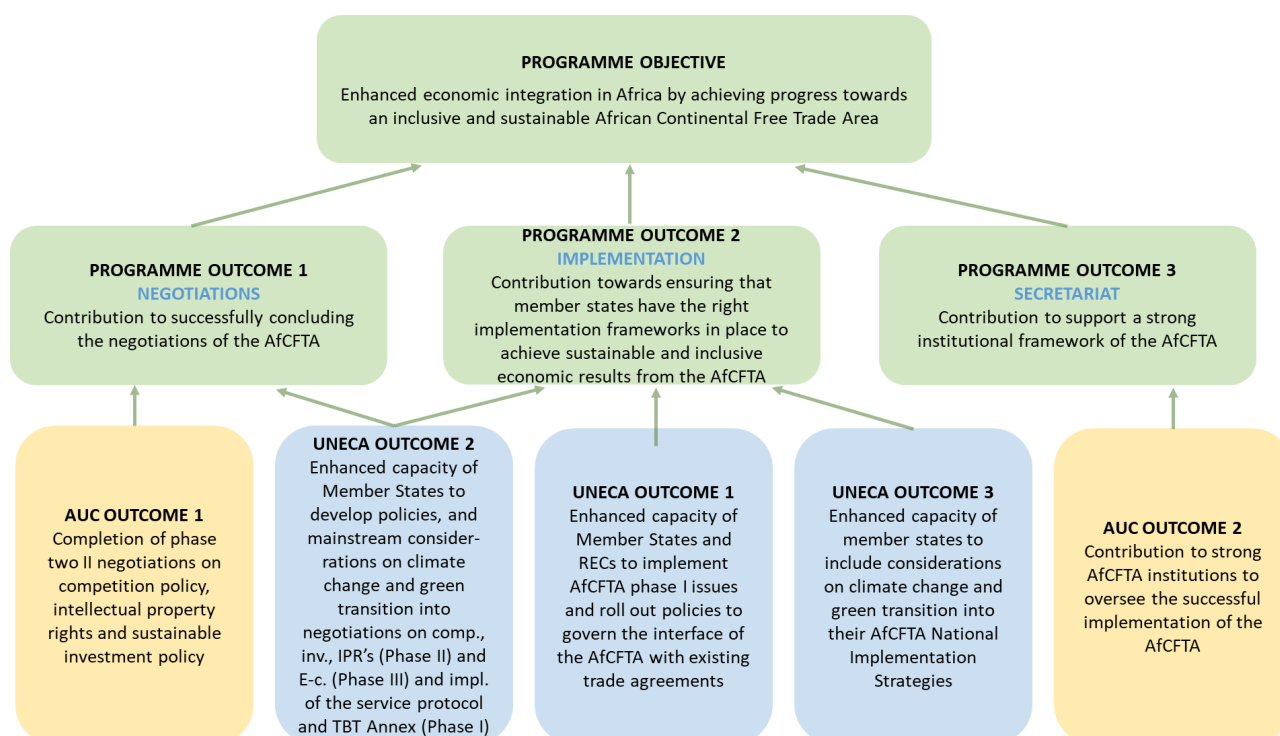
Some sectors will benefit more than others from the implementation of AfCFTA	High	High	A core area of the project is to contribute to an inclusive AfCFTA and work will be done to demonstrate clearly the long-term benefits of sustainable trade policies to the private sector.	Risk is reduced considerably; however residual risk remains.	The negotiations and ultimately the implementation of the AfCFTA is complex and with many different conflicting interests. It is important that there is a focus in inclusiveness in AfCFTA processes at all levels in order to ensure that all stakeholders and sectors are duly represented.
Activities not implemented in due time due to lack of adequate planning and scheduling	Medium	High	Pro-active follow up of project activities and deliverables; Re-planning of the deliverables if needed.	The directly associated risk is reduced considerably.	The partnerships with UNECA has been planned carefully. However, follow-up on the plans are needed in order to make sure that the Danish support is implemented as agreed.
Poor visibility of the impacts and benefits of the project	Medium	High	Pro-active, timely and planned communication actions throughout the duration of the project. UNECA communication strategies will be used to brand the Danish support.	Risk reduced but remains.	The Danish support to UNECA is one of many donor engagements that UNECA are involved in. Structured reporting and communication is necessary.

Institutional risk

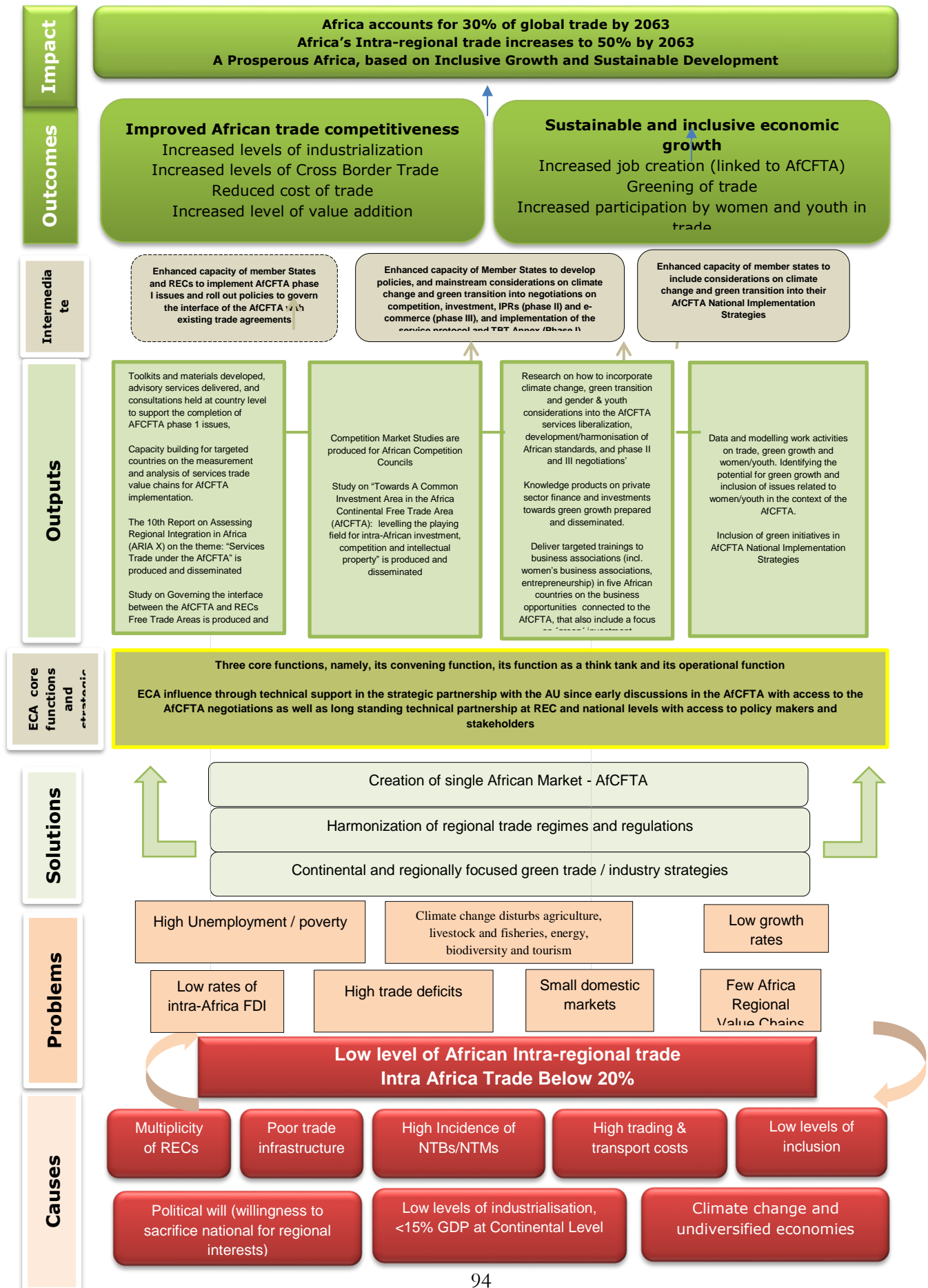
Delay in the reception of funds from Partner	Low	High	Follow up with Partner to ensure funds are released on time	Risk gone	The funds for the partnership have been made available through the Danish Finance Act (2019,2020), and there should be no problems in reception of funds if there is proper coordination.
--	-----	------	---	-----------	---

Annex D: Intervention logic of the Danish Programme Support

The support to AUC as laid down and governed by this DED is part of a Danish programme to support of the implementation of AfCFTA. Under the programme support is also provided to the African Union Commission (AUC). The Intervention Logic for the support to UNECA thereby fits into an overall programme intervention logic. The figure below illustrates the intervention logic and hence the relationship between the support to UNECA and the overall programme.



Annex E: Intervention logic of UNECA



Annex 1: Context Analysis

1. Overall development challenges, opportunities and risks

Briefly summarise the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:

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. In 1999 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 2015²⁶. However, the population growth in the region means that the number of people living in extreme poverty actually has increased in absolute numbers, from 378 million individuals to 408 million during the period. The population growth means that the otherwise impressive economic growth has a limited impact on the absolute number of people living in poverty.

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. Commodities are exported with little or no value added, meaning that the industries create a limited amount of jobs. 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 2010²⁷. This has led researchers to conclude that Africa is experiencing a 'manufacturing deficit' compared to other developing countries. Furthermore, there is – quite surprisingly – no statistical relationship between economywide growth and growth in formal employment across the continent. 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.

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 percent²⁸.

²⁶ According to the World Bank World Development Indicators, www.wdi.worldbank.org

²⁷ According to the World Bank datacatalog.worldbank.org/dataset/africa-development-indicators

²⁸ According to WTO, www.data.wto.org, as measured by value of exports in merchandise.

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. 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 much needed structural transformation and industrialisation of the continent.

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. 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 countries²⁹ 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. 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 services³⁰ 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*”. 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, 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

²⁹ The African Union consists of 55 member states, i.e. all countries on the African continent including the Republic of Western Sahara.

³⁰ The five priority service sectors are transport, communications, financial services, tourism and business services.

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 this³¹. 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 enable 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.

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 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.

³¹ African Union Commission 2019: “Report on the status of regional integration in Africa”.

These points showcase the possible impact of establishing a functioning continental free trade area. They also make it evident that the ambitious efforts require 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.

The programme is aligned with the priorities spelled out in The World 2030 and will contribute specifically to three SDG's namely SDG1 – No Poverty, SDG8 – Decent jobs and Economic growth and SDG17 – Partnerships for goals. Additionally, the programme will with its strong focus on Climate change and green transition contribute to SDG13 – Climate Action and SDG12 – Responsible consumption and production.

Looking at the development of SDG1 – No poverty broadly across the African continent, there has actually been a negative development in the absolute number of people living in poverty on the continent (as is also described above). In regard to SDG8 there has been considerable economic growth on the continent for quite some time, however the population growth on the continent means that the economic growth has not have the desired as of now. Unemployment remains low on the continent, however according to ILO 55% of the working population remains in poverty, indicating that the continent still has a long way to go in regard to the creation of decent jobs and livelihoods. According to the sustainable development report 2020 there has not been sufficient progress on SDG17 and Covid-19 can end up having a negative impact on the future development. However, Denmark is according to the report on of a selected group of countries that are on track with SDG17.

List the key documentation and sources used for the analysis:

- Newman, C., Page, J., Rand, J., Shimeles, A., Soderbom, M., & Tarp, F. (2016). *Made in Africa - learning to compete in industry*. Brookings.
- Danida. (2017). The world 2030 - Denmark's strategy for development cooperation and humanitarian action. Ministry of Foreign Affairs of Denmark.
- Brookings. (2019). *Keys to success for AfCFTA*. Brookings Institution.
- African Development Bank. (2016). *Jobs for youth in Africa: Catalyzing youth opportunity across Africa*. Abidjan: African Development Bank.
- Brenton, P., & Isik, G. (2012). *De-fragmenting Africa: Deepening regional trade integration in goods and services*. Washington: World Bank.
- IMF. (2019). The AfCFTA – Welfare gains estimates from a general equilibrium model. IMF working paper.
- UNECA, & UNCTAD. (2019). *ARIA IX: Next steps for the African Continental Free Trade Area*. Addis Ababa: UNECA.
- Sustainable Development Report, 2020.
https://s3.amazonaws.com/sustainabledevelopment.report/2020/2020_sustainable_development_report.pdf

Are additional studies / analytic work needed? How and when will it be done?

No additional studies needed
2. Fragility, conflict, migration and resilience
<i>Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:</i>
The proposed support does not directly address fragility, conflict, migration and resilience, but the successful implementation of the AfCFTA is thought to have a significant positive impact on these areas through the creation of decent jobs and income as well as increased public revenue.
Denmark is already engaged in peace and stabilisation efforts on the African continent, including inter alia the peace and stabilisation programs in Sahel, the Gulf of Guinea anti-piracy program and the bilateral country programs. Furthermore, Denmark is providing support to the AU through 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.
Many parts of the African continent have challenging and unstable security environments, which may impede some activities relating to the Danish programme.
<i>List the key documentation and sources used for the analysis:</i>
<ul style="list-style-type: none"> - International Crisis Group country reports (www.crisisgroup.org) - Failed State Index (www.fundforpeace.org): - UK-Stabilisation Unit: https://www.gov.uk/government/organisations/stabilisation-unit - UNCHR Global Focus – UNCHR Operations worldwide
<i>Are additional studies / analytic work needed? How and when will it be done?</i>
No additional studies needed

3. Assessment of human rights situation (HRBA) and gender³²
<i>Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:</i>
Most countries in Africa face challenges in regard to human rights compliance. For this programme considerations towards small-scale traders and especially women are relevant, as they generally exhibit lower literacy and empowerment levels and more limited voice and options for being heard compared to their male counterparts makes women more vulnerable to abuses in e.g. cross-border trade, and less likely to participate in policy-making processes related to trade facilitation. This will be a focus area in the deliberations both during negotiations, in discussions at REC- and country level during implementation to ensure that the implementation of the AfCFTA will 'leave no one behind'.

³² The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

<p>With regard to the Human Rights Based Approach (HRBA) the programme will rest upon the four principles of participation, accountability, non-discrimination and transparency. These underpin the partner organisations' (AUC & UNECA) own strategies and policies and will thus guide the activities implemented.</p> <p>-</p>
<p>Universal Periodic Review</p> <ul style="list-style-type: none"> - List recommendations from Council for Development Policy (UPR) relevant for the thematic programmes and from any treaty bodies, special procedures, INGOs, Human rights institutions etc. that require follow up by partners in the programme. - Not considered relevant, as the programme covers the entire African continent
<p>The key rights holder in the programme are the member states and the associated companies and small trader affected by the AfCFTA. 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.</p>
<p>The primary duty bearers for upholding human rights connected to this programme are the member states.</p>
<p>Human Rights Principles (PANT)</p> <p>Participation</p> <p>The programme will pay special attention to the inclusion of women in activities and UNECA will incorporate considerations on vulnerable groups in all their work through the Danish support. This is not a new approach for UNECA who recently produced a study that 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.</p> <p>Accountability</p> <p>The above-mentioned UNECA study also identified 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, including women and youth. 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.</p> <p>Non-discrimination</p> <p>Women, youth and vulnerable groups e.g. informal traders are the groups among the rights bearers that face potential exclusion from the AfCFTA process. As mentioned above specific considerations in this regard are made through the programme.</p> <p>Transparency</p> <p>Transparency and knowledge sharing are an important part of UNECA's work. They provide dedicated regional intergovernmental and multi-stakeholder platforms with strong ownership by member states, regional bodies and development banks that result in agreed development policy frameworks, standards and action plans that reinforce multilateralism at the regional and subregional levels while at the same time giving equal access to information for member states.</p> <p>Gender</p> <p>Women participating in small-scale trade as border traders, transporters, processors, vendors often face disproportionately higher barriers than their male counterparts, such as higher trade costs, more frequent harassment and abuse, lower literacy levels, and more limited access to</p>

information and male-dominated distribution networks, along with time and mobility constraints.

Trade liberalization can contribute critically to economic empowerment of women in border and market areas and can be an important driver of inclusive growth. However, women are generally also among the most vulnerable to challenges and difficult conditions experienced at borders and along corridors, including corruption, harassment and other forms of abuse.

Women play an increasing role in trade and could benefit from the AfCFTA, since per some estimates, they may represent up to 70-80% of the total population of cross-border traders in Africa.

The partnerships with UNECA and AUC will include gender specific targets. The partnership with AUC will include targets for female employment while UNECA will include gendered consideration in all their interventions.

Youth

The programme does not target youth directly, small-scale cross-border trading activities are a critical source of livelihoods for many in Africa, that creates income-generating opportunities for disadvantaged groups such as women, unemployed youth and people living with disabilities. Trade liberalization aimed at making cross border trade easier could have a positive impact on youth in regard to employment and income opportunities.

List the key documentation and sources used for the analysis:

- The Continental Free Trade Area (CFTA) in Africa – A human rights perspective https://www.ohchr.org/Documents/Issues/Globalization/TheCFTA_A_HR_ImpactAssessment.pdf
- Country reports <https://www.ohchr.org/EN/Pages/Home.aspx>

Are additional studies / analytic work needed? How and when will it be done?

No additional studies needed

4. Inclusive sustainable growth, climate change and environment

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

As is highlighted by the Intergovernmental Panel on Climate Change (IPCC), global warming is on a path that will have devastating humanitarian consequences. The global south and Africa in particular are set to be hit especially hard by climate change as they have limited capacity for mitigation and adaption.

Trade is central for economic growth and increasing inter-African trade through the creation of the AfCFTA holds enormous potential for sustained economic growth across Africa. However, economic growth through trade liberalization has in the past been associated with increased carbon emissions and environmentally destructive products such as fossil fuels and timber. Recent trade agreements have paid more attention to climate change, however attention given to the subject remains limited. In order to curb the effects of trade liberalization on climate change it is necessary to include climate change and green transition early the negotiations and implementation of the AfCFTA, so that climate change and green transition has the potential to become an integrated part of agreements and national implementation strategies and ultimately take advantage of trade-climate synergies. The capacity of the institutions and governments involved (AU, AUC, member states etc.) in the AfCFTA process will, because of the limited focus on climate change and green transition, be challenged in regard to

developing policies and strategies for implementation. This programme will have a specific focus on developing the capacity of institutions and member states. Once trade agreements have been negotiated, it is difficult to include climate change and green transition, the Danish support to the AfCFTA represents a unique opportunity to include climate change and green transition in a continental trade agreement during the negotiation phase and early days of implementation meaning that the green agenda has the potential to be mainstreamed into all relevant processes.

As mentioned above, climate change and green transition remains an underdeveloped area in the processes surrounding the AfCFTA. In order to mitigate this and to be in alignment with the Danish priorities this programme will have a clear green agenda. The development engagements with AUC and UNECA will have a clear green angle focused on including considerations on climate change and green transition in the AfCFTA process, that they are already involved in. The potential for inclusion of climate change in the context of the AfCFTA has not been properly scoped and part of this programme will be aimed at identifying focus areas that can be included in the negotiation and implementation processes, making the AfCFTA more compatible with climate change mitigation. Some of the potential areas of interest include:

- **Removing tariff barriers on environmental goods and services.**
- **Explicit limits on fossil fuel subsidies.**
- **Border adjustment carbon taxes.** Imposing levies on imports, based on the carbon emitted during their production, and the price of carbon in the importing country.
- **Green procurement.** Public procurement accounts for almost 30% of GDP in developing countries, including criteria on climate change and green transition could have a major impact.
- **Developing renewable energy industries through subsidies.**

Trade agreements and the associated economic growth has the potential to impact the environment and climate change negatively. It is therefore important that mitigating actions are taken. The Danish support will, through both DEs, have a specific focus on how the AfCFTA can include considerations on climate change and green transition in effort to mitigate the potential negative effects on the environment and climate change.

The Danish support has a strong focus on the AfCFTA being inclusive, which will be a distinct focus area in the different workstreams. The member states, who have varying capacity, will have access to support and expertise that provides them with the tools to incorporate issues such as gender considerations and focus on youth employment into the negotiations and implementation of the AfCFTA. The partnership with AUC will incorporate gender specific targets in relation to negotiations and targets for female staff members in the Secretariat. UNECA will integrate issues on gender and youth in all their workstreams, having a special focus on LDCs and member states with less capacity, and will also ensure a focus on MSMEs in its private sector engagements. All of this will contribute to a more inclusive AfCFTA.

List the key documentation and sources used for the analysis:

- Climate change and trade agreements. Friends or foes?, The Economist 2019 <https://iccwbo.org/content/uploads/sites/3/2019/03/icc-report-trade-and-climate-change.pdf>
- Linking Emissions Trading Schemes: Pros and Cons, Corina Haita, International Center for Climate Governance, 2013

https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/LinkingEmissionsTradingSchemes.ICCG_.pdf

- Trade and Climate Change, UNEP/ WTO, 2009
https://www.wto.org/english/res_e/booksp_e/trade_climate_change_e.pdf
- Next steps for the African Continental Free Trade Area, United Nations Economic Commission for Africa, African Union, African Development Bank and United Nations Conference on Trade and Development, 2019
https://www.uneca.org/sites/default/files/PublicationFiles/aria9_en_fin_web.pdf

If this initial assessment shows that further work will be needed during the formulation phase, please list how and when will it be done?

- No additional studies needed.

5. Capacity of public sector, public financial management and corruption

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The work with the member states on the AfCFTA is intricate as the different countries have complex political economies and a web of vested interests, which create complicated barriers for reforms aimed at opening the economy and liberalization of trade. Member states could be reluctant towards reforms, which coupled with low administrative capacity, pose a key problem area for the AfCFTA. Many of the member states that will be targeted through the programme are LDC's with low capacity in regard to developing policies and implementation strategies – building the capacity of member states in regard to negotiations and implementation of the AfCFTA is a key focus area of the Danish support.

The programme will enter into a partnership with the AUC and UNECA. There is capacity in the AUC but in order for them to conduct successful negotiations capacity building of the AUC is necessary. The Danish support will support this capacity building with the goal of making negotiations and implementation of the AfCFTA more effective. UNECA is viewed as having a high capacity and absorption capacity. They have a proven track record and are part of a strong network of UN institution.

In general, African countries **have** low scores on **the** corruption index according to Transparency International, meaning there is high level of corruption. The two implementing **partners, AUC and UNECA** have anti-corruption policies for the implementation of any programs and agrees to abide by Danish policies for anti-corruption.

List the key documentation and sources used for the analysis:

- www. Transparency.org <https://www.transparency.org/en/cpi/2019/results>

Are additional studies / analytic work needed? How and when will it be done?

No additional studies needed

6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The programme is designed in alignment with Danish development policy priorities as spelled out in *The World 2030*. 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 long-term 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.

Denmark's 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 with the AU on other thematic areas based on the Africa Programme for Peace (APP). A recent evaluation of the APP shows that Denmark is perceived as a trustworthy and equal partner³³.

The AfCFTA has 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.

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.

The AfCFTA has attracted a lot of donor's attention, as it is seen as a potential driver of economic growth across Africa. Donors are aligned and in continuous contact in order to prevent duplication of efforts. The Danish focus on climate change and green transition presents an obvious potential for increased coordination and synergies with GIZ, who have started a new phase (082020) that incorporates environmental considerations in the AfCFTA process.

List the key documentation and sources used for the analysis:

- Danida. (2017). The world 2030 - Denmark's strategy for development cooperation and humanitarian action. Ministry of Foreign Affairs of Denmark.

Are additional studies / analytic work needed? How and when will it be done?

No additional studies needed

³³ Clingendahl 2018: "Evaluation of the Africa Programme for Peace 2004-2017", evaluation undertaken for the Danish Ministry of Foreign Affairs.

7. Stakeholder analysis

Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:

The main stakeholders connected to the programme and the Danish support are the implementing partners – AUC and UNECA. The programme will have a focus on support to REC's and member states, building their capacity to negotiate and implement the AfCFTA (see also section 1 for more information on the RECs). 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. GIZ has also been heavily involved in the AfCFTA and could have special interest in the programme as they also will include interventions in 'greening' the AfCFTA in their new phase of support. Other major donors that the Danish support could benefit from alignment with are among others: Canada, Sweden, The World Bank and the AfDB.

The African Union 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. UNECA has been a historical strategic partner with the AU since early discussions on the AfCFTA and along its core functions. In addition, UNECA has access to the AfCFTA negotiations, possess a long-standing technical partnership at AUC, RECs and national levels with access to policy makers and other stakeholders (private sector, media, CSOs). The member states have a heterogeneity of interests, all the member states have complex political economies and a web of vested interests, which impose high barriers for reforms aimed at opening the economy and modernizing the administration of borders. Similarly, the Regional Economic communities (REC's) across Africa are major stakeholders in the AfCFTA that will have different agendas that need to be catered for, as is also mentioned in Section 1. The specific focus of the Danish support will be to work with the member states and REC's through partnership with AUC and UNECA in order to facilitate negotiations and implementation of the AfCFTA. The European Union is a long-standing supporter of economic integration in Africa, as an engine for economic growth and jobs and sustainable development throughout the continent. The EU will serve as a political and technical partner for Africa in continental integration, able to provide technical expertise to African partners in the establishment of the AfCFTA. GIZ have just started a new phase 08/2020 that will run until 07/2022 with a budget of EUR 18.5 million, meaning that they will more than double their previous commitment to the AfCFTA process. The new phase will, more than earlier, focus on the national level working with 6 countries (Ghana, Tunisia, Ethiopia, Nigeria, Rwanda and Tanzania) on trade in goods, trade in services, investment and intellectual property rights. GIZ will include an output aimed at how climate change and green transition can be incorporated into the AfCFTA.

-

- AUC as the secretariate for the AU is the main stakeholder in the programme. The AUC and the members states it represents are a very heterogenous group.

-

During the programme formulation process relevant stakeholders have been consulted. AU and UNECA have heavily involved in the formulation, in accordance with their roles as implementing partners. Additionally, relevant donors have been consulted in order to discuss potential synergies and to prevent duplication of efforts

-
<p>The AfCFTA has universal support from the member states, as it is seen as a key driver of economic growth for the African continent. However, it is important to mention that the different member states represent an array of different interests in regard to the AfCFTA and trade in general. It is important that continued support is given to the negotiations and the implementation in order to ensure that all interests are catered for and that it becomes an inclusive trade agreement, otherwise a situation could develop where member states lose interest or the capacity to conduct successful negotiations is lost.</p>
<p>For the Danish support to be successful it is paramount that the programme engages with stakeholders who have access to the member states and REC's. In order to do this the programme will partner with the AUC that functions as the secretariat of AU and represents the AU member states. Additionally, the programme will partner with UNECA who has been a historical strategic partner with the AU since early discussions on the AfCFTA. In addition, ECA has access to the AfCFTA negotiations, possess a long standing technical partnership at AUC, RECs and national levels with access to policy makers and other stakeholders (private sector, media, CSOs). These strategic partnerships will ensure that the programme has access to the relevant stakeholders.</p>
-
<p>List the key documentation and sources used for the analysis:</p> <p>- N/A</p>
<p>Are additional studies / analytic work needed? How and when will it be done?</p> <p>No additional studies needed</p>

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 AUC is chosen because the African Union 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 Commission

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.³⁴

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 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

³⁴African Union 2019 Budget Framework Paper.

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 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:

10. Advocacy and awareness-raising of the joint implementation of the 2030 Agenda and Agenda 2063
11. Coherent integration of the 2030 Agenda and the Agenda 2063 into national development frameworks
12. Capacity for analytical work and research to enhance evidence-based policymaking
13. Data ecosystems of member states and regional economic communities for effective performance tracking, follow-up and evidence-based policymaking
14. Integrated monitoring, evaluation and reporting frameworks
15. Trade and the regional integration agenda
16. Nexus between peace and security, human rights and development
17. Africa's global representation and voice
18. Integrated financial mechanisms

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</i>	Importance <i>How important is the programme for</i>	Influence <i>How much influence does the partner have</i>	Contribution <i>What will be the partner's main contribution?</i>	Capacity <i>What are the main issues emerging from</i>	Exit strategy <i>What is the strategy for</i>
---	---	---	--	--	---	--

	<i>goal of the partner?</i>	<i>the partner's activity-level (Low, medium high)?</i>	<i>over the programme (low, medium, high)?</i>		<i>the assessment of the partner's capacity?</i>	<i>exiting the partnership?</i>
<i>African Union Commission</i>	<p><i>Paramount pan-African organization owned by all 55 African member states with key norm- and policy-setting role for the Continent.</i></p> <p><i>Responsible for achieving greater unity, accelerating political and socio-economic integration of continent and promoting sustainable development and regional integration.</i></p>	<p><i>Low</i></p> <p><i>The annual budget for the African Union Commission and its specialized organs was 681.5 million USD in 2019.</i></p>	<p><i>Medium</i></p> <p><i>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></p>	<p><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></p>	<p><i>Strength:</i></p> <p><i>Key norm- and policy-setting organ with unique ownership from every member state on the continent.</i></p> <p><i>Weaknesses:</i></p> <p><i>resource constrained, particularly with regards to the human resources required to implement activities.</i></p>	<p><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></p>
<i>United Nations Economic Commission for Africa</i>	<p><i>Promoting economic and social development of its member states, fostering intraregional integration, and promoting international cooperation for Africa's development .</i></p>	<p><i>Low</i></p> <p><i>The annual budget proposed for UNECA in 2020 is 85 million USD.</i></p>	<p><i>Medium</i></p> <p><i>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></p>	<p><i>The partner will provide analytical capacity to help facilitate the ongoing negotiations as well as their implementation at national as well as regional level.</i></p>	<p><i>Strength:</i></p> <p><i>Strong in-house analytical capacity. Key pan-African organization able to provide expert assistance to member states and regional organs.</i></p> <p><i>Weaknesses:</i></p> <p><i>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</i></p>	<p><i>The analytical capacity and stakeholder consultations envisioned through the Danish support are required during the initial phases of the establishment of the AfCFTA.</i></p>

					<i>implemented</i> .	
--	--	--	--	--	-------------------------	--

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 Commission 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	2023	Adoption of protocols on phase I and II issues containing clear reference to different aspects of sustainable and inclusive development (e.g. climate change, green transition and attention to women, youth and vulnerable groups) 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	2023	Protocols on competition policy, investment policy and intellectual property rights, with a clear green ambition, adopted by the African Union and its member states.
Outcome 2		Contribution to ensuring that member states have the right implementation frameworks in place to achieve sustainable and inclusive 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	2023	20 countries have utilized analysis to design, implement and monitor policies related to implementation of AfCFTA.
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	2023	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 II negotiations on competition policy, intellectual property rights and sustainable investment policy.	
Outcome indicator		Status on protocols on competition policy, investment policy and intellectual property rights	
Baseline	Year	2019	Phase II negotiations initiated.
Target	Year	2023	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 and green growth) achieved through mobilization of a relevant expert team	
Baseline	Year	2019	Expert team not mobilised
Annual target	Year 1	2020	AUC budget for 2021 include provisions for expert team
Annual target	Year 2	2021	Terms of reference for Expert team (Senior Competition Policy Expert (P5), Senior Trade and Green Growth Expert, and 2 Technical Assistants (P1)) prepared. Experts recruited and relevant preparation work commenced
Annual target	Year 3	2022	Expert team's work contributed to the conclusion of Phase II negotiations
Annual target	Year 4	2023	Expert team's work contributed to the domestication of the protocols (with focus on Competition policy and green growth) into national legislation in at least 10 member states.
Output 1.2		Successful 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	No TWG meetings undertaken
Annual target	Year 1	2020	Draft work Plan of the AfCFTA, activities and budget for the phase II prepared
Annual target	Year 2	2021	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 3	2022	15 stakeholder consultations undertaken to raise awareness in order to promote domestication of laws and policies in Investment, Intellectual Property Rights and Competition Policy including considerations on climate change and green transition
Annual target	Year 4	2023	TWG's work contributed to the drafting of the 3 protocols as legal texts in 10 countries
Output 1.3		Capacity building of Member States on issues related to the phase II protocols including climate change and green transition.	
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	No capacity building engagement initiated

Annual target	Year 1	2020	Preparation work for training and capacity building workshops commenced, utilising the policy recommendations from UNECA's relevant studies
Annual target	Year 2	2021	<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 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
Annual target	Year 4	2023	<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 organogram 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	Secretariat not established
Annual target	Year 1	2020	Draft organogram for the AfCFTA Secretariat exists but is not approved and adopted.
Annual target	Year 2	2021	Adoption of the organogram, of which at least 30 percent of staff are female
Annual target	Year 3	2022	75 percent of positions according to Organogram for the AfCFTA Secretariat filled, 30 percent of which are female
Annual target	Year 4	2023	Organogram for the AfCFTA Secretariat fully staffed, at least 30% of which are female
Output 2.2		AfCFTA Secretariat has adequate capacity to fulfil its mandate	
Output indicator		Staffing of the AfCFTA Secretariat adequately equipped with necessary experts	
Baseline	Year	2019	Secretariat not established. No experts in place.
Annual target	Year 1	2020	Terms of Reference for the experts being prepared
Annual target	Year 2	2021	Senior Investment Expert-P5, Senior Intellectual Property Rights Expert-P5, Senior Competition Policy Expert-P5 recruited, Senior Expert-P5 on green growth and climate change, and an Expert (P3/P4) on gender and vulnerable groups.
Annual target	Year 3	2022	Web-based consultation Expert and Snr. Industry Expert recruited

Annual target	Year 4	2023	Experts deployed to fulfil their mandate as required in relevant ToR
---------------	--------	------	--

Engagement 2: UNECA

Outcome 1		Enhanced capacity of member States and RECs 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	1 country
Target	Year	2023	Minimum 20 countries
Output 1.1		Toolkits and materials developed, advisory services delivered, and consultations held at country level to support the completion of AfCFTA phase 1 issues	
Output indicator		Number of countries supported	
Baseline	Year	2019	1 country
Annual target	Year 1	2020	+3 countries
Annual target	Year 2	2021	+5 countries
Annual target	Year 3	2022	+5 countries
Annual target	Year 4	2023	+2 countries
Output 1.2		Capacity building for targeted countries on the measurement and analysis of services trade value chains for AfCFTA implementation	
Output indicator		Number of countries trained	
Baseline	Year	2019	2 countries
Annual target	Year 1	2020	+5 countries
Annual target	Year 2	2021	+5 countries
Annual target	Year 3	2022	+5 countries
Annual target	Year 4	2023	+5 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		Progress and dissemination of ARIA X report Number of countries using ECA proposed policies based on report	
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	6 countries using ECA proposed policies, including policies adopted incorporating climate concerns and adaptation responses

Annual target	Year 3	2022	6 countries using ECA proposed policies, including policies adopted incorporating climate concerns and adaptation responses
Annual target	Year 4	2023	8 countries using ECA proposed policies, including 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		Progress and dissemination of study Number of RECS using ECA proposed policies based on study	
Baseline	Year	2019	Work on the study commenced
Annual target	Year 1	2020	Study completed and disseminated.
Annual target	Year 2	2021	2 RECs using ECA proposed policies. Policies adopted mainstream climate concerns, adaptation responses and considerations on women/youth
Annual target	Year 3	2022	3 RECs using ECA proposed policies. Policies adopted mainstream climate concerns, adaptation responses and considerations on women/youth
Annual target	Year 4	2023	3 RECs using ECA proposed policies. Policies adopted mainstream climate concerns, adaptation responses and considerations on women/youth

Outcome 2		Enhanced capacity of Member States to develop policies, and mainstream considerations on climate change and green transition into negotiations on competition, investment, IPRs (phase II) and e-commerce (phase III), and implementation of the service protocol and TBT Annex (Phase I)	
Outcome indicator		Number of countries and RECs that apply UNECA research on competition, investment, and climate change/green transition in phase II negotiations and phase I implementation	
Baseline	Year	2019	TBD
Target	Year	2023	4 RECs 20 countries
Output 2.1		Competition Market Studies are produced for African Competition Councils	
Output indicator		10 countries that develop market studies on competition	
Baseline	Year	2019	No competition market studies exist
Annual target	Year 1	2020	2 policies
Annual target	Year 2	2021	3 policies
Annual target	Year 3	2022	3 policies
Annual target	Year 4	2023	2 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		Progress and dissemination of study Number of countries using ECA proposed policies based on study	
Baseline	Year	2019	Study commenced
Annual target	Year 1	2020	Study finished and disseminated
Annual target	Year 2	2021	7 countries using ECA proposed policies
Annual target	Year 3	2022	7 countries using ECA proposed policies
Annual target	Year 4	2023	6 countries using ECA proposed policies
Output 2.3		Research on how to incorporate climate change, green transition and gender & youth considerations into the AfCFTA services liberalization, development/harmonisation of African standards, and phase II and III negotiations.	
Output indicator		Knowledge production on options for incorporating considerations on climate change, green transition and women & youth into the Phase II and III negotiations.	
Baseline	Year	2019	No work done yet on 'greening' the AfCFTA
Annual target	Year 1	2020	-
Annual target	Year 2	2021	5 research papers prepared
Annual target	Year 3	2022	Policy briefs produced for AUC, AfCFTA trade negotiators and the secretary general.
Annual target	Year 4	2023	5 countries using ECA proposed policies
Output 2.4		Knowledge products on private sector finance and investments towards green growth prepared and disseminated	
Output indicator		Studies and dissemination activities	
Baseline	Year	2019	No knowledge work done
Annual target	Year 1	2020	-
Annual target	Year 2	2021	Preparation of 1 research paper and 1 policy brief
Annual target	Year 3	2022	4 Advocacy forums held in RECs share information on green investments opportunities
Annual target	Year 4	2023	4 Advocacy forums held in RECs share information on green investments opportunities
Output 2.5		Deliver targeted trainings to business associations (incl. women's business associations, cross border trade associations and youth groups on entrepreneurship) in five African countries on the business opportunities connected to the AfCFTA, that also include a focus on 'green' investment opportunities.	
Output indicator		Number of business associations and countries that have received training.	
Baseline	Year	2019	No countries reached and no business associations trained
Annual target	Year 1	2020	Target countries and business associations identified
Annual target	Year 2	2021	2 countries and minimum 10 business associations (40% women's associations and 20 % youth)
Annual target	Year 3	2022	2 countries and minimum 10 business associations (40% women's associations and 20 % youth)

Annual target	Year 4	2023	2 country and minimum 5 business associations (40 % women's associations and 20 % youth)
---------------	--------	------	--

Outcome 3		Enhanced capacity of member states to include considerations on climate change and green transition into their AfCFTA National Implementation Strategies	
Outcome indicator		Number of member states with AfCFTA National Implementation Strategies with a clear green and evidence-based strategy.	
Baseline	Year	2019	0
Target	Year	2023	Minimum 20 countries have included green growth in their AfCFTA National Implementation Strategies (including smaller economies, LLDCs and SIDSs that face specific climate challenges and capacity constraints)
Output 3.1		Data and modelling work activities on trade, green growth and women/youth. Identifying the potential for green growth and inclusion of issues related to women/youth in the context of the AfCFTA.	
Output indicator		Number of studies conducted.	
Baseline	Year	2019	-
Annual target	Year 1	2020	-
Annual target	Year 2	2021	One completed empirical study produced and disseminated that includes recommendations on green growth, sustainable practices and inclusion of women/youth in the context of the AfCFTA.
Annual target	Year 3	2022	One completed empirical study produced and disseminated that includes recommendations on green growth, sustainable practices and inclusion of women/youth in the context of the AfCFTA.
Annual target	Year 4	2023	One completed empirical study produced and disseminated that includes recommendations on green growth, sustainable practices and inclusion of women/youth in the context of the AfCFTA.
Output 3.2		Inclusion of green initiatives in AfCFTA National Implementation Strategies	
Output indicator		Number of countries supported with 'greening' their National Implementation Strategies	
Baseline	Year	2019	-
Annual target	Year 1	2020	-
Annual target	Year 2	2021	Completion of national stakeholder meetings. Necessary value chain analysis, policy briefs and research papers produced.
Annual target	Year 3	2022	+10 countries supported
Annual target	Year 4	2023	+10 countries supported

Annex 4: Budget

Development Engagement - AUC³⁵

		2020	2021	2022	2023	Budget DKK millions
Outcome 1	Completion of phase II negotiations on competition policy, intellectual property rights and sustainable investment policy.		2,65	2,65	2,65	7,95
Outcome 2	Contribution to strong AfCFTA institutions to oversee the successful implementation of the AfCFTA		3,55	3,55	3,30	10,40
TOTAL AUC						18,35

Development Engagement - UNECA

		2020	2021	2022	2023	Budget DKK millions
Outcome 1	Enhanced capacity of member States and RECs to implement AfCFTA phase I issues and roll out policies to govern the interface of the AfCFTA with existing trade agreements					
Output 1.1	Toolkits and materials developed, advisory services delivered, and consultations held at country level to support the completion of AfCFTA phase 1 issues	0,50	0,30	0,30	0,20	1,30
Output 1.2	Capacity building for targeted countries on the measurement and analysis of services trade value chains for AfCFTA implementation	0,80	0,65	0,65	0,69	2,79
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	0,75	0,45	0,35	0,35	1,90
Output 1.4	Study on Governing the interface between the AfCFTA and RECs Free Trade Areas is produced and disseminated	0,30	0,25	0,25	0,30	1,10
Outcome 1						7,09

Outcome 2	Enhanced capacity of Member States to develop policies, and mainstream considerations on climate change and green transition into negotiations on competition, investment, IPRs (phase II) and e-commerce (phase III), and implementation of the service protocol and TBT Annex (Phase I)	2020	2021	2022	2023	Budget DKK
-----------	---	------	------	------	------	---------------

³⁵ A budget for the AUC at output level will be provided in connection to the inception review in 2021.

Output 2.1	Competition Market Studies are produced for African Competition Councils	0,15	0,35	0,45	0,40	1,35
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	0,25	0,20	0,15	0,15	0,75
Output 2.3	Research on how to incorporate climate change, green transition and gender & youth considerations into the AfCFTA services liberalization, development/harmonisation of African standards, and phase II and III negotiations.		0,65	0,20	0,40	1,25
Output 2.4	Knowledge products on private sector finance and investments towards green growth prepared and disseminated		2,00	1,30	1,30	4,60
Output 2.5	Deliver targeted trainings to business associations (incl. women’s business associations, cross border trade associations and youth groups on entrepreneurship) in five African countries on the business opportunities connected to the AfCFTA, that also include a focus on ‘green’ investment opportunities.		0,45	0,45	0,40	1,30
Outcome 2						9,25

Outcome 3	Enhanced capacity of member states to include considerations on climate change and green transition into their AfCFTA National Implementation Strategies	2020	2021	2022	2023	Budget DKK
Output 3.1	Data and modelling work activities on trade, green growth and women/youth. Identifying the potential for green growth and inclusion of issues related to women/youth in the context of the AfCFTA.		0,45	0,45	0,44	1,34
Output 3.2	Inclusion of green initiatives in AfCFTA National Implementation Strategies		2,50	1,50	1,40	5,40
Outcome 3						6,74

TOTAL outcomes	23,08
-----------------------	--------------

Admin costs (13% PSC³⁶, 1% levy, 3% evaluation)	0,47 0,40 1,03 1,02	3,92
---	----------------------------	-------------

³⁶ The 13% PSC is a UN General Assembly Resolution and mandate. This is specifically for the UN Secretariat in which UNECA and other regional economies are part. Waiving the 13% PSC is possible under certain circumstances but this would require putting forward a special case to the UN Controller’s Office.

JPO	0,30	1,00	1,00	0,70	3,00
TOTAL UNECA					30,00
Programme management costs	0,25	0,45	0,75	0,2	1,65
GRAND TOTAL (AUC, UNECA, mgt)					50,00

Annex 5: Risk Management Matrix

Contextual risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
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.	If short-term risk can be mitigated through the partnerships with AUC and UNECA and if the negotiations are finished during the programme period, there should be no residual risk.	The member states involved in the AfCFTA process represent a very heterogeneous group with many different agendas. If not handled with care the negotiations could end up in a standstill and political backing for the AfCFTA could fade.
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.	Creating flexibility in the programme can lead to unfocused interventions that have less impact.	The negotiations surrounding the AfCFTA are complex. When also factoring in Covid-19, there is a chance the negotiations will take longer than expected.
Lack of political will to implement the measures required including in particular commitment to allow for the	Medium	High	National stakeholder consultations will highlight the benefits from fully implementing the AfCFTA for reaping the	The short-term risk is removed through the programme but the potential lack of long-term political will for implementation	The member states involved in the AfCFTA process represent a very heterogeneous group with many different agendas. If not

success of the AfCFTA			economic gains of the agreement.	n remains, as the implementation is seen as continuous effort that will continue after the programme has ended.	handled with care the negotiations could end up in a standstill and political backing for the AfCFTA could fade.
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.	Risk is reduced considerably; however residual risk remains.	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 free trade areas.
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.	Risk still present after risk response.	There is more or less universal political support for the AfCFTA, however this can change if the benefits of the AfCFTA are not as clear due to e.g. a decrease in global trade. The African continent are set for their first recession in many years as a consequence of the Covid-19 pandemic that could pose a serious risk for AfCFTA and the

					enthusiasm around it.
--	--	--	--	--	-----------------------

Programmatic risks (for country programmes/regional programmes filled out for each thematic programme)

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
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.	<p>Risk reduced, but the lack of formalized coordination means that residual risk remains.</p> <p>The Danish support and its focus on climate change and green growth is an underdeveloped area in relation to the AfCFTA and therefore there is very limited risk of duplication of efforts in this regard.</p>	The AfCFTA receives a lot of support from donors, especially UNECA receives a lot of funding meaning that there is risk of duplication of efforts.
AfCFTA (and programme) priorities diluted with day-to-day	High	Medium	The programme aims specifically at increasing the	Risk reduced, but residual risk remains.	The AUC are dependent on capacity building to effectively

requests on an under-resourced team in partner institution			capacity of the key organisations involved in finalizing the negotiations of and 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.		implement the Danish support.
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	Risk reduced but residual risk remains.	The potential lack of donor coordination, the intended flexibility in programme design, Covid-19 and delays in negotiations and implementation add to the risk of resources not being used as initially allocated.
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	Residual risk not reduced.	Although major achievements have been reached in the AfCFTA process, there are delays in the negotiations and implantation not least because of the Covid-19 pandemic. The risk of additional

			track, and due adjustments will be made when needed.		delays is considerable.
The COVID-19 pandemic restricts the programme partners in their capacity to deliver on the development engagements	Medium	Low	The AUC and UNECA will adapt to the restriction imposed by Covid-19 through e.g. more e-meetings and consultations.	There is a risk that the mitigating efforts will lead to less effective collaborations with the member states due to the increased number of e-meetings and lack of physical meetings.	The Covid-19 pandemic has had considerable implications for mobility and has necessitated that workers adapt to online modalities. The exact implications of the change are still unknown.

Institutional risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
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	Short term risk reduced considerably, but the long term risk remains and is dependent on donor funding.	The AUC is dependent on capacity building in order to implement activities. Capacity building in regards to the Danish support is especially important as the focus climate change and green transition is an areas that underdeveloped and internal capacity in the AUC is limited.

			priority in the dialogue with partners.		
--	--	--	---	--	--

Annex 6 – List of supplementary materials

#	Document / Material.	Source
1	<i>Jobs for youth in Africa: Catalyzing youth opportunity across Africa</i>	https://afdb-org.kr/wp-content/uploads/2018/02/Bottom_3_English.pdf
2	De-fragmenting Africa: Deepening regional trade integration in goods and services.	The World Bank
3	<i>Keys to success for the AfCFTA negotiations</i>	https://www.brookings.edu/wp-content/uploads/2019/05/Keys_to_success_for_AfCFTA.pdf
4	<i>Canada Fund for Africa: Summative evaluation executive report</i>	https://www.international.gc.ca/departement-ministere/assets/pdfs/evaluation/2011/dev-aer-aer11-eng.pdf
5	The world 2030 - Denmark's strategy for development cooperation and humanitarian action.	https://fnnewyork.um.dk/en/denmark/sustainable-development/new-strategy---the-world-2030/
6	The AfCFTA – Welfare gains estimates from a general equilibrium model.	https://www.imf.org/en/Publications/WP/Issues/2019/06/07/The-African-Continental-Free-Trade-Agreement-Welfare-Gains-Estimates-from-a-General-46881
7	<i>Made in Africa - learning to compete in industry.</i>	https://library.oapen.org/bitstream/handle/20.500.12657/25778/1004311.pdf?sequence=1&isAllowed=y
8	Aid, employment, and poverty reduction in Africa	https://www.researchgate.net/publication/283662294_Aid_Employment_and_Poverty_Reduction_in_Africa
9	ARIA IX: Next steps for the African Continental Free Trade Area. Addis Ababa: UNECA.	https://www.uneca.org/sites/default/files/PublicationFiles/aria9_en_fin_web.pdf
10	The continental free trade area (CFTA) in Africa - A human rights perspective.	https://www.ohchr.org/Documents/Issues/Globalization/TheCFTA_A_HR_ImpactAssessment.pdf
11	Doing Business 2011: Making a difference for entrepreneurs.	https://www.doingbusiness.org/en/reports/global-reports/doing-business-2011
12	The Governments Priorities for Danish Development Cooperation 2020	Um.dk
13	Sustainable Development Report, 2020	https://s3.amazonaws.com/sustainabledevelopment.report/2020/2020_sustainable_development_report.pdf
14	Climate change and trade agreements. Friends or foes?	https://iccwbo.org/content/uploads/sites/3/2019/03/icc-report-trade-and-climate-change.pdf
15	Linking Emissions Trading Schemes: Pros and Cons,	https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/LinkingEmissionsTradingSchemes.ICCG_.pdf
16	Trade and Climate Change	https://www.wto.org/english/res_e/booksp_e/trade_climate_change_e.pdf

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. Additionally, the programme will pay specific attention to information sharing with the Danish private sector through relevant channels

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, the Danish private sector 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	RDE Addis Ababa, in close coordination with AUC and UNECA

			and the implementation.	
--	--	--	----------------------------	--

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
1 March	Development of Process Action Plan	Addis (Jonas)	Complete
31 April	Draft concept note for presentation to Programme Committee	Addis (Jonas)	Complete
31 April	Agreement on process with ELK	Addis (Jonas)	Complete
31 May	Internal approval of concept note by Embassy management	Addis (Jonas)	Complete
31 May	Draft ToR for formulation of programme & appraisal	Addis (Jonas)	Complete
2 June	Submission of concept note for Programme Committee [17 working days before meeting]	Addis (Jonas)	Complete
3 June	Submission of concept note for public consultation [16 working days before meeting]	ELK	Complete
15 June	Final ToR for formulation of programme & appraisal with inputs from ELK	Addis (Jonas) / ELK (Torben)	Complete
15 June	Identification of consultants for programme formulation	Addis (Jonas) / ELK (Torben)	Complete
23 June	Discussion of concept note in programme committee	ELK	Complete
August /September	Desk study (incl. virtual formulation mission to Addis)	Consultant	Ongoing
3 September	Draft programme document incl. annexes Draft development engagement document(s) Draft partner agreement(s)	Consultant	
September	Comments to draft documents	Addis (Jonas/Alex)	
15 September	Final draft programme document incl. annexes (ready for appraisal)	Consultants	
17 September	Confirming agenda item to Council for Development Policy (UPR)	Addis (Jonas/Alex)	
30 September	Final desk appraisal report	ELK	
1-5 October	Revising programme document and DED's as well as bilateral agreements	Addis (Alex / Jonas)	
5 October	Final programme document incl. annexes	Addis (Alex / Jonas)	
6 October	Submission of final programme document to Council for Development Policy (UPR) [13 working days before meeting]	Addis (Alex)	

15 October	Publishing programme document on Danida website [10 working days before meeting]	ELK	
29 October	Presentation to Council for Development Policy (UPR)	ELK	
15 November	Approval by minister <ul style="list-style-type: none"> - Cover note - Programme document 	ELK	
30 November	Signing legally binding agreements with partner(s)	Addis (Alex)	
30 November	Commitment registration in MFA's systems	Addis (Alex)	

Annex 9 - Quality Assurance checklist for appraisal of programmes and projects³⁷

File number/F2 reference: 2019-35932

Programme/Project name: Support to implementation of African Continental Free Trade Area (AfCFTA)

Programme/Project period: 2020 – 2023

Budget: DKK 50,000,000.00

Presentation of quality assurance process:

The quality assurance has been a continuous process throughout the formulation, appraisal, and finalization phase. The first DKK 25 million was formulated, externally appraised and approved in late 2019. A combined programme of DKK 50 million was formulated in 2020 based on the existing programme and recommendations from the appraisal for possible expansion. During this formulation phase, the consultancy company assisting with the formulation has observed the quality requirements for development programmes in formulating documents and liaising with the partners. The appraisal team – consisting of ELK as well as an external party – has conducted an appraisal, and the Embassy together with the consultancy company has followed up on the relevant recommendations included in the appraisal report. The CFO and the Head of Cooperation at the Embassy has also conducted quality assurance as relevant of the submitted documents.

☐ 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: Yes, appraisal team consisting of a colleague from ELK and an independent consultant.

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

Comments: Yes, to the extent possible the recommendations have been reflected in the programme document. Some recommendations will await the Inception review in Q2 2021. This is, for instance due to ongoing restructuring of the organisations supported, which means that some of the proposed changes can

³⁷ 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.

only be implemented once this new structure is in place (e.g. the formal establishment of the AfCFTA Secretariat in Ghana).

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

Comments: Yes.

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

Comments: Yes.

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

Comments: Yes.

- ❑ Comments from the Danida Programme Committee have been addressed (if applicable).

Comments: Yes. At the Programme Committee, comments were given relating to the inclusion of Danish private sector companies. The consultancy company assisting in the formulation has looked into the viability of including Danish companies, and found that at this stage of the AfCFTA it will be too early to engage Danish private sector companies, as the potential business opportunities arising from AfCFTA will not be tangible enough to attract Danish private sector attention. The consultants assessed that there is a need for general awareness raising among the Danish private sector companies of the AfCFTA and the potential business opportunities that it may create for Danish companies. The programme has thus included targeted information efforts towards Danish private sector in the communication plan, in order to inform the Danish private sector of the opportunities arising under the free trade area.

- ❑ 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: Yes.

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

Comments: Yes. An output based budget for the AUC engagement will be formulated as part of the Inception Review in Q2 2021.

- ❑ The programme/project is found sound budget-wise.

Comments: Yes.

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

Comments: Yes. There are, however, a number of external factors that may impact the process of the AfCFTA negotiations and implementation, thus affecting the programme and the activities of the partners. This includes the COVID-19 situation in Africa as well as the political will from the African governments and Heads of State and Governments to ratify, negotiate and implement the AfCFTA.

☐ Other donors involved in the same programme/project have been consulted, and possible harmonised common procedures for funding and monitoring have been explored.

Comments: Yes. The consultants formulating the programme documents and the DED's have been in dialogue with other donors supporting the AfCFTA. There is an ongoing dialogue and information sharing at EU-level coordinated by the EU delegation to African Union, which is likely to be formalized into an EU donor coordination working group.

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

Comments: Yes.

☐ 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: Yes.

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

Comments: Yes.

☐ In conclusion, the programme/project can be recommended for approval: **yes / no**

Date and signature of desk officer:_____

Date and signature of management:_____

Ministry of Foreign Affairs (MFA) of Denmark (Danida)
Evaluation, Learning, Quality (ELK) –
Royal Danish Embassy, Ethiopia

Desk Appraisal Report
Desk Appraisal of
Danish Support to
African Continental Free Trade Area (AfCFTA)

30 September 2020

List of contents

Executive summary	140
1. Introduction	142
2. The AfCFTA Programme	143
3. Context and New Challenges	144
4. Assessment of the AfCFTA at Programme Level	145
4.1 Overall relevance, strategic consideration and ToC	145
4.2 Overall management including financial management	145
4.3 Overall budget	146
4.4 Results Framework	148
4.5 Risks and risk management	149
4.6 Harmonization and Danish footprints	149
5. Assessment of AUC Development Engagement	150
6. Assessment of UNECA Development Engagement	152
Annex 1: Summary of recommendations of the appraisal	153
Annex 2: Terms of Reference	159
Annex 3: Meeting Schedule and Persons Met	165
Annex 4: Draft ToR of Inception Review	167

Executive summary

The Danish support to African Continental Free Trade Area (AfCFTA) was initiated in 2018 where agreements were made with African Union Commission (AUC) and the United Nations Economic Commission for Africa (UNECA) to implement a Danish support programme of DKK 25 million for a three-year period (2020-2022). With the 2020 Finance Act, an additional DKK 25 million has been made available for the programme, bringing the budget to DKK 50 million.

New programme documents have now been prepared comprising a programme document and two development engagement documents. These documents replace the previous documents and covers the entire programme period, which has now been extended with one year up to 2023.

The programme documentation provides a comprehensive overview of opportunities and (not least) challenges in the context in which the AfCFTA is operating. While it is extremely positive that 54 countries out of 55 are signatories to the AfCFTA and that 31 members have ratified the agreement many challenges have to be overcome. Challenges include that number of people living in extreme poverty on the African Continent has increased; that Covid-19 has hit hard in Africa; and that the African continent is set for its first recession in 25 years.

The first phase of the Danish support to AfCFTA has been delayed among others due to travel bans, and it will be a challenge to catch up with a programme of the double size, in a three year period, as it may be expected that Covid-19 will not disappear soon.

In the present context it can be argued that the AfCFTA may be even more relevant and well justified than earlier. The Danish support is assessed to be relevant and overall strategic considerations are well elaborated. It is found that Danish priorities concerning climate change, green transition and inclusion of women and youth are carefully incorporated in all interventions to be implemented by the two engagement partners. The support complements adequately existing bilateral, regional and multilateral engagements such as TMEA, Aid for Trade initiatives and the support through EU. Also the support is well coordinated with support from GiZ.

However, as also stated in the programme documentation, trade negotiations and trade agreements are complex in nature – and the present context including the Covid-19 pandemic adds to the complexity – and it is likely that set-backs, delays and new challenges will occur during implementation. As also discussed in the Programme Committee there is a need to make the programme flexible and follow the new Doing Development Differently (DDD) ideas to ensure that activities and targets can easily be adjusted if need be.

Some main issues and challenges identified during the desk appraisal comprise the following:

- There is need for capacity building in member states including developing policies and strategies for utilizing opportunities from free trade agreements. Therefore, it is justified that a large part of the budget will be utilized for interventions related to this (mostly through the UNECA budget). However, it is of utmost importance that AUC has the necessary capacity to negotiate and finalize agreements with member states on free trade issues and that the AfCFTA Secretariat has the necessary capacity to implement and oversee agreements. The AT finds that there is a need to revisit the overall budget and provide more funding for the AfCFTA Secretariat to achieve its targets.

- As budgets for the two engagements are only provided at outcome level, it is difficult to assess to which extent value-for-money is likely to be achieved by the two partners. There is a need to establish the budgets at output level.
- The establishment of a new AfCFTA Secretariat is in an early stage and until the Secretariat is established as a legal entity it is a challenge on how to support capacity development of the Secretariat at this point of time. A decision needs to be made to overcome this problem.
- Much discussion has taken place (in connection with the concept note) concerning utilization of Danish expertise in the AfCFTA and how Danish enterprises can take advantage of the programme. Consultation with the formulation consultant revealed that Danish enterprises, in the longer run may be interested in utilizing AfCFTA agreements – especially when green solutions are required. However, at this point of time little interest was identified as it required too much effort (and costs) for enterprises to be involved today.

The above findings and assessments have led to the following recommendations:

Recommendation 1: The programme documents concerning Danish Support to Implementation of the AfCFTA should be finalized including the recommendations provided in this report and be presented to the appropriation authorities for approval.

Recommendation 2: The Embassy's role versus the role of the engagement partners in management of the programme should be made clearer including progress reporting and monitoring at programme level and at engagement level – and how DDD principles can be applied. The AT supports the plans to include monitoring at programme level in the MEAL-team that is in the process of being established concerning the Africa regional Programme for Peace.

Recommendation 3: More funds should be budgetted for the AfCFTA Secretariat (additional DKK 4 million) and the UNECA budget be reduced correspondingly - for example in areas where similar studies/research may be/have been conducted by others (value chain studies, investment studies and others). Budgets should be provided at output level.

Recommendation 4: An Inception Review should be conducted concerning the Danish support to the AfCFTA engagement during 2nd quarter of 2021.

Recommendation 5: When new formats for Results Frameworks are finalized by MFA, the Results Framework of the AfCFTA programme should be revised accordingly to be discussed and approved as part of the Mid-Term Review. The Mid-Term Review should be postponed to 2nd quarter of 2022.

Recommendation 6: As part of the proposed communication strategy it should be ensured that the Danish private sector is kept well informed of possible commercial opportunities in connection with the AfCFTA project.

Recommendation 7: The DED for the AUC should be revised so it is clear that the Danish funds can be adequately used for interventions of the AUC as well as for the AfCFTA Secretariat in Accra during 2021. The AT proposes that two DEDs are subsequently prepared one for AUC and one for the AfCFTA Secretariat covering 2022 and 2023³⁸.

Recommendation 8: The list of staff of the AfCFTA Secretariat to be supported by the Danish programme should be revisited to also include expertise on climate change, green transition and inclusion of women, youth and vulnerable groups The budget should be revised accordingly (additional DKK 4 million).

Recommendation 9: More elaboration should be made in the UNECA DED to illustrate how the outputs of the Danish support to UNECA will be coordinated and utilized by the AUC and (especially) the AfCFTA Secretariat.

1. Introduction

The Desk Appraisal of the programme Danish Support to African Continental Free Trade Area (AfCFTA) was carried out from 15 September to 30 September. The Desk-Appraisal provides an independent assessment of the programme in accordance with DANIDA's Aid Management Guidelines, in particular Guidelines for Programmes and Projects³⁹. The objective of the Desk Appraisal is to provide the Royal Danish Embassy in Addis Ababa (the Embassy) with:

- An independent assessment and quality assurance of the design and documentation of the envisaged Danish support;
- An assessment on how well the support is aligned with Danish priorities; and
- An assessment on how well the support complement existing bilateral, regional and multilateral engagements such as TMEA, Aid for Trade initiatives and the support through EU.

The Desk Appraisal was carried out by Torben Trausted Larsen (ELK), team leader, and Hans Henrik Madsen, external consultant to Danida. Alexander Skommer Larsen (the Embassy) and Jonas Health Lønborg (previously the Embassy, presently Africa Policy and Development Departement "DPA" MFA) participated as resource persons. Based on draft programme documentation (a Programme Document and two Development Engagement Documents) an Appraisal Preparation Note was prepared outlining the main issues to be considered as part of the Desk Appraisal. See Terms of Reference (Annex 2) and Meeting Schedule and People Consulted (Annex 3).

This report presents the major findings and recommendations of the Desk Appraisal Team (AT) based on the institutions and persons consulted during the visit and on the documents consulted prior to and during the visit. The proposals and recommendations provided in this report reflect

³⁸ The two DEDs would then be prepared, assessed and approved in connection with the Inception Review in 2nd quarter of 2021.

³⁹ <http://amg.um.dk/en/programmes-and-projects/january-2018-guidelines-for-programmes-and-projects>

the position of the AT alone. The views expressed may not necessarily be shared by the Management of the Embassy and the MFA or the engagement partners.

2. The AfCFTA Programme

The vision of AfCFTA is to bring together 1.2 billion people of 55 countries with combined economies of USD 2.5 trillion. In theory, the AfCFTA will eliminate tariffs on goods and services traded within the continent as well as non-tariff barriers. Estimates suggest a boost of the intra-African trade by 50% if the AfCFTA is successfully implemented. This would facilitate much needed structural transformation of the continent, increase industrialization, create decent jobs for millions of youth to help ensure sustainable and inclusive growth, support SMEs, improve conditions for informal traders (often women) and attract additional foreign investments. The overall objective of the programme is “to enhance economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area (AfCFTA)”. This includes: 1) creation of a single continental market for goods and services, 2) expand intra-African trade, 3) resolve the challenges of multiple and overlapping memberships in RECs and 4) Enhance competitiveness.

In December 2019, the MFA approved a Programme Document to support the AfCFTA for a three year period (2020-2022) with a budget of DKK 25 million. With the 2020 Finance Act, an additional DKK 25 million has been made available for the programme, bringing the budget to DKK 50 million.

A concept note was presented and discussed at a Programme Committee meeting in MFA in June 2020. Some main conclusions from the discussions comprised that formulation of additional support to AfCFTA should take into account greener and more sustainable interventions, take into account Covid-19 consequences, promote adaptive and flexible approaches by opening up for new strategic partners, and assess additional interventions in relation to eg. job creation – and focus on use of Danida/DDD results frameworks⁴⁰.

The (new) Programme Document (PD) and the two (new) Development Engagement Documents (DEDs) under appraisal, cover the entire allocation of DKK 50 million and therefore replaces the earlier approved programme documents. The COVID-19 pandemic has caused delays in the implementation of the Danish support as well as in the process of negotiation and implementation of the AfCFTA. The Danish support to AfCFTA is therefore extended with one year – up to the end of 2023.

The two proposed engagement partners: AUC and UNECA have established a close strategic cooperation to pursue the vision of AfCFTA – together with the member states. The focus of the new larger Danish support programme is to encourage the two engagement partners to pay attention to change, green transition and as well as ensuring that attention is paid to women, youth and vulnerable groups in the negotiation and implementation of AfCFTA.

⁴⁰ These new formats are in the process of being developed and should be ready for use soon.

3. Context and New Challenges

The Project Document and supporting documentation provides a comprehensive overview of opportunities and (not least) challenges in the context in which the AfCFTA is operating. Opportunities include that “structural transformation and the creation of sustainable jobs could be a way to ensure that future growth becomes more inclusive. This could happen through efforts to enhance competitiveness at the industry and enterprise level, ensuring that the transformation includes key target groups such as women and youth, and by expanding intra-African trade” (PD page 4).

While it is extremely positive that 54 countries out of 55 are signatories to the AfCFTA and that 31 members have ratified the agreement the challenges are many.

According to the PD the challenges include:

- People living in extreme poverty has increased from 378 million individuals to 408 million from 2000-2018;
- The economy rely heavily on export of raw materials, with little or no value added;
- Three economies in Africa dominate economy in Africa (South Africa, Nigeria and Nigeria) accounting for almost half the GDP;
- Half of the 55 countries are LDC countries;
- Eight recognized Regional Economic Communities (RECs) are extremely diverse and difficult negotiations are needed to include these in the AfCFTA;
- Covid-19 has hit hard in Africa and the African continent is set for its first recession in 25 years;
- The continent’s GDP may decline 3-5% and 50 million Africans may be pushed into extreme poverty.

Findings: The first phase of the Danish support to AfCFTA has been delayed among others due to travel bans, and it will be a challenge to catch up with a programme of the double size, as it may be expected that Covid-19 will not disappear soon. While challenges of Covid-19 are well elaborated in the PD and the DEDs little information is provided on how to overcome these challenges⁴¹. The AT assesses that in the present context it may be difficult to achieve all the targets of AfCFTA as specified in the results frameworks (see later) within the given time frame.

Proposal: The AT finds that there is a need in the two DEDs to specify more explicitly how to cope with the Covid-19 and at the same time implement the agreed interventions. As also discussed at the Programme Committee meeting there is a need to make the programme flexible and follow the new DDD ideas to ensure that activities and targets can easily be adjusted if need be. This should be better reflected in the DEDs.

⁴¹ While it is mentioned that virtual meetings will be held with partners it is less obvious how studies and research work will be done in countries and with people where access to Wi-Fi or electronic media is not widespread.

4. Assessment of the AfCFTA at Programme Level

4.1 Overall relevance, strategic consideration and ToC

As concluded in the PD, the AT agrees that extended support to establishment of the AfCFTA is relevant and well justified. The AT understands the ToC as follows: If the three programme outcomes are achieved: i) phase II negotiations are finalised, ii) capacity of member states to make use of AfCFTA services has improved and iii) an effective AfCFTA Secretariat is in place, then it is likely that the overall programme objective of AfCFTA on enhanced economic integration in Africa will be achieved – or rather contribute to enhanced economic integration. This will eventually lead to more trade between member states and more jobs. As also realized in the programme documentation a large number of assumptions must be fulfilled if the objectives shall be achieved. Especially the political will of the member states to reach compromises and to participate actively in AfCFTA activities will be needed. The AT finds that in a very difficult context as mentioned above, with very diverse countries and with declining economies, it can be expected that many set-backs, delays, and challenges will take place during implementation.

It is laudable that Danish support will focus on climate change, green transition and ensuring that attention is paid to women, youth and vulnerable groups in the negotiation and implementation of AfCFTA initiatives. The AT understands, however that at this point of time it is not clear how these priorities will be included in the trade negotiations. Therefore, research work and studies will be conducted by UNECA before clear interventions to promote these aspects can be implemented. Also the interface between countries, RECs and AfCFTA and their future role in AfCFTA initiatives shall be studied and defined before clear interventions can be made. Such research and studies are included in the UNECA programme.

Findings: The AT finds that the Danish support is relevant, overall strategic considerations are well elaborated, however as also stated in the PD, trade negotiations and trade agreements are complex in nature – and the present context including the Covid-19 pandemic adds to the complexity – and it is likely that set-backs, delays and new challenges will take place during implementation. It is therefore important that the programme is flexible and follow the new DDD ideas to ensure that activities and targets can easily be adjusted if need be.

Recommendation 1: The programme documents concerning Danish Support to Implementation of the AfCFTA should be finalized including the recommendations provided in this report and be presented to the appropriation authorities for approval.

4.2 Overall management including financial management

According to the PD, the “programme will be managed by the Embassy”. From the outset, no other formal programme steering mechanism is expected. The Embassy will, however “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” (PD page 27).

It is mentioned in the PD that the Embassy will have the responsibility for overall monitoring and reporting (including financial reporting) of the programme. While it is clear that the Embassy is responsible for ensuring the political dialogue with the two organisations, prepare, approve and sign cooperation agreements and disburse funds as agreed, it is less clear what the role of the Embassy is concerning reporting at programme level and monitoring of activities at the engagement level. In the two engagement documents it is stated that the Embassy is responsible for “monitoring the progress of the planned activities as well as political dialogue”. The AT understands that consideration is ongoing for including monitoring of the AfCFTA support in the MEAL-team that is in the process of being established for the regional Africa Programme for Peace.

Findings: The AT is of the opinion that AUC and UNECA should be fully responsible for management including financial management of all activities within their respective jurisdiction as agreed with the Embassy according to the DEDs. The role of the Embassy will then be to consolidate reports and monitor data received from the two engagement partners. There is a need to adjust the text of the management arrangements in the programme documents along these lines. The AT finds that it would benefit the management of the programme if a steering committee as envisaged be established as soon as possible as it would provide the partners with a formal forum to discuss and monitor progress and to agree on possible adjustments of the programme⁴². The AT finds that the AfCFTA Secretariat in Accra should also be member of the Steering Committee.

Recommendation 2: The Embassy’s role versus the role of the engagement partners in management of the programme should be made clearer including progress reporting and monitoring at programme level and at engagement level – and how DDD principles can be applied. The AT supports the plans to include monitoring at programme level in the MEAL-team that is in the process of being established concerning the regional Africa Programme for Peace.

4.3 Overall budget

The overall budget of the Danish support is DKK 50 million comprising of DKK 25 million already approved in 2018 and additional funds of DKK 25 million. The budget for the AUC Engagement is DKK 12.95 of which DKK 5 million is budgeted for the AfCFTA Secretariat and the remaining DKK 7.95 million will primarily be used for Phase II negotiations with member states. Most funds for the AUC will be used for salaries for additional staff in the AUC organisation as well as in the new AfCFTA Secretariat in Accra. DKK 34 million is budgeted for UNECA to be used for increasing capacity of member states to implement AfCFTA phase I issues to develop policies and mainstream considerations on climate change and green transition. The funds for UNECA will be used for conducting research, studies, modelling works and training materials for trade negotiations and implementation of agreements and for training of relevant staff in selected member states.

⁴² Consultations with UNECA revealed some concern for setting up a too bureaucratic system.

According to the ToR that AT is supposed to assess financial aspects such as value-for-money and financial sustainability. As budgets for the two engagements are only provided at outcome level, it is difficult to assess to which extent value-for-money is likely to be achieved by the two partners. If it is assumed that the budget for AUC (Output 1.1) will be used for salaries for a senior level (P5) expert on competition policy, a Green Growth expert (also P5) as well as for two technical assistance for a three year period⁴³, little funds will be available for the two outputs concerning successful meetings of the technical Working Groups (output 1.2) and for capacity building in member states concerning climate change and green growth (output 1.3).

The same problem concerns the outcome 2 which comprises two outputs, namely preparation of an organigram for the AfCFTA Secretariat (output 2.1) and adequate capacity of AfCFTA to fulfil its mandate. In case four senior staff (P5) level and a web-based consultation expert will be financed for a three-year period sufficient funds will not be available.

The budget for UNECA of DKK 34 million is divided into three outcomes and budget for a JPO. Without a budget at output level it is not possible to assess value-for-money. The AT understands that UNECA will charge 13%+1% as overall management costs – and in addition to this 3% for a final evaluation of the project. This amount (about DKK 5.8 million) does not appear from the budget.

According to the PD it is envisaged that the Danish support to the AfCFTA is considered as an input to start up the AfCFTA and that member states after the three programme years will finance AUC and the AfCFTA Secretariat. As a UN organisation the UNECA will seek financing from other sources when Danish support will come to an end. The AT understands that several development partners are interested in / already supporting the AUC, the AfCFTA Secretariat and UNECA. Hence, if successful, AfCFTA is likely to be financial sustainable after withdrawal of Danish support.

Findings: The AT appreciates that there is need for capacity building in member states including developing policies and strategies for utilizing opportunities from free trade agreements. Therefore, it is justified that a large part of the budget will be utilized for interventions related to capacitation of member states (mostly through the UNECA budget). However, the AT also finds that it is of utmost importance that AUC has the necessary capacity to negotiate and finalize agreements with member states on free trade issues and that the AfCFTA Secretariat has the necessary capacity to implement and oversee agreements. Otherwise, it will be difficult to achieve the rather ambition targets defined in the Result Frameworks – for example that “protocols on competition policy, investment policy and intellectual property rights with clear green ambition, adopted by the AU and its member states”.

Recommendation 3: More funds should be budgetted for the AfCFTA Secretariat (DKK 4 million) and the UNECA budget be reduced correspondingly - for example in areas where similar

⁴³ During consultations with AUC staff it was mentioned that Danida financed staff might only be recruited for 1 year. The AT assesses that this would have major consequences for the capacity of the AUC to achieve its goals and should be clarified as part of the finalization of the programme documents.

studies/research may be/have been conducted by others (value chain studies, investment studies and others). Budgets should be provided at output level.

4.4 Results Framework

The target in 2023 for achieving the overall objective of the Danish support, namely “enhanced economic integration in Africa by achieving progress towards an inclusive and sustainable AfCFTA” is defined as “adoption of protocols on phase I and II issues containing clear reference to different aspects of sustainable and inclusive development (e.g. climate change, green transition, and attention to women, youth and vulnerable groups) and commencement of trading under the AfCFTA regime. The Danish programme supports three distinct aspects of AfCFTA, namely 1) the negotiation process, 2) implementation aspects and the 3) the institutional structure. Targets in 2023 for the three aspects/outcomes are that protocols for phase II negotiations are adopted by the AU and its member states, that 20 countries have utilized the analysis undertaken to design, implement and monitor policies related to implementation of AfCFTA and that the AfCFTA Secretariat is established in Accra.

Results frameworks for the two engagements are provided in the respective DEDs, and the AT finds that there is a logic relationship between the results frameworks at engagement level and at the programme level. It would be beneficial for the Embassy and the engagement partners, if data on the overall achievements of AfCFTA according to its vision, namely an increase in cross country trade in the African continent could be made available.

As part of the adaptive management principles under preparation in MFA, formats for results framework matrixes will be revised, so results can be directly used at programme level and global level. It would therefore be beneficial for the programme if Results Frameworks will be revised accordingly and discussed and approved as part of the Mid-Term Review.

According to the PD, a Mid-Term Review is foreseen in 4th quarter of 2021. As discussed later (see Chapter 5) some uncertainty rests concerning the support to the AfCFTA Secretariat in Accra and the AT is of the opinion that an Inception Review of the engagement with the AfCFTA Secretariat should be conducted during the 2nd quarter of 2021. Consequently, the planned Mid-Term Review should be postponed to 2nd quarter of 2022.

Findings: The AT finds that the Results Frameworks are well defined. It is, however, not clear how reporting at programme level will be made. New formats for Results Frameworks are in the process of being developed. There is need for an Inception Review of the Danish support to the AfCFTA Secretariat.

Proposal: It would be beneficial if monitoring at programme level would also include data on overall achievements related to the AfCFTA vision, namely development in continental trade and in continental employment. This would indicate whether the AfCFTA is on the right track and whether adjustments of the ToC of the Danish programme would be needed

Recommendation 4: An Inception Review should be conducted concerning the Danish support to the AfCFTA engagement in 2nd quarter of 2021⁴⁴.

⁴⁴ Inputs to ToR for the Inception Review is provided in Annex 4 and a draft ToR should be included in the Programme Document.

Recommendation 5: When new formats for Results Frameworks are finalized by MFA, the Results Framework of the AfCFTA programme should be revised accordingly to be discussed and approved as part of the Mid-Term Review. The Mid-Term Review should be postponed to 2nd quarter of 2022.

4.5 Risks and risk management

A risk matrix is well elaborated in the PD (Annex 5). The matrix shows that the likelihood of many risk factors to happen with high or medium impact is very high. Risks for delays and for occurrence of new challenges that need to be addressed are likely to happen. In addition to the proposed risk response in the PD, the AT finds that especially two interventions to address and mitigate impact should be considered, namely 1) increase capacity support to the AfCFTA Secretariat and 2) ensure an adaptive management system of the programme.

Proposal: To address and mitigate impact of risks the AT suggests that especially capacity of the AfCFTA Secretariat be further strengthened. This is elaborated further in Chapter 5 below. In addition, it is proposed that DDD principles are applied in managing the programme.

4.6 Harmonization and Danish footprints

As recommended by the programme committee, greener and more sustainable interventions should be included in the AfCFTA programme and that focus should be on inclusion of women and youth. These aspects are well reflected both in the overall Project Document as well as in the two DEDs. Consultation with both organisations (AUC and UNECA) revealed a strong will to include these aspects where possible. It was, however, also realized that there are some challenges in including these aspects in the trade negotiations. It was mentioned that up to now these aspects have not been included in the negotiations concerning phase I and phase II and it is uncertain how these aspects should be included.

The strategy for adopting these issues in future negotiations – and in implementation of agreements – is that UNECA will research on how to incorporate climate change, green transition and gender and youth consideration into the AfCFTA services concerning phase II and III negotiation and on this basis develop knowledge products on how to incorporate these aspects in capacity development of member states and the AfCFTA institutions. These aspects are also well integrated in the results frameworks. It is, however, realized that it will take time and much efforts before it can be expected that these aspects are well integrated in the various protocols and implemented by the member states.

Much discussion has taken place (in connection with the concept note) concerning utilization of Danish expertise in the AfCFTA and how Danish enterprises can take advantage of this programme⁴⁵. Concerning involvement of Danish enterprises, consultation with the formulation consultant revealed that Danish enterprises in the longer run may be interested in utilizing

⁴⁵ Although trade negotiations concerning Danish interests are primarily made through EU, the AT finds that some Danish trade experts might apply for relevant posts in AUC and the AfCFTA Secretariat.

AfCFTA agreements – especially when green solutions are required. However, at this point of time little interest was identified.

The AT assesses that the support complements adequately existing bilateral, regional and multilateral engagements such as TMEA, Aid for Trade initiatives and the support through EU. Also the support is well coordinated with support from GiZ. These programmes are well elaborated in the programme documentation and the AT understands that the Embassy (in Addis Ababa) will communicate with relevant embassies on possible synergy opportunities between the various Danida supported programmes. The proposed communication strategy will seek to brand Denmark in supporting the AfCFTA and ensure that results of the programme will be communicated to the Danish audience in general.

Findings: Danish support to similar programmes in Africa is well described in the PD. No targets for involvement of Danish interests in the AfCFTA is included in the programme documents.

Recommendation 6: As part of the proposed communication strategy it should be ensured that the Danish private sector is kept well informed of possible opportunities in connection with the AfCFTA project.

5. Assessment of AUC Development Engagement

Main observations and issues based on DED on African Union Commission are as follows:

The DED replaces the DED that was approved and signed in 2019. As the Danish Government has decided to allocate additional DKK 25 million to the Danish support to AfCFTA, a new DED has been prepared. The Danish programme has been extended with one year – up to 2023. In addition to AUC, UNECA will also be supported through this allocation. As stated earlier, the proposed budget for AUC engagement is DKK 12.95 million.

The main objective of the engagement is to “contribute to the AfCFTA negotiations and establishment of the institutional framework for AfCFTA to achieve progress towards an inclusive and sustainable AfCFTA.” According to the DED, the engagement comprises two outcomes, namely Outcome 1: Completion of Phase II negotiations on competition policy, intellectual property rights and sustainable investment policy. Outcome II: “Contribution to strong AfCFTA institutions to oversee the successful implementation of the AfCFTA.

The AT finds that whereas the interventions to be implemented and the targets to be achieved are rather clear, there is a need to be more specific on the division of work between AUC and the AfCFTA Secretariat. It is clear from the DED that Department of Trade and Industries and an interim AfCFTA Secretariat up to now has been responsible for all activities related to trade negotiations with member states, to sign agreements and follow up on implementation. An AfCFTA Secretariat is now in the process of being established in Accra as an autonomous organisation to take over the activities of the interim AfCFTA Secretariat. The AT understands that the Secretariat in Accra has now been established (by 20 August 2020) – a Director General

has been appointed and a building has been handed over to the Secretariat. Some uncertainty exists whether the Secretariat is established as a legal entity⁴⁶.

A major issue is how funds and support can be made available for establishing the AfCFTA Secretariat, which is an important aspect of the Danish support. Two options are provided in the programme documents: 1) Shift of signatory of the present DED to AU from AUC. AU would then be responsible for disbursing funds to AUC and to the AfCFTA Secretariat in Accra. Option 2) would be to establish a separate DED with the AfCFTA Secretariat. The present DED represents a third model, namely that a DED signed with AUC comprises all funding to both AUC and to the AfCFTA Secretariat. This implies that AUC will transfer funds to the Secretariat until a new model is in place.

The AT assesses that the most straight forward model would be to prepare two DEDs one for the AUC for being responsible for trade negotiations (the present outcome 1 of the AUC DED) and one for the AfCFTA Secretariat for being responsible for overseeing and supporting successful implementation of the agreements (present outcome 2 of the AUC DED). The AT appreciates that the AfCFTA Secretariat needs immediate support for setting up the structure of the Secretariat including an organogram and job descriptions for staff. It is assumed that expertise and experience from the interim Secretariat in AUC will be drawn upon. The AT understands that funding for 2021 for the AfCFTA Secretariat is included in the AUC budget procedure for 2021 which cannot be changed at this point of time.

According to the DED (page 9) most Danish funding will be used for salaries of a number of experts. The AT assesses that there is a need to revisit the list of experts for the AfCFTA Secretariat, as it does not comprise expertise related to climate change, green transition and inclusion of women and youth.

Findings: The AT finds that whereas the interventions to be implemented and the targets to be achieved according to the DED are rather clear, there is a need to be more specific on the division of work between AUC and the AfCFTA Secretariat. There is a need to revisit the DED and decide on how to design the Danish support to AUC and to the AfCFTA Secretariat. As mentioned earlier (chapter 4.3) the AT finds that more funding should be provided to the AfCFTA Secretariat.

Recommendation 7: The DED for the AUC should be revised so it is clear that the Danish funds can be adequately used for interventions of the AUC as well as for the AfCFTA Secretariat in Accra during 2021. The AT proposes that two DEDs are subsequently prepared one for AUC and one for the AfCFTA Secretariat covering 2022 and 2023⁴⁷.

Recommendation 8: The list of staff of the AfCFTA Secretariat to be supported by the Danish programme should be revisited to also include expertise on climate change, green transition and inclusion of women, youth and vulnerable groups The budget should be revised accordingly (additional DKK 4 million).

⁴⁶ The AT understands that in any case the Secretariat will get a legal status soon.

⁴⁷ The two DEDs would then be prepared, assessed and approved in connection with the Inception Review in 2nd quarter of 2021.

6. Assessment of UNECA Development Engagement

Main observations and issues based on the DED on UNECA are as follows:

The DED replaces the DED that was approved and signed in 2019. As the Danish Government has decided to allocate additional DKK 25 million to the Danish support to AfCFTA, a new DED has been prepared. The Danish programme has been extended with one year up to 2023. In addition to UNECA, AUC and the AfCFTA Secretariat will also be supported through this allocation. As stated earlier, the proposed budget in the DED for the UNECA engagement is DKK 34 million.

The specific objective of the UNECA Engagement is to contribute to negotiations and to enhance the capacity of member states and RECs to develop and implement policies and programmes in the areas of intra-African trade with clear green ambitions, and create an environment conducive to attracting investments through enhanced competition policies. According to the DED the Danish support comprises three outcomes: 1) Enhanced capacity of member states and RECs to implement AfCFTA phase I issues and roll out policies to govern the interface of the AfCFTA with existing trade agreements. 2) Enhanced capacity of member states to develop policies and mainstream considerations on climate change and green transition into negotiations. And 3) Enhanced capacity of member states to include considerations on climate change and green transition into their AfCFTA national implementation strategies.

The AT finds that the DED is clear and well written. The AT has observed that much effort has been made by UNECA to include climate change, green transition, and inclusion of women and youth into all interventions. This is well in line with Danish priorities.

All three outcomes and all 11 outputs are directed towards enhancing capacities of member states and the RECs. This is important. However, following the ToC, UNECA outcomes should contribute to successfully concluding the negotiations of the AfCFTA and implementation of agreements. Full utilization of the outcomes of the UNECA support will consequently require close coordination between UNECA and the AfCFTA organisations. From the DED it is not completely clear how coordination between AUC, the AfCFTA Secretariat and UNECA will take place. Consultations with the UNECA staff revealed that close coordination is taking place regularly with AUC – not only concerning the interventions supported by Denmark but also concerning interventions implemented by other partners including EU and GIZ.

Findings: The UNECA DED is well written and it is clear how member states and RECs will benefit from the outputs of the UNECA interventions. It is however less clear from the DED how the DED outputs will be utilized by AUC's and the AfCFTA Secretariat.

Recommendation 9: More elaboration should be made in the UNECA DED to illustrate how the outputs of the Danish support to UNECA will be coordinated and utilized by the AUC and (especially) the AfCFTA Secretariat.

As proposed earlier (see chapter 4.3) it is recommended that the UNECA budget is provided at output level and that some funds (DKK 4 million) should be utilized to strengthen capacity of the AfCFTA Secretariat. Consequently, the budget of UNECA should be reduced with a similar amount, i.e. to DKK 30 million. As discussed earlier, this may have some consequences on outputs that need to be revised.

Annex 1: Summary of recommendations of the appraisal

Title of (Country) Programme	Support to implementation of African Continental Free Trade Area (AfCFTA)
File number/F2 reference	2019-35932
Appraisal report date	30 September 2020
Council for Development Policy meeting date	29 October 2020
Summary of possible recommendations not followed (to be filled in by the responsible unit)	

Overall conclusion of the desk appraisal

The Danish support to African Continental Free Trade Area (AfCFTA) was initiated in 2018 where agreements were made with African Union Commission (AUC) and the United Nations Economic Commission for Africa (UNECA) to implement a Danish support programme of DKK 25 million for a three-year period (2020-2022). With the 2020 Finance Act, an additional DKK 25 million has been made available for the programme, bringing the budget to DKK 50 million.

New programme documents have now been prepared comprising a programme document and two development engagement documents. These documents replace the previous documents and covers the entire programme period, which has now been extended with one year up to 2023.

The programme documentation provides a comprehensive overview of opportunities and (not least) challenges in the context in which the AfCFTA is operating. While it is extremely positive that 54 countries out of 55 are signatories to the AfCFTA and that 31 members have ratified the agreement many challenges have to be overcome. Challenges include that number of people living in extreme poverty on the African Continent has increased; that Covid-19 has hit hard in Africa; and that the African continent is set for its first recession in 25 years.

The first phase of the Danish support to AfCFTA has been delayed among others due to travel bans, and it will be a challenge to catch up with a programme of the double size, in a three year period, as it may be expected that Covid-19 will not disappear soon.

In the present context it can be argued that the AfCFTA may be even more relevant and well justified than earlier. The Danish support is assessed to be relevant and overall strategic considerations are well elaborated. It is found that Danish priorities concerning climate change, green transition and inclusion of women and youth are carefully incorporated in all interventions to be implemented by the two engagement partners. The support complements adequately existing bilateral, regional and multilateral engagements such as TMEA, Aid for Trade initiatives and the support through EU. Also the support is well coordinated with support from GiZ.

However, as also stated in the programme documentation, trade negotiations and trade agreements are complex in nature – and the present context including the Covid-19 pandemic adds to the complexity – and it is likely that set-backs, delays and new challenges will occur during implementation. As also discussed in the Programme Committee there is a need to make the programme flexible and follow the new Doing Development Differently (DDD) ideas to ensure that activities and targets can easily be adjusted if need be.

Some main issues and challenges identified during the desk appraisal comprise the following:

- There is need for capacity building in member states including developing policies and strategies for utilizing opportunities from free trade agreements. Therefore, it is justified that a large part of the budget will be utilized for interventions related to this (mostly through the UNECA budget). However, it is of utmost importance that AUC has the necessary capacity to negotiate and finalize agreements with member states on free trade issues and that the AfCFTA Secretariat has the necessary capacity to implement and oversee agreements. The AT finds that there is a need to revisit the overall budget and provide more funding for the AfCFTA Secretariat to achieve its targets.

<ul style="list-style-type: none"> • As budgets for the two engagements are only provided at outcome level, it is difficult to assess to which extent value-for-money is likely to be achieved by the two partners. There is a need to establish the budgets at output level. • The establishment of a new AfCFTA Secretariat is in an early stage and until the Secretariat is established as a legal entity it is a challenge on how to support capacity development of the Secretariat at this point of time. A decision needs to be made to overcome this problem. • Much discussion has taken place (in connection with the concept note) concerning utilization of Danish expertise in the AfCFTA and how Danish enterprises can take advantage of the programme. It is assessed that some Danish trade experts could be relevant for several posts in AUC and the AfCFTA Secretariat – and researchers could be involved in UNECA research- and study activities. Consultation with the formulation consultant revealed that involvement of Danish enterprises, in the longer run may be interested in utilizing AfCFTA agreements – especially when green solutions are required. However, at this point of time little interest was identified as it required too much effort (and costs) for enterprises to be involved today. 	
Recommendations by the appraisal team	Follow up by the responsible unit
Programme Level:	
Overall assessment	
<p>Recommendation 1: The programme documents concerning Danish Support to Implementation of the AfCFTA should be finalized including the recommendations provided in Desk Appraisal Report and be presented to the appropriation authorities for approval.</p>	<p><i>The recommendations will be incorporated into the programme documents ahead of presentation for approval by the appropriation authorities to the extent possible. The remaining recommendations will be followed up and incorporated during the suggested Inception Review in Q2 2021.</i></p>
Management	

Recommendation 2: The Embassy's role versus the role of the engagement partners in management of the programme should be made clearer including progress reporting and monitoring at programme level and at engagement level – and how DDD principles can be applied. The AT supports the plans to include monitoring at programme level in the MEAL-team that is in the process of being established concerning the regional Programme for Peace.	<p><i>The distribution of responsibilities of programme management between the Embassy and the partners will be reflected more clearly in the programme documents and reference to DDD principles included.</i></p> <p><i>The Embassy will include the monitoring of the support to AfCFTA in the responsibilities of the MEAL-team being contracted for the regional Africa Programme for Peace IV.</i></p>
Overall Budget	
Recommendation 3: More funds should be budgeted for the AfCFTA Secretariat (DKK 4 million) and the UNECA budget be reduced correspondingly - for example in areas where similar studies/research may be/have been conducted by others (value chain studies, investment studies and others). Budgets should be provided at output level.	<p><i>The budget will be adjusted in order to allocate more funds for the AfCFTA Secretariat. The budget for UNECA will be reduced correspondingly.</i></p> <p><i>Budget for UNECA will be provided at output level, while output level budget for the support to AUC will be provided in connection to the Inception Review Q2 2021.</i></p>
Results Framework	
Recommendation 4: An Inception Review should be conducted concerning the Danish support to the AfCFTA Secretariat in 2 nd quarter of 2021.	<i>An Inception Review will be conducted in Q2 2021 to formulate the DED for the engagement with the AfCFTA Secretariat.</i>
Recommendation 5: When new formats for Results Frameworks are finalized by MFA, the Results Framework of the AfCFTA programme should be revised accordingly to be discussed and approved as part of the Mid-Term Review. The Mid-Term Review should be postponed to 2 nd quarter of 2022.	<i>The Mid-Term Review will be postponed to Q2 2022 and Results Frameworks will be updated according to new MFA formats.</i>
Danish footprints	
Recommendation 6: As part of the proposed communication strategy it should be ensured that the Danish private sector is kept well informed of possible opportunities in connection with the AfCFTA project.	<i>Dissemination of information on opportunities for Danish private sector companies in relation to the AfCFTA will be prioritized within the communication plan for the AfCFTA support.</i>
Engagement level	

The AUC Engagement <p>The AT finds that whereas the interventions to be implemented and the targets to be achieved according to the DED are rather clear, there is a need to be more specific on the division of work between AUC and the AfCFTA Secretariat. There is a need to revisit the DED and decide on how to design the Danish support to AUC and to the AfCFTA Secretariat.</p>	
<p>Recommendation 7: <i>The DED for the AUC should be revised so it is clear that the Danish funds can be adequately used for interventions of the AUC as well as for the AfCFTA Secretariat in Accra during 2021. The AT proposes that two DEDs are subsequently prepared one for AUC and one for the AfCFTA Secretariat covering 2022 and 2023. The two DEDs would then be prepared, assessed and approved in connection with the Inception Review in 2nd quarter of 2021.</i></p>	<p><i>The DED for AUC will be revised to reflect that funds can be utilized by the AUC activities as well as for the AfCFTA Secretariat.</i></p> <p><i>The Inception review of Q2 2021 will draft a separate DED covering the engagement with the AfCFTA Secretariat for 2022 and 2023.</i></p>
<p>Recommendation 8: <i>The list of staff of the AfCFTA Secretariat to be supported by the Danish programme should be revisited to also include expertise on climate change, green transition and inclusion of women, youth and vulnerable groups. The budget should be revised accordingly (additional DKK 4 million).</i></p>	<p><i>The list of staff will be revised to include experts on climate and green transition as well as inclusion of women, youth and vulnerable groups. Cf. recommendation 3, the budget allocation for AUC will be revised accordingly.</i></p>
The UNECA Engagement <p>The UNECA DED is well written and it is clear how member states and RECs will benefit from the outputs of the UNECA interventions. It is however less clear from the DED how the DED outputs will be utilized by AUC and the AfCFTA Secretariat.</p>	
<p>Recommendation 9: More elaboration should be made in the UNECA DED to illustrate how the outputs of the Danish support to UNECA will be coordinated and utilized by the AUC and (especially) the AfCFTA Secretariat.</p>	<p><i>The DED with UNECA will be revised to clearly reflect how the work of UNECA in support of the AfCFTA plays into the work of AUC and the AfCFTA Secretariat on negotiation and implementation of the Free Trade Area.</i></p>

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/TQS representative

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.....on the.....

Head of Unit/Mission

Annex 2: Terms of Reference

MINISTRY OF FOREIGN AFFAIRS OF DENMARK



Terms of Reference

Regarding Desk appraisal of Danish support to African Continental Free Trade Area (AfCFTA)

The Consultant must perform the Services in accordance with the Client's requirements.

Background and context

The African Continental Free Trade Area (AfCFTA) is a flagship project of the African Union's Agenda 2063 and a key initiative towards the industrialization and economic development of the continent and creating 'The Africa we want'. When fully implemented across the 55 member states of the African Union, AfCFTA will affect the livelihoods of 1.2 billion people and encompass economies worth USD 2.3 trillion. Measured in terms of the number of member states AfCFTA will become the most ambitious free trade agreement since the establishment of the World Trade Organisation (WTO).

The objectives of AfCFTA are fourfold:

1. Create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Continental Customs Union and the African customs union.
2. Expand intra African trade through better harmonization and coordination of trade liberalization and facilitation regimes and instruments across Regional Economic Communities (RECs) and across Africa in general.
3. Resolve the challenges of multiple and overlapping memberships in RECs and expedite the regional and continental integration processes.
4. Enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.

AfCFTA has the potential to increase intra-African trade by as much as 50 percent during the first two decades of operation although this is likely to only translate into a few percent increase in the continental GDP per capita pending the extent to which the tariff reductions are accompanied by lowering of non-tariff barriers. This means that AfCFTA creates an opportunity for advancing the ambition to industrialize, foster structural transformation and specialize the economies of the continent.

In March 2018, an extraordinary summit of the African Union finalized the documents establishing AfCFTA. Forty-five (45) countries signed the document on 21 March 2018, and the

heads of state and government left the summit with the ambition that the required 22 national ratification – which would trigger the entry-into-force of the agreement – should be obtained within one year. This was almost achieved, as Gambia became the 22nd country to ratify on 2 April 2019.

AfCFTA was officially launched during an extraordinary summit of the African Union Assembly in Niamey, Niger, on 7 July 2019. The summit saw two additional countries signing the Agreement – Nigeria and Benin – bringing the total number of signatories to 54 with only Eritrea yet to sign. Additional countries also deposited their instrument of ratification, bringing the total number of countries to ratify the agreement to 27.

However, a lot of work remains for AfCFTA to become operational as intended on 1 January 2021, postponed from the original target of 1 July 2020 due to COVID-19, and impact the lives of the populations it encompasses. Each country is to deposit their schedule of tariff concessions. Negotiations on mechanisms to target non-tariff barriers, structures for dispute settlement and lists of goods to be exempted in the introductory phase of AfCFTA is still remaining from the phase one negotiations covering the rules for trade in goods and services. Phase two negotiations have also been initiated, which concerns harmonization of investment and competition policies as well as intellectual property rights just as the work to establish an AfCFTA Secretariat to oversee the implementation of the agreement and monitor its impacts needs to be finalized.

In 2019 a Danish programme providing DKK 25 million of support to the operationalization of the AfCFTA was approved. The overall objective of the Danish support was to “*enhance economic integration in Africa by achieving progress towards an inclusive and sustainable African Continental Free Trade Area (AfCFTA)*”. This is sought through assisting the African institutions in their efforts to successfully implement the Continental Free Trade Area across as many countries on the continent as possible while ensuring that the gains achieved through the Free Trade Area benefits the entire populations of the participating countries and that the AfCFTA is utilized to incentivize green and sustainable developments.

With the 2020 Finance Act, an additional DKK 25 million has been made available for the same overall objective, stipulating that the Danish support will contribute to the efforts of African institutions, including African Union Commission (AUC) and UN Economic Commission for Africa, to ensure the full implementation of the Free Trade Agreement among the participating countries, to ensure that as many African countries as possible will ratify the AfCFTA, as well as to ensure that women, youth and vulnerable groups will benefit from entering into the Free Trade Area. With the Finance Act of 2020 the total programme encompasses DKK 50 million with the additional DKK 25 million intended to emphasize green and sustainable developments and/or possible (Danish) private sector involvement. The current terms of reference is therefore for the appraisal of these additional funds to the Danish programme taking the above mentioned themes and how they can possibly be incorporated into account, while ensuring a balance between Danish priorities and ensuring buy-in and ownership from the partner institution(s).

Purpose

The overall purpose of the appraisal is to provide an independent assessment and quality assurance of the design and documentation of the envisaged Danish support to the implementation of the African Continental Free Trade Agreement in accordance with existing Danish Aid Management Guidelines. This includes an assessment of how well the support is aligned with Danish priorities and complements existing bilateral, regional and multilateral engagements such as support to TradeMark East Africa from both the Kenya and Uganda country programmes, support to Geneva-based Aid for Trade initiatives and support through the EU.

The appraisal should take into account the existing programme document (for the DKK 25 million of support approved in 2019) as well as the concept note and annexes presented to the Danish Ministry of Foreign Affairs' Programme Committee on 23 June 2020 and the comments accruing from the discussions.

Deliverables (output)

The key deliverable of the appraisal is an Appraisal Report.

The Appraisal Report must provide an overall assessment of whether the programme document and corresponding annexes and Development Engagement Documents (DEDs) are in line with Danish Aid Management Guidelines. It should also include an assessment of the proposed thematic focus of the Danish support and its alignment with existing engagements, and whether this thematic focus is aligned with the recommendations from the Programme Committee as well as how it corresponds to the recommendations from the first phase of Danish support.

The appraisal will serve as a key document to guide the implementation of the Danish engagements.

The Consultancy Team is expected to deliver the following outputs to the Royal Danish Embassy in Addis Ababa:

- i. An inception note not more than five pages (excluding annexes) and a work plan, to be delivered on 18/09/2020
- ii. Draft appraisal report to be submitted to the Danish Embassy for comments and in-puts, no later than 25/09/2020.
- iii. A final, revised Appraisal Report which can be shared by the Embassy with the partners (UNECA, AUC as well as others if required) to be submitted no later than 02/10/2020 (not more than 10-15 pages excluding annexes) as well as revised Development Engagement Documents (if deemed necessary). A list of recommendations and a proposed action plan for delivering on the recommendations must be included as two separate sections in the Appraisal Report.

Timing

The assignment is expected to start in September 2020 and be completed by 2 October 2020.

Methodology

The appraisal will be carried out through a desk assessment of the available material including from possible partner institutions followed by virtual meetings with (possible) partner institutions – taking into account existing partnerships with the AUC and UNECA - stakeholders engaged in or implementing activities related to the AfCFTA, other international partners providing support to the area, as well as (virtual) meetings with other Ministry of Foreign Affairs stakeholders, and other partners as deemed relevant. The partners will primarily be based in Addis Ababa.

The six OECD/DAC quality criteria for development cooperation (relevance, effectiveness, efficiency, impact, sustainability and coherence) must be adhered to in the appraisal of the programme.

The Consultancy Team will arrange and coordinate all virtual meetings (as deemed necessary) during the appraisal in collaboration with the Royal Danish Embassy in Addis Ababa.

The tasks will include but not necessarily be limited to an assessment of the following:

1. Assess whether changes in the context has taken place since phase I of the project was initiated and to which extent the proposed Danish support addresses some of the challenges envisioned for implementing the AfCFTA.
2. Assess the intervention logic and the rationale provided for the design of the engagements.
3. Assess the relevance and rationale of the two engagements in delivering on the overall objective of the programme and the realization of the AfCFTA.
4. Assess whether the relevance and institutional capacity of the proposed partners as assessed as part of the ongoing project still apply.
5. Based on experience from the ongoing project phase, assess the feasibility and/or adequacy of the proposed management arrangements at the programme level including the level of complexity and the ease of management of the programme given the size of the programme and the number of partners.
6. Assess the results framework including assessing the availability and quality of proposed baseline and results indicators as well as proposed arrangements for monitoring, evaluation, reporting and communication of results.
7. Assess the quality and relevance of the risk management framework and its underlying assumptions as well as the quality of the proposed mitigating measures.
8. Assess the adherence of the proposed engagements to the principles of a human rights based approach.
9. Assess the economic and financial aspects such as value-for-money and financial sustainability.
10. Assess the sustainability of planned activities including exit options.
11. Assess the extent to which the planned contribution could exacerbate, mitigate or result in better adaptation to climate change.

Estimated budget and level of effort

The assignment will be carried out within a fixed budget of DKK 50,000. No reimbursable expenditure is expected and no external audit is required.

Consultancy Team

The consultancy team will comprise Torben Traustedt Larsen (torlar@um.dk), ELK as team leader and Hans Henrik Madsen (hanshenrikmadsen@gmail.com) as external consultant.

Alexander Skommer Larsen (alelar@um.dk), and Jonas Health Lønborg, MFA will function as resource persons and will assist in arranging electronic meetings with relevant partners in Addis Ababa.

Qualifications and Competence of the External Consultant

The External Consultant is expected to be a senior expert who possess the necessary expertise and experience in conducting appraisals. In particular, the Consultant should hold proven capacity and solid experience from similar assignments. Extensive knowledge and experience in areas of trade facilitation, trade liberalization, economic development, private sector development and human rights-based approach is necessary. Knowledge of and experience working with the UN guiding principles on business and human rights is similarly necessary.

General Qualifications and adequacy for the assignment:

- A graduate degree in Economics, Social Sciences, Development Studies or other relevant field
- At least ten years' work experience in appraising and reviewing development programmes
- Proven experience in reviewing or appraising programmes related to trade facilitation, trade liberalization or private sector development in line with Danish Aid Management Guidelines
- Experience in Monitoring and Evaluation and Results-Based Management
- Experience with using Danish Aid Management Guidelines including developing Development Engagement Documents is considered an asset.

Experiences in the region and language:

- Relevant work experience from similar assignments in the region
- Relevant work experience working with the African Union, UNECA or other multilateral institutions is considered an asset
- Good understanding of the context, including AUC policies and procedures
- High proficiency in English

Background documents

A solid understanding and analysis of the context and partners is key for a successful appraisal process. The consultancy team is expected to draw information from open sources including the AUC and UNECA webpages as well as from documents and reports provided by the Embassy, AUC and UNECA. The consultancy team should familiarise itself with at least the following documents:

Relevant documents related to Denmark's development cooperation in general

- The World 2030 Denmark's strategy for development cooperation and humanitarian action: <http://um.dk/en/danida-en/strategies%20and%20priorities/>

- Guidelines for Programmes and Projects: <http://amg.um.dk/en/programmes-and-projects/january-2018-guidelines-for-programmes-and-projects>
- Democratization and Human Rights for the benefit of people and Denmark's approach to the International Human Rights Cooperation: <http://amg.um.dk/en/policies-and-strategies/freedom-democracy-and-human-rights/>

Engagement specific documentation

- Programme document “Support to the African Continental Free Trade Area”, September 2020 including all annexes and DED’s
- Programme document: “Support to the African Continental Free Trade Area”, December 2019, Including all annexes and DEDs
- External appraisal report from first DKK 25 million of support, November 2019
- Concept note for Danish support to the African Continental Free Trade Area (AfCFTA), including annexes, as presented to the Programme Committee, 23 June 2020, including minutes from the meeting.

Existing Programme Documentation and background

- AU Flagship Projects: <https://dev.au.int/en/agenda2063/flagship-projects>
- AU - about the CFTA: <https://au.int/en/ti/cfta/about>
- UNECA – Assessing regional integration in Africa, VIII and IX: <https://www.uneca.org/publications/assessing-regional-integration-africa-viii> and <https://www.uneca.org/publications/assessing-regional-integration-africa-aria-ix>

The list is not exhaustive. The Embassy will provide the Consultancy Team with documents listed that are not available from open sources.

Annex 3: Meeting Schedule and Persons Met

Monday 21. September			
	<i>Participants</i>	<i>Status</i>	<i>Platform</i>
09:30	Alexander Skommer Larsen, Embassy Addis Abeba Jonas Helth Lønborg, APD, Copenhagen	Confirmed	Skype Business
Wednesday 23. September			
	<i>Participant</i>	<i>Status</i>	<i>Platform</i>
15:00	Prudence Sebahizi, AUC	Confirmed	MS Teams
Thursday 24. September			
	<i>Participants</i>	<i>Status</i>	<i>Platform</i>
11:00	Million Habte, AUC	Confirmed	Skype
14:00	David Luke + Stephen Karingi, UNECA Lilli Sommer, Mactar Diouf, Eden Lake, Simon Mevel-Bideaux, UNECA	Confirmed	MS Teams
18:30	Marlon Lezama, UNECA	Confirmed	MS Teams
Friday 25. September			
	<i>Participants</i>	<i>Status</i>	<i>Platform</i>
09:30	Jakob Kjærtinge Faarbæk, NCG.	Confirmed	Skype Business

Persons Met

Alexander Skommer Larsen, Councillor, Danish Embassy, Addis Ababa.

Jonas Helth Lønborg, Chief Consultant, Africa Policy and Development Dept. MFA, Copenhagen

Prudence Sebahizi, Head of AfCTCN Unit, AUC (Africa Union Commission), Addis Abeba;

Million Habte, Senior Expert, Trade & Industry Dept., AUC, Addis Ababa.

David Luke, Coordinator, Africa Trade Policy Centre, UNECA.

Stephen Karingi, Director, Regional Integration & Trade Division, UNECA.

Lilli Sommer, Trade Policy Expert, Africa Trade Policy Centre, UNECA.

Moctar Diouf, Secretariat for Regional Coordination Africa, UNECA.

Eden Lake, Regional Integration and Trade Division, UNECA.

Simon Mevel-Bideaux, Economic Affairs Officer, Africa Trade Policy Centre, UNECA.

Marlon Lezama, Chief, Partnerships and Ressource Mobilisation Div., UNECA.

Jakob Kjærtinge Faarbæk, Consultant, NCG (Nordic Consulting Group), Copenhagen.

Annex 4: Draft ToR of Inception Review

Input to formulation of the ToR for draft Inception Review⁴⁸ of the Danish support to the AfCFTA Secretariat in Accra.

Background

The Danish support to AfCFTA comprises contribution to supporting strong AfCFTA institutions to oversee the successful implementation of the AfCFTA interventions. Until August 2020 an interim AfCFTA Secretariat has been working from within the AUC in Addis Ababa. The AU has decided that the AfCFTA Secretariat will be placed in Accra, Ghana. The process of establishment the new Secretariat is ongoing. Official inauguration of the Secretariat took place on 17 August 2020 where Ghana's President Nana Addo Dankwa Akufo-Addo handed over the Secretariat to the Chairperson of the African Union Commission, Moussa Faki Mahamat. The head of the Secretariat has been appointed, and the AfCFTA Secretary-General Wamkele Mene has presented his credentials to the Government of Ghana. Operations are planned to effectively start on 1 January 2020.

The Danish support to the AfCFTA Secretariat is described in the DED for AUC and has a budget of DKK 5 million⁴⁹. The support comprises two outputs, namely 1) Organogram of the AfCFTA Secretariat designed, adopted by the AU Assembly and fully implemented and 2) AfCFTA Secretariat has adequate capacity to fulfil its mandate. Funding for 2021 for the AfCFTA Secretariat is included in the budget of the DED for AUC, and because of AU's budget procedure the budget is in the process of being approved.

In the Desk Appraisal Report it is proposed that two DEDs will be prepared for 2022 and 2023 - one for the AUC for being responsible for trade negotiations (the present outcome 1 of the AUC DED) and one for the AfCFTA Secretariat for being responsible for overseeing and supporting successful implementation of the agreements (present outcome 2 of the AUC DED). Draft DEDs should be prepared, assessed and approved as part of the Inception Review.

The Inception Review should be seen as a follow up of the desk appraisal of the AfCFTA as it was not possible for the Desk Appraisal Team to consult the staff of the AfCFTA Secretariat. In addition, Covid-19 challenges may change the design and focus of the Danish support.

Objective of the Inception Review:

- The objective of the Inception Review is twofold 1) to undertake an assessment of the performance of the AfCFTA Secretariat during the first half year including progress in outputs supported by Denmark and 2) An independent assessment and quality assurance of the contents of the two

⁴⁹ The Danish support to the AfCFTA Secretariat is described in the DED for AUC with a budget of DKK 5 million. The Desk-Appraisal Team recommends that separate DEDs are developed for the support to the AfCFTA Secretariat and the AUC for 2022 and 2023.

DEDs concerning the Danish support to AUC and the AfCFTA Secretariat for 2022 and 2023.

On the basis of this assessment recommend possible adjustments in the DEDs including budgets and results framework.

Methodology

The inception review will comprise a desk review of relevant documents provided by the Embassy, the AUC and the AfCFTA Secretariat. If possible the inception review team will travel to Accra and meet all staff of the AfCFTA Secretariat. Visit will also be made to the Danish Embassy in Accra. If it is not possible to travel to Accra due to travel bans, virtual meetings will be arranged. Virtual meetings will also be held with relevant AUC staff in Addis Ababa and with the Danish Embassy in Addis Ababa. It is anticipated that the AfCFTA Secretariat and the Danish Embassy in Addis Ababa will assist preparing the meeting programme.

Scope of work

The tasks will include but not necessarily be limited to the following:

- Assess whether Covid-19 challenges may change the design and focus of the Danish support
- Assess progress in developing the organisation of the AfCFTA Secretariat including status of the organogram and corresponding staffing
- Assess whether the Results Framework for the AfCFTA Secretariat is realistic considering issues related to Covid-19 and to other challenges
- Assess whether experience from the interim AfCFTA Unit in AUC is adequately transferred to the AfCFTA Secretariat
- Assess whether priorities related to climate change, green transition and inclusion of women, youth and vulnerable groups are adequately considered in the organisation
- Assess whether adequate coordination with UNECA for utilization of results of research, studies, training models etc. takes place/is planned and that the Secretariat has the capacity to utilize this information
- As the Danish funding of positions of the AfCFTA Secretariat are on temporary terms assess how exit of this support will influence the capacity of the Secretariat
- Assess use of funds compared to expenditure and suggest possible adjustments of the budget.
- On the basis of the above provide an independent assessment and quality assurance of the design and contents of the proposed DED for the AfCFTA Secretariat (deep dive) and for the AUC (light touch).
- Recommend possible adjustments of the two DEDs inclusive budgets, outputs and results frameworks.

Output: A preparation note (max 5 pages) and draft Inception Review Report (max 15 pages) will be presented to the Danish Embassy in Addis and to the Management of the

AfCFTA Secretariat for comments which will then be considered in the final Inception Review Report.

Timing: 2nd quarter of 2021

Inception Review Team

The Inception Review Team will comprise a team leader from ELK and an international consultant with relevant expertise and experience. The consultancy contract should not exceed DKK 250.000.