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This action is funded by the European Union

ANNEX 8

of the Commission Implementing Decision on the Annual Action Programme 2018 of the DCI Pan-African Programme to be financed from the general budget of the European Union

Action Document “Boost African continental integration, EU-Africa economic integration through enhanced evidence-based policy making on trade and investment”

1. Title/basic act/ CRIS number	Boost African continental integration and EU-Africa economic integration through enhanced evidence-based policy making on trade and investment CRIS number: DCI/PANAF/041-576 financed under the Development Cooperation Instrument (DCI)			
2. Zone benefiting from the action/ location	Pan-African The action shall be carried out at the following location: Africa			
3. Programming document	Multi-annual indicative programme (MIP) for the Pan-African programme 2018-2020			
4. Sector of concentration/ thematic area	MIP component 3: Continental economic integration	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 14 500 000 Total amount of EU budget contribution EUR 12 000 000 The contribution is for an amount of EUR 5 520 662 from the general budget of the European Union for 2018 and for an amount of EUR 6 479 338 from the general budget of the European Union for 2019, subject to the availability of appropriations following the adoption of the relevant budget. This action is co-financed in parallel co-financing by: - African Union Commission (AUC) for an amount of EUR 1 200 000 - International Trade Centre (ITC) for an amount of EUR 400 000 - Organisation for Economic Co-operation and Development (OECD) for an amount of EUR 900 000			
6. Aid modality and implementation modalities	Project Modality Indirect management with International Trade Centre (ITC), United Nations Economic Commission for Africa (UNECA) and Organisation for Economic Co-operation and Development (OECD) Direct management, with procurement of services			
7 a) DAC codes	33110 Trade policy and administrative management (50%) 25010 Business support services and institutions (50%)			
b) Main Delivery Channel	40000 Multilateral organisations 42000 EU Institution			
8. Markers (from	General policy objective	Not	Significant	Main

CRIS DAC form)		targeted	objective	objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			
10. Sustainable Development Goals (SDGs)	Main SDGs: SDG 8 "Promote inclusive and sustainable economic growth, employment and decent work for all" Secondary SDGs: SDG 9 "Build resilient infrastructure, promote sustainable industrialisation and foster innovation". SDG 17 "Strengthen the means of implementation and revitalise the global partnership for sustainable development"			

SUMMARY
<p>This action will contribute to boost African continental economic integration as well as EU-Africa economic integration, by strengthening evidence based policy making on trade (<i>Component 1</i>) and investment (<i>Component 2</i>). In both components, EU support will consist of providing a solid evidence base, policy analysis as well as the strategic dialogue platforms in order to inform and facilitate relevant policy decisions.</p> <p><i>Component 1: African Continental Free Trade Area (AfCFTA).</i> The action will establish the African Trade Observatory- providing data and policy analysis, with the support of the International Trade Centre (ITC) and United Nations Economic Commission for Africa (UNECA).</p> <p><i>Component 2: Investment.</i> Strategic AU-EU infrastructure cooperation will be enhanced and technical assistance will be provided, with a focus on the implementation of the commitments of the 5th AU-EU Summit, including support to the AUC and NEPAD in their portfolio preparation and implementation processes.</p> <p>This action will contribute to the Global Investment Technical Assistance Facility (GITAF) of the External Investment Plan (EIP).</p>

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

1.1.1 Public Policy Assessment and EU Policy Framework

Africa's Agenda 2063 is the strategic framework for the socio-economic transformation of the continent over the next 50 years. Its vision starts with an aspiration of a prosperous Africa based on inclusive growth and sustainable development.

One of the flagship projects of Africa's Agenda 2063 and a major step towards African continental economic integration is the **African Continental Free Trade Area (AfCFTA)**, launched in Kigali on 21 March 2018 by African Union (AU) Heads of State and Government. The establishment of the AfCFTA is expected to gather impetus to boost economic growth and attract investments from both within Africa and the world. It is one of the central projects of the first Ten-Year Implementation Plan of Agenda 2063.

The AfCFTA is a positive signal to actual and potential investors, particularly as it promotes a rules-based free market agenda in Africa, contributes to enhancing a larger market in Africa countering the weaknesses of narrow national markets and incentivises reforms of the investment environment, including in terms of intellectual property and trade facilitation. The AfCFTA complementary structures include the establishment of a "**Trade Observatory**" mandated with the effective monitoring and evaluation of the AfCFTA.

In this context, the roll out of the **EU External Investment Plan (EIP)** fits well with the AfCFTA agenda. The EU adopted the EIP in September 2017 to help boost investment in partner countries in Africa. The EIP seeks a comprehensive and integrated approach, linking investment mobilisation in particular through the European Fund for Sustainable Development (EFSD) guarantee and blending operations (Pillar I) with technical assistance (Pillar II) and investment climate improvement (Pillar III). Pillar II is provided through a Global Investment Technical Assistance Facility (GITAF). Pillar III in particular focuses on removing constraints to private investment in partner country and supporting priority reforms, and on strengthening the dialogue with the private sector, especially through the Sustainable Business For Africa (SB4A) initiative.

European Council conclusions of 28 June 2018 underlined the importance to take the extent and the quality of our cooperation with Africa to a new level, stressing in particular the need for the EU to *"take steps towards creating a new framework enabling a substantial increase of private investment from both Africans and Europeans"*.

AfCFTA and investment are clearly priorities of the EU-Africa partnership. The **Abidjan Declaration** adopted at the 5th AU-EU Summit (November 2017) identifies investment as one of the Joint Africa-EU strategic priorities: *"Mobilising investments for African structural transformation"*, with an explicit reference to the EIP. It recognises the need to *"make greater efforts to establish the right business framework to attract responsible and sustainable investment"* (§62). Africa and EU commit to *"foster European and Africa business relations, notably by establishing a structured dialogue with the European and African private sector and further strengthening mutually beneficiary EU-Africa trade relations. In particular, we will ensure that AU-EU Trade arrangements are complementary and supportive to the African Union trade and structural transformation agenda especially now as it gears towards implementing a Continental Free Trade Area (CFTA) (§64); we will continue to promote intra-Africa trade and advance greater economic integration, notably by further developing sustainable connectivity, building on the Programme for Infrastructure Development in Africa (PIDA) (...) (§65)"*.

1.1.2 Stakeholder analysis

The end beneficiaries of the programme will be African citizens who will benefit from stronger African continental economic integration as well as strengthened EU-Africa economic integration. Higher investment and trade levels should improve their prospect for increased employment and/or job creation opportunities.

The action will make data and analysis available to African partners at all levels: African leaders and policy makers within AU Member States and African Regional Economic Communities (RECs), as well as the private sector to support their business and investment decisions.

As regards *Component 1 - AfCFTA*, the **African Union Commission (AUC)** should provide the necessary political ownership and steering in line with the vision and objectives in the Agenda 2063. The Department of Trade and Industry (DTI) will be the main actor involved within AUC, in coordination with the Department of Economic Affairs (DEA).

Other AU institutions to be involved, once operational, will include the Pan-African Institute for Statistics (STATAFRIC), responsible for collation of economic and social data across the continent, and the future AfCFTA Secretariat.

The AU Commission has mandated the **International Trade Centre (ITC)** to support them in establishing a Trade Observatory. ITC's market analysis tools provide for the continuous collection, processing and free online dissemination of current trade and investment related data, analytics and decision support materials. The data collected are of a "public good" nature and widely relevant to trade related decisions globally.

Another key actor of continental integration is the United Nations Economic Commission for Africa (**UNECA**). Through its African Trade Policy Centre (ATPC), UNECA provides evidence-based analysis on Africa's continental trade integration with a particular focus on connection to regional and global value chains, which has proven paramount to advance Africa's transformative agenda. UNECA has been mandated to assist AU Member States in formulating national AfCFTA strategies.

As regards *Component 2 - Investment*, the main counterparts will include the AUC Departments of Infrastructure and Energy (DIE) as well as Rural Development and Agriculture (DREA) for the specific water sub-sector, and the New Partnership for Africa's Development (NEPAD) Agency, in charge of implementing the AU Programme for Infrastructure Development in Africa (PIDA), and AU specialised institutions such as the African Civil Aviation Commission (AFCAC).

Regional Economic Communities (RECs) will be benefiting from the action as part of their role in coordinating implementation of the AfCFTA at the regional level and, as part of the governance of the EU-Africa dialogue on infrastructure, through their participation to the Joint Africa-EU Strategy (JAES) "Reference Group on Infrastructure" (RGI). The RGI is the platform which brings together the European and African Union Commissions, AU and EU Member States, Financial Institutions, Regional Economic Communities and Sectoral/Thematic Institutions with the aim to provide strategic orientation to the infrastructure agenda of the AU-EU Partnership.

The **OECD** will contribute to the cooperation by bringing its international expertise in economic statistics analysis, an external vision and dimension, knowledge and experience acquired in other regions of the world.

1.1.3 Priority areas for support/problem analysis

To boost African economic development, one should encourage both Africa's ability to trade and do business with itself - continental economic integration - and its capacity to cement its place in the global economy through improved investment and trade relations with its closest

neighbour and first partner, Europe. Improving the business environment in Africa is a necessity for increased trade and investment both in Africa and with Europe.

Intra-African trade remains low. However, African countries trade more manufactured products between themselves than with the rest of the world. To boost further intra-African Trade, Africa has embarked on a process of setting up an **AfCFTA**. The AfCFTA aims at creating a single continental market for goods and services, which could make it the world's largest free trade zone in the world consisting of 1.2 billion consumers.

Once established, the AfCFTA has the potential to be economically transformative for Africa, spurring the transition from commodity exports to industrial competitiveness and manufactured goods. The AfCFTA could facilitate African countries trading more among themselves, creating a new vast market and with it new opportunities for domestic and foreign investment.

It is essential to support the AU Members to carry through the momentum from the AfCFTA signature on 21 March 2018 towards implementation of the agreement. AU leaders have indicated their willingness to commence the Phase 2 negotiations by the end of 2018/January 2019, with the aim to complete the entire process by the end of 2020. Given this ambitious target, it is imperative to support the AU meeting the challenges of **effective implementation**, and the **completion of the negotiations round 2** on competition policy, investment, and property rights.

African governments, to effectively join and implement the AfCFTA, need solid trade and market information data as well as assessments/analysis of the impact of the AfCFTA on their socio-economic development. AU Member States suffer from enormous gaps regarding **information and analysis** (even from customs authorities) on elements such as tariff regimes, preferential agreements, internal taxes, non-tariff barriers or rules of origin. Providing a solid evidence base through a repository of trade data and market information, as well as becoming the heart of the monitoring and evaluation mechanism of the CFTA, are the key objectives of the foreseen **Trade Observatory**.

Negotiations on AfCFTA issues need to be also based on solid **policy analysis**. AfCFTA negotiations have been benefiting from the expertise of UNECA in providing such analysis.

The AfCFTA is a positive signal to actual and potential investors, particularly as it promotes a rules-based free market agenda in Africa, contributes to enhancing a larger market in Africa and incentivises reforms of the **investment environment**. Investment policy is a key element in phase 2 of the AfCFTA negotiations to start next year.

Investment decisions are guided by a number of factors going beyond strictly economic aspects. Strengthening African economic integration needs to be based on a holistic approach geared towards the achievement of sustainable development. A harmonised and common analytical framework of African development is needed to support a comprehensive EU Africa policy dialogue.

According to the AUC Medium-term Plan 2018-2023 "Delivering AU Reforms and Accelerating Agenda 2063", infrastructure is the cornerstone of the African economy. Investment in infrastructure accounts for over half of the recent improvement in economic growth in Africa and has the potential to achieve even more. Infrastructure is a key ingredient for sustainable development. However, infrastructure continues to be rated as one of the most important constraints for Africa's development. Improving the regulatory environment and attracting investment is particularly crucial in the field of **infrastructure as the necessary pre-condition** for trade and investments in Africa. There is a need to go beyond investment platforms to support the implementation of the infrastructure dialogue through i) the development of concrete proposals for investments in infrastructure in Africa, as well as ii) the convergence of regulatory environment. This support will be provided within the

overarching scope of the Programme for Infrastructure Development in Africa (PIDA) and its Priority Action Plans (PAP).

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
There is a low buy-in of the AU Trade Observatory by the Regional Economic Communities (RECs) and the AU's member states	M	The action will establish a strong Steering Committee as part of the governance architecture of the AfCFTA where the RECs will be represented, together with the AU, the EU and other relevant stakeholders. The Communication plan will specifically target national authorities.
There is overlapping between the tasks assigned to the AU Trade Observatory and activities carried out by other stakeholders on intra-African trade, notably UNECA, or the AUC Statistics division (and potentially the AU Statistical Institute, once established) as concerns intra- and extra AU trade data collection and contacts with related networks of experts and data providers (Strategy for the Harmonisation of Statistics in Africa - Specialised Technical Group (SHaSA STG) on external relations)	L	UNECA is strongly involved from the inception of the action. Its role involves policy analysis and dissemination, while the data and information production will be the responsibility of the Trade Observatory. Close coordination among the actors will be requested and ensured as part of the overall governance of the AfCFTA. The operationalisation of the African Statistical Coordination Committee (ASCC), created by the SHaSA to promote coordination and cooperation between Pan-African organisations will also be fostered.
The policy dialogue could potentially not always translate into concrete decisions about priorities of reform or investment priorities	M	Steering, coordination mechanisms and follow up mechanisms will be put in place to facilitate and follow implementation of the dialogue.
Despite an agreement on policy reforms and priorities for reform, there could be some reluctance or delays in the concrete implementation of the decisions	M	The level of inclusiveness of the dialogue should facilitate the appropriation of the reforms and their acceptance.
Level of uncertainty that investors will respond positively to the implemented reforms	M	The private sector will be involved in the dialogue, so that proposed areas of work are of high priority to investors.
Lack of political will at AUC in pursuing the leading role in the implementation of identified priorities for infrastructure investment	L	The action will embed the needs of the main actors within the TA. Complementary with AUSP to support AU's ability to effectively engage in the dialogue and implement identified priorities.

Assumptions

- World Economic Growth remains positive overall.
- Changes in national governments, the roles of public institutions, and general political situation in countries allow sourcing the most recent data and getting their involvement in policy dialogue on trade and investment.
- International organisations involved in partial data providers don't discontinue their data provision.
- Financial institutions respond positively to policy reforms.

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

Component 1 – AfCFTA

The implementation of a free trade agreement is highly dependent on the capacity and will of the countries and regions concerned. Africa is a very diverse continent and the domestication of the AfCFTA, its protocols and annexes will progress at different speeds across 55 countries. A solid monitoring system will be necessary to ensure an effective monitoring and evaluation of the implementation of the AfCFTA.

In addition, the private sector is also a key beneficiary of the AfCFTA. Enterprises are essential players to achieve the ultimate goal of boosting intra-African trade. The African Trade Observatory will not only provide timely trade statistics such as directions, patterns and commodity compositions of intra-African trade but, more critically, to business, information on rules of origin, tariff levels and structures, non-tariff barriers, trade regulations and technical standards, among others.

Component 2 – Investment

The External Investment Plan provides a new integrated approach, based on the assumption that, in order to increase sustainable growth and decent job creation in African partner countries, more investment and the improvement of the investment climate in the countries are both required. At the same time, although a long history of dialogues exist, there is however the need for creating consensus between African and European partners as a pre-condition to jointly work towards growth and job creation. The "Africa-EU Investment Indaba" should be instrumental in enabling high level consensus on how to increase investments and how to improve the climate for investments.

The intervention logic of the infrastructure component benefits from the review of past interventions, particularly the 'EU-Africa Infrastructure Support Mechanism (ISM)', via structuring and clustering groups of activities in line with competences of the relevant African institutions, in view of maximising the alignment of AU and EU instruments and achieving better cross-sectoral coordination.

3.2 Complementarity, synergy and donor coordination

The development of harmonised approaches, practices and common processes via platforms for dialogue, targeted studies, shall strongly increase the chances of reaching common references at Pan-African level and at EU-African levels.

Component 1: AfCFTA

As regards trade policy, special attention will be paid to the synergies between AfCFTA and the Economic Partnership Agreements (EPAs). EU trade policy is consistent with the objectives of AfCFTA. EPAs in particular are already bringing technical and financial assistance, capacity-building and specific expertise to African countries and regions, in particular through the Regional Indicative Programmes (RIPs) of the EDF. EPAs also

promote liberalisation within African regions and provide for flexible rules of origin that encourage value chains. All this will help African countries to implement the AfCFTA. As a Free Trade Agreement, the AfCFTA, once implemented, will be perfectly compatible with other FTAs, including EPAs.

The AU-EU Summit Declaration (end 2017) notes the market opportunities arising from EU trade arrangements and seeks in particular to "promote the full implementation of EPAs." The common objective is to promote trade and investment in Africa for its sustainable development.

As regards trade data, the presence of the ITC with its free trade tools is improving the coordination among the international organisations in terms of data collection and dissemination. It has reduced duplication among agencies and improved the coherence of data presented by the different institutions. For example, UNCTAD and World Bank have stopped collecting applied tariff data and source this data now from ITC. ITC is working in full cooperation and complementarity with all other key international organisations and institutions that have a stake in trade information transparency.

The support to establish the AU Trade Observatory will be complementary to the policy analysis provided by UNECA to help the countries to be better prepared for the progressive liberalisation of the intra-African trade. The AU Trade Observatory will collect and disseminate the trade information and statistics that are to be the basis for a better analysis by UNECA and other stakeholders.

In addition, the proposed action will take account of and find synergies with other EU-funded ITC projects, notably the project "International market information tools as a global public good". The action to support the AU Trade Observatory will build on and scale-up the tools that ITC is implementing already in Africa at low scale. It will also take into consideration the achievement of the current Pan-African Statistics (PAS) project in trade statistics, which has been an area where availability and quality of statistical information started to be improved. When working with the RECs, it will also be important to coordinate with initiatives taken to reinforce the capacity of some of them related to the provision of trade data, such as the proposal to set up a West African Competitiveness Observatory.

Coordination with other donors on the actions in support to the AfCFTA will be ensured through the regular donor coordination platform with the Department of Trade and Industry of the AU Commission.

Component 2: Investment

The action will inform the work of International Finance Institutions and of donors such as the European Commission, thereby impacting on proposals for investments as part of the Africa Investment Platform (AFIP) under the European Fund for Sustainable Development (EFSD) of the External Investment Plan (EIP).

It will be particularly the case in the field of *infrastructure*. The action will complement the planned interventions at bilateral level of EU Member States development partners, thus building on and supporting the donors' coordination efforts of the AUC. Operationally, it ensures complementarity with the African Union Support Programme (AUSP) IV, object of a separate action, thus ensuring coherence between support to the AU-EU policy dialogue and strengthening the AU's ability to effectively engage in the dialogue.

In particular, the energy sector counts with the long-standing Africa-EU Energy Partnership (AEEP), which has been acting as a platform for policy dialogue between EU and African stakeholders under the global Africa-EU partnership. The AEEP is a key actor in the dialogue.

The "African Development Dynamics" report is a continental report launched by the OECD. It aims at supporting the process of continental integration in Africa by providing evidence

based analysis on key policies for African decision makers. It looks at the development dynamics in each region, the obstacles to policy convergence and harmonisation and the needs in terms of data to support better policy design and implementation. It is complementary to other existing reports and notably the African Economic Outlook, which focuses more on statistics and macro-economic analysis.

3.3 Cross-cutting issues

Gender, climate change and environment will be mainstreamed throughout, with an emphasis on women's economic empowerment and green economy through facilitating investments upgrading and sustainability.

Rights-based approach: The action integrates a rights-based approach and will contribute to ensuring that rights holders, including vulnerable groups, are taken into account. The action will encourage active participation of a wide range of stakeholders in economic groupings and industry clusters aimed at generating benefits at community level.

Gender: Gender considerations will be mainstreamed in all initiatives and targeted efforts will be made to assist women to participate in business development innovation and opportunities for growth. It is important to reduce the barriers to success for women-owned businesses by fostering reforms to address gender disparities and developing work oriented toward economic inclusiveness for women.

Environment and Climate Change: Developing countries are facing sustainability challenges associated with urbanisation and resource-intensive industrialisation with major consequences for public health, the environment and climate change. Sustainable development in a holistic way will be promoted through the action, including sustainability in value chains and green growth strategy, supporting the natural environment and reducing the risk of natural disasters and negative consequences of climate change.

With regards to component 1, the data and information systems on intra-African trade within the African Trade Observatory will explore the feasibility to distinguish trade in "green products and services", according to existing certification systems and customs infrastructure and capabilities.

With regards to component 2, investment projects to be supported will seek to contribute to structural sustainable transformation underline by environmental sustainability and low carbon economy. They will also be designed so as to guarantee their climate resilience. The extent of their contribution to these objectives will be defined case by case and as applicable, depending on the nature of the project/ the specific sub-sector of intervention.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of Goal 8 "Promote inclusive and sustainable economic growth, employment and decent work for all" but also promotes progress towards Goals 9 " Build resilient infrastructure, promote sustainable industrialisation and foster innovation" and 17 "Strengthen the means of implementation and revitalise the global partnership for sustainable development"). This does not imply a commitment by the countries benefiting from this programme.

The overall objective of the action is to boost African continental economic integration and EU-Africa economic integration.

The action pursues the following specific objective: Enhanced evidence-based policy making on trade and investment.

Expected results/outputs:

Component 1: AfCFTA

Output 1: An African Trade Observatory is established and functional for policy makers and private sector to implement the AfCFTA;

Output 2: The trade policy analysis and strategic framework for AfCFTA implementation is available in a number of AU Member States;

Component 2: Investment

Output 3: Programming and prioritisation processes at AUC and NEPAD related to the infrastructure cooperation agenda are improved, particularly those relevant to PIDA and its Priority Action Plan (PAP) 2;

Output 4: The "African Development Dynamics" report is available as input into high-level policy discussions within AU-EU dialogue.

4.2 Main activities

Indicative activities of component 1 – AfCFTA

Output 1

- Development of the online dashboard, with two modules: 1) first module based on available African trade and market access data, 2) more advanced module designed and developed with a customised set of trade integration indicators and analytical tools;
- Assessment of trade data availability and quality among AU Member States;
- Development of a process to improve data transfer system and make it sustainable over time;
- Mentoring and training on data processing to relevant AU Commission staff and a network of national and regional data providers;
- Support to the creation of an African Trade Observatory Unit within the AU Commission Department of Trade and Industry to administer and maintain the Dashboard;
- Support the ATO staff in the roll-out of extensive "training of trainers".

Output 2

- Policy advocacy via the organisation of platforms of dialogue at continental, regional and national level to exchange on the AfCFTA and its ratification;
- Knowledge products and policy tools on AfCFTA negotiations and impact, demand-driven by AU Member States;
- Technical advisory services to support AU Member States in the ratification process of the AfCFTA agreement;
- Development of a methodology for National AfCFTA Strategies highlighting the needed reforms for an efficient implementation of the AfCFTA at national level;
- Piloting of the implementation of National AfCFTA Strategies in a number of AU Member States;
- Establishment of an AfCFTA Country Business Index to aggregate the opinions of businesses in Africa for the purpose of monitoring and evaluating implementation of the AfCFTA.

Indicative activities of component 2 – Investment

Output 3

Provision of both short and long-term Technical Assistance (TA) to: a) the African Union Commission (AUC) – Department of Infrastructure and Energy (DIE) in coordination with the Department for Rural Development and Agriculture (DREA), b) the New Partnership for

Africa's Development (NEPAD) Agency and c) the African Civil Aviation Commission (AFCAC). Specifically:

- Support to AU-EU infrastructure cooperation with specific focus on the implementation of the commitments of the 5th AU-EU Summit, including support to the AUC and NEPAD in their portfolio preparation and implementation processes;
- Support to the elaboration and implementation of the PIDA Priority Action Plan (PAP) 2, complementing activities carried out by the AUC and the NEPAD and in close coordination with development partners such as the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ);
- Support to the Reference Group on Infrastructure (RGI) and to cross-sectoral infrastructure coordination in the transport, energy, water and digital domains (including synergies with and amongst initiatives relevant to Africa such as the European Geostationary Navigation Overlay Service (EGNOS), the EU-Africa Aviation Safety, the Africa-EU Energy Partnership (AEEP), the Africa Renewable Energy Initiative (AREI), the African Ministers Council on Water (AMCOW) and the Policy and Regulation Initiative for Digital Africa (PRIDA));
- Support to the strengthening of synergies between the AU and EU instruments, with focus on PIDA and the EIP, to foster mobilisation of private sector financing, coordination of International Finance Institutions (IFIs) and mobilisation of ad-hoc sectoral thematic expertise and mainstreaming of digitalisation within all sectors.

Output 4

- Production of three editions of the "Dynamics of African Development" report on the basis of an annual topic of political relevance;
- Contribution to high-level policy discussions on the basis of the policy recommendations formulated in the report;
- Contribution to a statistical module that aims at linking the policy needs to data production processes.

4.3 Intervention logic

The African Continental Free Trade Area launched in Kigali on 21 March 2018 is a game-changer for Africa's continental economic integration. Therefore, it is also a game-changer for EU development cooperation in the area. The present action aims at supporting Africa's efforts in establishing and benefiting from the AfCFTA, by first helping to establish the right data collection and policy analysis capabilities that will underpin its implementation and steering.

Africa's recent growth epitomised by the "Africa rising" label, was realised in part thanks to increased levels of foreign direct investment. Creating the necessary conditions for investment is also key. Improvements to fiscal policies, governance and regulatory frameworks, along with a move to diversify African economies presented greater opportunities to foreign investors.

An incentive for foreign investors also comes from the possibility to benefit from a large unified market. Regional trading corridors exist but they must be scalable and connected across the African continent. This approach has been championed by the AfCFTA. It is estimated that the implementation of the AfCFTA will nearly double intra-African trade by early next decade. This action will support and accompany the existing momentum on the AfCFTA by informing AU Member States through data (output 1) and policy analysis (output 2).

Providing a common analytical framework for African economic development (output 4) will optimise the investment decisions and related reforms, and provide EU and Africa the opportunity to be in the driving seats to guide the investment decisions.

This process will need to be supported by investments in cross-border infrastructure. The latest estimates of the African Development Bank (African Economic Outlook 2018) suggest that the continent's infrastructure needs amount to USD 130-170 billion a year, with a financing gap in the range of USD 68–\$108 billion. This action will support the identification and implementation of priority infrastructure investment (output 3).

In the long term, if evidence-based policy analysis on trade and investment is strengthened, then the action will contribute to African economic integration and EU-Africa economic integration.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is 54 months from the date of adoption by the Commission of this Action Document.

The indicative contracting dates are as follows: February 2019 for the contracts with UNECA, April 2019 for the contract with the OECD, and May 2019 for the contract with ITC. The infrastructure technical assistance contract is foreseen to be signed around June 2019.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component

N/A.

5.4 Implementation modalities

Both in indirect and direct management, the Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures affecting the respective countries of operation¹.

5.4.1 Indirect management with International Trade Centre (Output 1)

A part of the Action may be implemented in indirect management with **ITC**. This implementation entails the establishment of the AU Trade Observatory. This implementation is justified because the ITC has been requested by the AUC to support them in setting the Trade Observatory. The ITC has been the focal point within the United Nations system for trade related technical assistance (TRTA) since its establishment in 1964. In line with their joint mandate from the World Trade Organization (WTO) and the United Nations through the United Nations Conference on Trade and Development (UNCTAD), ITC support its parent organisations' regulatory, research and policy strategies.

¹ https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf

The entrusted entity would carry out the following budget-implementation tasks: acting as contracting authority; concluding, monitoring and managing contracts; carrying out payments and management of procurement processes.

5.4.2 Indirect management with UNECA (Output 2)

A part of the Action may be implemented in indirect management with **UNECA**.

This implementation entails the management of the production of AfCFTA related studies. This implementation is justified because, as both a regional arm of the UN and a key component of the African institutional landscape, UNECA is well positioned to make unique contributions to address the Continent’s development challenges. UNECA’s African Trade Policy Centre (ATPC), established in 2003, aims to strengthen the institutional capacities of AU member state governments to formulate and implement sound trade policies and participate effectively in trade negotiations at bilateral, regional and multilateral levels.

The entrusted entity would carry out the following budget-implementation tasks: acting as contracting authority; concluding, monitoring and managing contracts; carrying out payments and management of procurement processes.

5.4.3 Procurement (direct management) (Output 3)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance to AU, NEPAD and AFCAC on infrastructure investment	Services	1	Q4 2018

This procurement may be launched under a suspensive clause of the adoption of this Decision.

5.4.4 Indirect management with OECD (Output 4)

A part of the Action may be implemented in indirect management with **OECD**.

This implementation entails the production of the "African Development Dynamics" report. This implementation is justified because the OECD is the owner of the report together with the AUC in context of an established partnership. OECD has widely recognised international expertise in economic statistics analysis. Its unique contribution and value-added to this project stems from its diverse membership and expertise to analyse the interactions between Africa and its main economic partners, compare African economies with a broad set of countries, and distil policy recommendations that build on lessons learned in Africa and elsewhere.

The entrusted entity would carry out the following budget-implementation tasks: acting as contracting authority; concluding, monitoring and managing contracts; carrying out payments and management of procurement processes.

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other

duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

	EU contribution (in EUR)	Partner contribution (in EUR)
5.4.1. Output 1: Indirect management with ITC	4 000 000	1 000 000
5.4.2. Output 2: Indirect management with UNECA	3 000 000	
5.4.3. Output 4: Procurement of services (direct management)	3 500 000	
5.4.4. Output 5: Indirect management with OECD	1 500 000	1 500 000
5.9 – Evaluation, 5.10 – Audit	will be covered by another decision	
5.11 – Communication and visibility	will be covered by the different components	
Totals	12 000 000	2 500 000

5.7 Organisational set-up and responsibilities

A Steering Committee will be set up for each sub-component to oversee, provide advice and validate the overall policy orientations. It will include the Commission, AUC, and the respective implementing partners. The AUC, particularly, will provide high level guidance and orientation.

Component 1 (outputs 1 and 2) will be fully integrated as part of the governance architecture of the AfCFTA where the RECs will be represented, together with the AU, the EU and other relevant stakeholders.

Component 2: as regards output 3, coordination will be ensured in particular through the "JAES Reference Group in Infrastructure/RGI", which will also be supported by the Action.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the importance and nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that it includes several components that will be implemented through different partners and should complement each other.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and *inter alia* provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

6 PRE-CONDITIONS

N/A

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Boost African continental integration and EU-Africa economic integration	Intra Africa : Number of countries who ratify the AfCFTA Level of intra-African trade and FDI EU-Africa : Level of EU-Africa trade and FDI	To be determined at project start To be determined at project start	22 countries have ratified the agreement, allowing its entry into force To be determined at project start	World Bank, IMF, AfDB, UN, OECD reports	
Specific objective(s): Outcome(s)	Enhanced evidence-based policy making on trade and investment	Number of users of both dashboard modules, (disaggregated by sex and country) Number of National AfCFTA Strategies drafted and implemented using data provided through this Action Number of PIDA new initiatives. On existing initiatives, level of progress in the preparation implementation	None as modules are not yet available (2018) 0 with data from this Action (2018) To be defined in inception phase	Number of target users to be defined at project start 12 African countries (4 per year) have developed and/or implemented National AfCFTA Strategies using data provided through this Action To be defined in inception phase	Project reporting Trust Fund steering committee reporting PIDA reporting.	Policy makers and private sector take on board and respond positively to evidence and policy recommendations provided by the action

Outputs	Output 1. African Trade Observatory is established and functional for policy makers and private sector to implement the AfCTA.	<p>Status of the Trade Observatory Unit</p> <p>Number of dashboard modules customised according to the needs of stakeholders</p> <p>Number of countries providing national data per year with the support of this Action</p>	<p>No observatory unit in place (2018)</p> <p>0 through this action</p>	<p>Trade Observatory unit established and operational</p> <p>2 modules customised</p> <p>Minimum of 25 countries providing data by the end of the project</p>	<p>Project reporting</p> <p>Extraction of data from the online dashboards</p> <p>Dashboard database</p>	AUC provides resources for the TO Unit.
	Output 2 : The trade policy analysis and strategic framework for AfCTA implementation is available in a number of AU Member States.	<p>Number of studies on AfCFTA impact produced, disaggregated by country</p> <p>Existence and piloting of a methodology for national AfCFTA implementation strategies</p>	<p>0 through this action (2018)</p> <p>No methodology in place (2018)</p>	<p>To be defined in inception phase</p> <p>Methodology for national AfCFTA implementation strategies piloted in 12 African countries</p>	<p>Repository of studies maintained in DEVCO (disaggregated by country, and category)</p> <p>Database within AfCTFA secretariat</p>	
	Output 3 Programming and prioritisation processes at AUC and NEPAD related to the infrastructure cooperation agenda are improved, particularly those relevant to PIDA and its Priority Action Plan (PAP) 2	Status of the PIDA priority action plan (PAP) 2	<p>action plan not in existence (2018)</p>	PIDA priority action plan (PAP)2 developed	NEPAD, AUC, RGI reports	
	Output 4 The "Dynamics of African development" report is available as input into high-level policy discussions within AU-EU dialogue	<p>Status of the report "Dynamics of African Development"</p> <p>Number of policy makers attending events on the "Dynamics of African Development" and related policy discussion organised with the support of this Action (disaggregated by sex and country)</p>	<p>No report available (2018)</p> <p>0 through this action (2018)</p>	<p>1 report per year</p> <p>Target to be defined at project start</p>	<p>Publication of the report on OECD website</p> <p>Database of event participants, disaggregated by sex and country</p>	