AFRICAN DEVELOPMENT FUND

ADF/BD/WP/2019/220/Approved
20 January 2020
Prepared by: RDGE/RDRI/PGCL
Original: English

BOARD APPROVAL Lapse-of-time Procedure 20 January 2020	FOR INFORMATION

MEMORANDUM

TO : **THE BOARD OF DIRECTORS**

FROM : **Vincent O. NMEHIELLE**
Secretary General

SUBJECT : **MULTINATIONAL (EAC, COMESA AND SADC) – TRIPARTITE CAPACITY BUILDING PROGRAMME, PHASE II***

ADF GRANT OF UA 850,000

The above-mentioned **Proposal** together with the **Draft Resolution** were submitted for your **consideration on a Lapse-of-time basis**, on 17th December 2019.

The Secretary General has recorded the objection of the US chair by the prescribed approval deadline.

The said Proposal **is** considered as **approved** and the Resolution **adopted**.

Attch.

Cc: The President

*** Questions on this document should be referred to:**

Mr. M. EL AZIZI	Director General	RDGN	Extension 1414
Mrs. N. NWABUFO	Ag. Director General	RDGE	Extension 8343
Ms. J. NGURE	Ag. Director General	RDGS	Extension 8501
Mr. G. PENN	General Counsel	PGCL	Extension 3220
Ms. M. MUPOTOLA	Director	RDRI	Extension 2156
Mr. M. SOUARE	Division Manager	RDRI	Extension 8415
Ms. A. M. MECCA	Division Manager	PGCL.1	Extension 3309
Mr. P. KANYIMBO	Team Leader	RDGE/RDRI	Extension 8350
Mr. Z. MABUZA	Co-Team Leader	RDRI	Extension 4563

SCCD: BWJ

AFRICAN DEVELOPMENT FUND

PROJECT: Tripartite Capacity Building Programme, Phase II

COUNTRY: Multinational (EAC, COMESA and SADC) - P-Z1-KZ0-040

PROJECT APPRAISAL REPORT

Date: December 2019

Appraisal Team	Team Leader: P. Kanyimbo, Regional Integration Coordinator, RDGE0/RDRI Co-TM: Z. Mabuza, Principal Regional Integration Officer, RDRI Team Members: O. Salau, Legal Consultant, PGCL.1 L. Miriti, Principal Gender Specialist, RDGS M. Wanyama, Senior Financial Management Officer, RDGS N. Jere, Senior Procurement Operations Specialist, COZM E. Kahubire, Social Development Officer, RDGE4 Sector Director: M.Mupotola, RDRI Sector Manager: M. Souare, RDRI Regional Directors: N. Nwabufo, RDGE (Ag.) J. Ngure, RDGS (Ag.) M. El Azizi, RDGN

Peer Reviewers	G. Ajumbo	Chief Trade Facilitation Officer, PITD.2
	B. Mokati-Sunkutu	Regional Integration Coordinator, RDGS
	Y. Kone	Regional Integration Coordinator, RDGC
	I. Briggs	Trade Regulatory Officer, PITD2

AFRICAN DEVELOPMENT FUND

MULTINATIONAL

TRIPARTITE CAPACITY BUILDING PROGRAMME, PHASE II

Public Disclosure authorized

APPRAISAL REPORT

RDGE/RDRI

December, 2019

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Currency Equivalents

As of August 2018

UA1	=	USD 1.375
USD 1	=	UA 0.727

Fiscal Year

1 January to 31 December

Weights and Measures

1metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

ADF	African Development Fund
AfCFTA	African Continental Free Trade Area
BIAT	Boosting Intra-African Trade Action Plan (of the African Union)
BPM	Bank Procurement Policy and Methodology
CSP	Country Strategy Paper (of the AfDB)
CES Tripartite	COMESA-EAC-SADC Tripartite
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
EA-RISP	Eastern Africa Regional Integration Strategy Paper (of the AfDB)
ECOWAS	Economic Community of west African States
EU	European Union
NTB	Non-Tariff Barrier (to trade)
NTM	Non-Tariff Measures
PIU	Project Implementation Unit
RMC	Regional Member Countries
RPG	Regional Public Goods
REC	Regional Economic Community
ROE	Regional Operations Envelop (of the ADF)
SADC	Southern African Development Community
STR	Simplified Trade Regime
TCBP	Tripartite Capacity Building Project
TFTA	Tripartite Free Trade Area
TTNF	Tripartite Trade Negotiations Forum
T-RECs	Tripartite Regional Economic Communities
WB	World Bank

Grant Information

Client's information

RECIPIENT: COMESA

EXECUTING AGENCY: COMESA Secretariat

Financing plan

Source	Amount (UA)	Instrument
ADF-14 (ROE,RPG)	UA850,000	grant
TOTAL COST	**UA850,000**	

Timeframe - Main Milestones (expected)

Concept Note approval	12 November 2019
Appraisal Report	22 November 2019
Project Approval	14 December 2020
Effectiveness	January 2020
Last Disbursement	28 August 2022
Completion	28 February 2022

Project Summary

Project Overview

The Tripartite Free Trade Area (TFTA) Agreement is a major milestone in Africa's efforts to overcome the challenges of small, fragmented markets and overlapping REC membership, which creates a spaghetti bowl of trade rules. It consolidates the markets of three RECs, namely COMESA, EAC and SADC into a seamless free trade area. Together, these RECs cover **a USD1.3 trillion** market representing **56% of Africa's GDP** and approximately **740 million consumers spread across 29 Countries**. The TFTA also aims at tackling non-tariff barriers to trade (NTBs), which tend to rise as countries resort to unfair regulatory and other trade restricting measures when tariffs fall, thereby inhibiting cross border trade.

The proposed Bank operation will provide technical assistance and capacity building to the 3 RECs and their RMCs to operationalize the TFTA Agreement, which was signed in Sharm El Shekh, Egypt in 2015. Key outputs from the Bank's intervention will be the development of guidelines, procedures, regulations and manuals required to operationalize the Agreement in areas such as rules of origin and dispute settlement. The Project will also support the establishment of online databases for non-tariff measures in Tripartite RMCs, building on the pilots under phase I. This will improve transparency in trade, speed up the resolution of non-tariff barriers (NTBs), deter arbitrary application of regulatory measures that hinder trade, and improve awareness of traders about legitimate regulatory requirements, which provides a foundation for them to improve their capacity for compliance. The project will enhance awareness of traders and the business community on the market access opportunities now availed by the Agreement, with a view to effectively harnessing such opportunities. To this end, the project will provide training to members of business bodies on TFTA Agreement. The Project will also leverage existing platforms, notably the Bank-funded 50 Million Women Speak Platform, to disseminate such information to a wider audience, in particular women. The project will also support the implementation of Tripartite Simplified Trade Regime (STR). This will especially benefit women traders and the youth, who constitute over 70 percent of small-scale cross-border traders.

The expected project impact is an expansion in share of intra-Tripartite trade from 18 percent in 2018 to 24 percent of total trade by 2025, resulting from reduction in trade costs, NTBs and improved awareness of stakeholders. The design of the Project took into account lessons from TCBP Phase I and similar capacity building projects (see Paragraph 2.7). The Project will also complement ongoing initiatives supported by other Development Partners (DPs) as indicated in **Appendix 3**.

COMESA Secretariat headquartered in Lusaka, Zambia, will be the Executing Agency on behalf of the other two RECs (consent letters attached at **Annex** 3). The Tripartite RECs, RMCs, traders and businesspersons in the Tripartite region will be the direct beneficiaries of the trainings. Indirect beneficiaries will be the consumers and producers in the Tripartite region, who will benefit from improved access to a broader range of finished and intermediate goods at more affordable prices.

The Project will be funded through an ADF-14 Regional Public Goods grant of UA850, 000 and in-kind counterpart contribution, estimated at UA150,000 from COMESA Secretariat. Implementation will take a period of 24 months, from grant effectiveness.

Needs Assessment

The Project will complement the support provided by the Bank under TCBP Phase I and give the impetus to implement the negotiated TFTA Agreement. Several DPs are supporting tripartite activities, notably the European Union (EU), and USAID. The Project will bridge the identified capacity gaps not fully supported by other DPs towards operationalizing the Free Trade Area. The Bank's support will generate useful lessons for the Continental level integration.

Bank's Added Value

The proposed project will help to realize the benefits of the TFTA Agreement that was negotiated with support from the Bank under Phase I- without this additional support the efforts under TCBP 1 would suffer a setback. The Bank will build on its track-record in supporting negotiation and implementation of trade agreements. Examples include the UA3 million support provided to the African Union to implement the African Continental Free Trade Area, the COMESA Trading for Peace project, and TCBP Phase I. Although African countries have signed the AfCFTA Agreement, support for Tripartite activities remains vital and will bring added value on a continental scale.

Knowledge Management

The knowledge generated from TCBP Phase I to support TFTA negotiations greatly informed the framing of the continental free trade area negotiations. Moreover, TCBP Phase I helped create harmonized positions among RMCs in the Tripartite bloc, which made it easier to reach consensus when negotiating with the rest of the Continent at the AfCFTA level. It is expected the TCBP Phase II will generate similar lessons for the implementation phases of the TFTA and the AfCFTA by extension. This knowledge will be captured through various tools and guidelines to be developed under the Project as well as through quarterly progress reports, project completion reports.

<table>
<tr><th colspan="8">Result-based Logical Framework</th></tr>
<tr><td colspan="2">Country and project name:
Purpose of the project :</td><td colspan="6">CES Tripartite Capacity Building Program, Phase II</td></tr>
<tr><th colspan="2" rowspan="2">RESULTS CHAIN</th><th colspan="3">PERFORMANCE INDICATORS</th><th rowspan="2">MEANS OF VERIFICATION</th><th rowspan="2">RISKS/MITIGATION MEASURES</th></tr>
<tr><th>Indicator</th><th>Baseline</th><th>Target</th></tr>
<tr><td>IMPACT</td><td>Impact
Growth in intra-regional trade</td><td>Intra-Tripartite trade (% of total)</td><td>20 (2018)</td><td>24 (2025)</td><td>i. UN COMTRADE</td><td></td></tr>
<tr><td rowspan="2">OUTCOMES</td><td>Enhanced capacity of Member States to implement TFTA Agreement</td><td>Number of countries ratifying the TFTA Agreement</td><td>7 (2019)</td><td>20 (2022)</td><td>i. REC Reports
ii. Ratification instruments deposited</td><td rowspan="2">R: Some countries may delay implementation owing to concerns about anticipated revenue loss
M: T-RECs will conduct national sensitization workshops on revenue implications of the TFTA
R: Slow ratification
M: Frontload activities that are not predicated on ratification; continued high-level sensitization by the T-RECs on demystifying the revenue losses and on options for revenue diversification</td></tr>
<tr><td>Improved effectiveness to address non-tariff barriers to trade</td><td>NTB cases resolved (as a percentage of number reported)</td><td>91</td><td>98</td><td>i. Reports generated by the NTMs online database</td></tr>
<tr><td rowspan="2">OUTPUTS</td><td colspan="6"></td></tr>
<tr><td>Output 1.1: Adoption of instruments to operationalize the Agreement & address trade barriers in the TFTA</td><td>Implementation guidelines/procedures/regulations/manuals developed for implementation of TFTA Agreement</td><td>0 (2019)</td><td>20 (2022)</td><td></td><td>R: Some countries may not have capacity to undertake tariff scheduling
M: Project will provide technical assistance to support RMCs on tariff scheduling</td></tr>
</table>

	Output 1.2: Phase II negotiations launched and concluded	Trade in Services Agreement and Protocol on Competition Policy (0=no agreement at the TFTA level)	0 (2019)	TFTA services & competition protocols concluded (2022)	Negotiated texts	**R:** Some countries might be unwilling to participate effectively in the negotiations for services. **M:** A number of services such as tourism, transport, financial services etc., have commonly been agreed upon by the Tripartite countries and could constitute a start. Countries that lack capacity could be assisted through TA under the project.
	Output 2.1: Roll out of NTMs databases to Tripartite Member Countries	Number of countries with complete online NTMs database	12 pilots	20(by 2022)	Physical inspection	**R:** Possible proliferation of new NTMs by Tripartite Member Countries. **M**: Continuous training and information sharing to ensure that proliferation of new NTMs is minimised. **R**: Dissemination and capacity building on TFTA simplified instruments might be uneven across the borders. **M**: countries sharing borders to be encouraged to synchronise simplified measures and ensure timely implementation.
	Output 2.2: Establishment of Tripartite Simplified Trade Regime (STR)	TFTA STR developed and validated by T-RECs	8 countries participating in STR regime in COMESA and EAC	20 countries participating in Tripartite STR (2025)	REC reports	
	Output 2.3: Improved participation of women in cross border trade	TFTA instruments simplified and disseminated including via 50 MWS platform	0% (2019)	100% (2022)	REC Reports 50 Million WS platform	
	Components					

ACTIVITIES	<u>Component 1: Improving the Capacity for TFTA Agreement Implementation Readiness</u> i. Develop guidelines, regulations & manuals for all the 10 Annexes to the TFTA Agreement ii. Training on TFTA Rules of Origin iii. Stakeholder sensitization on the TFTA Agreement (including preparation and dissemination of user friendly versions of the guidelines) iv. Support negotiations on Trade in Services and Competition Policy (at TTNF, Senior Officials and Sectoral Ministerial Committee levels) <u>Component 2: Improving transparency in trade to tackle non-tariff barriers in the TFTA</u> i. Roll out NTMs databases to all Tripartite countries ii. Establish a Tripartite Simplified Trade Regime iii. Disseminate information on TFTA to increase awareness of women traders on the TFTA <u>Project Management:</u> i. Project coordinator	**Inputs:** **Component I:** UA586,909 **Component II:** UA 79,818 **Project Management:** UA 183,273 **Total ADF Grant:** UA850,000

Table 1.2 Project Timeframe

ID	Task Name	2019	2020				2021				2022					
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Q	Project approval															
2	Grant signature & launch															
3	Effectiveness															
4	Procurement (advance contracting)															
5	Development of tools to implement FTA Agreement															
6	Roll out of NTMs databases															
7	Establishment of Tripartite STR & monitoring framework															
8	Negotiation of Tripartite Services & Competition Protocols															
7	Trainings and dissemination															
8	Supervision missions															
9	Completion															
10	PCR Mission & Report															

REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADB GROUP TO THE BOARD OF DIRECTORS ON A PROPOSED GRANT TO THE COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) SECRETARIAT FOR THE TRIPARTITE CAPACITY BUILDING PROGRAMME, PHASE II

Management submits the following Report and Recommendation on a proposed grant in the amount of UA850, 000.00 to finance the Tripartite Capacity Building Programme, Phase II in three (3) Regional Economic communities, namely COMESA, East African Community (EAC) and Southern Africa Development Community (SADC).

I – STRATEGIC THRUST & RATIONALE

1.1. *Project linkages with country strategy and objectives*

1.1.1. *Implementation of the Tripartite Free Trade Area a Major Milestone for Continental Integration:* The Tripartite Free Trade Area (TFTA) consolidates trade regimes of three (3) Regional Economic Communities (RECs), covering a USD1.3 trillion market representing 56% of Africa's GDP and approximately 740 million consumers. The three RECs are the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern Africa Development Community (SADC) (see **Appendix 4** for list of Tripartite countries). Implementation of the TFTA will boost intra-regional trade within the grouping from 20% in 2018 to 24% percent by 2025.

1.1.2. By supporting the implementation of the TFTA Agreement, the Project will address a key developmental challenge of low intra-African trade occasioned by market fragmentation, overlapping and disparate REC membership and a proliferation of non-tariff barriers (NTBs) that impede the free flow of goods, services and movement of people. The consolidation of RECs' trade regimes is an important step towards continental integration as envisaged in the Preamble of the AfCFTA Agreement and the *Action Plan for Boosting Intra-African Trade (BIAT)* of the African Union.

1.1.3. The Project is strongly aligned with the development agendas of the Tripartite Member States, which include consolidating market access. These countries are now seeking the Bank's support to implement the signed Agreement. The Heads of States of the T-RECs mandated the RECs to lead the negotiations of the TFTA during their Summit held in Johannesburg, South Africa, in 2011.

1.1.4. The TFTA Agreement was subsequently concluded in Sharm El Shekh, Egypt in June 2015. To date 22 of the original 26 participating countries have signed the Agreement. With the accession of South Sudan to the EAC and Tunisia and Somalia to COMESA, the TFTA membership has increased to 29 countries. The focus for the T-RECs has now shifted towards implementation of the Agreement. As a first step, this entails reaching 14 ratifications required for the Agreement to enter into force. In addition, technical annexes and corresponding guidelines, procedures and regulations to operationalize the Agreement need to be developed. These tools provide practical guidance to stakeholders on how to apply the provisions of the Agreement in areas such as Rules of Origin, NTBs, customs Cooperation and Mutual Administrative Assistance, Trade and Transit Facilitation, Technical barriers to trade (TBTs) and Sanitary and Phytosanitary (SPS) Measures.

1.1.5. Effective implementation of the TFTA is vital for the success of the AfCFTA Agreement and will bring added value on a continental scale. Firstly, as a forerunner to the AfCFTA, the TFTA Agreement has provided the blue print on which the AfCFTA Agreement was framed. It will therefore provide useful lessons for implementation. Secondly, the TFTA Agreement is ready for implementation since all the technical annexes have been negotiated. Implementation is expected to commence once the threshold for ratification is reached. Significant progress has been made in this regard- currently seven (7) countries have ratified the Agreement, the latest being Burundi and Botswana which submitted their instruments of ratifications in October 2019. The seven (7) countries that have ratified the TFTA Agreement are: Egypt, South Africa, Kenya, Uganda, Rwanda, Botswana and Burundi. After an initial period of inertia due to limited sensitization and the commencement of AfCFTA negotiation which stretched RMCs' capacities, the ratification process has now gathered pace. Regional economic powerhouses notably South Africa, Egypt and Kenya have lead the way in ratifying the Agreement, and providing the much-needed impetus for others to follow suit. As a result nine (9) other countries are on track to ratify the TFTA Agreement by early 2020, having secured Cabinet approval in their respective jurisdictions **(see Appendix 4).** This will bring the total number to fifteen (15) by mid-2020, sufficient to trigger entry into force of the Agreement.

1.1.6. Thirdly, the level of ambition for tariff liberalization under the tripartite arrangement is higher than under the AfCFTA, which brings value addition in supporting TFTA implementation. In particular, the TFTA entails 100 percent coverage while the AfCFTA aims to liberalize only 90 percent of tariff lines, leaving out a significant share of trade. Fourthly, following the principle of subsidiarity, a number of trade measures such as dispute settlement mechanism and tackling of NTBs among participating countries can be more effectively tackled within the Tripartite region. For instance, because of the principal of subsidiarity and geographical proximity, a trade dispute between Kenya and Zambia can best be mitigated at the REC or Tripartite level while the AfCFTA will be more suited to tackle issues concerning countries across regions.

1.2. *Rationale for Bank's involvement*

1.2.1 *Strong alignment with Bank Strategies, REC and Continental Priorities:* By providing the impetus for the implementation of the TFTA agreement the Project will enable businesses across the three RECs to reap significant benefits through utilization of tariff preferences, removal of non-tariff barriers, and enhanced awareness by businesses on the opportunities created by the TFTA and how to exploit them.

1.2.2 The Project is fully aligned with the Integrate Africa High-5 and the Bank Group Regional Integration Strategic Framework (RISF, 2018-2025) Pillar 2 'Trade and Investment' which identifies the need to address the challenge of fragmented markets as an important mechanism to improve intra-African trade, realize inclusive growth and poverty reduction. Similarly, the Bank's Eastern Africa Regional Integration Strategy (EA-RISP, 2018-2022) Pillar II 'strengthening the policy and institutional frameworks for market integration, investment and value chains development' underscores the need to work with RECs and RMCs to facilitate implementation of existing Agreements and protocols to foster market integration. Although the Southern Africa-RISP is currently being prepared the Project has strong synergies with the proposed focus areas, especially pillar 2 (ii) market integration and industrial development. The Project is also aligned with the development agendas of the Tripartite. These are the EAC 5th Development Plan (2018-21), COMESA Medium Term Strategic Plan (2016-20), and SADC Revised Regional Indicative Strategic Development Plan (2015-20) all of which have underscored the need to 'enhance the Tripartite Arrangement' to enlarge their markets.

1.2.3 *Building on previous support and leveraging Bank's commitment to support RECs capacity building:* The proposed Project will build on the TCBP Phase I whose implementation closed in October 2018, and will bring to fruition some of the activities started under Phase I, resulting in tangible benefits for Regional Member States such as reduction in non-tariff barriers to trade, a reduction in trade costs leading to expansion of trade, economic growth and job creation. In the absence of additional support, the gains realized under TCBP Phase I would be negated.

1.2.4 In implementing the Project, the Bank will draw upon its experience in implementing capacity building programs for regional and continental institutions. They include the recently closed TCBP Phase I, the $4.8 million institutional support grant to the African Union (AU) for implementation of the AfCFTA, approved in April 2019, the EAC Regional Payment and Settlement Systems, the 50 Million African Women Speak Networking (50 Million WS) Platform for women traders in EAC, COMESA and ECOWAS.

1.2.5 *Strong regional public goods character:* Due to its strong regional impact and huge public interest, the Project has been selected for grant funding under the ADF-14 Regional Operations Envelop/Regional Public Goods (RPG) under the 2019 selection exercise. The RPG justification under each criterion, is provided in **Appendix 6.**

1.3. *Donors coordination*

1.3.1. Other development partners (DPs) supporting TFTA activities are the European Union (EU) and United States Agency for International Development (USAID). A matrix of DP support is provided in **Appendix 3.** Donor coordination is provided through the Bank's participation in the various RECs' DP Groups in which the Bank actively participates. In the case of the EAC DPG, the AfDB acts as a co-chair, together with the EU, thus underscoring the Bank's prominent role in DP coordinating mechanisms. In the Southern Africa region the Bank participates in various International Cooperating Partners thematic working grouping under SADC in particular the Trade, Industry, Finance and Investment thematic group. COMESA has also recently launched a forum for development partners to facilitate coordination and enhanced dialogue.

II – PROJECT DESCRIPTION

2.1. Project Objectives and Project Components

2.1.1 The Project will address the key developmental challenge of low intra-African trade focusing on tackling the problems of small, fragmented markets, overlapping REC membership which creates a spaghetti bowl of trade rules, a proliferation of non-tariff barriers and information asymmetries which limit the ability of traders, especially women, to effectively take advantage of market access opportunities. By providing the impetus for TFTA implementation, the Project will contribute to intra-tripartite trade growth from 20% to 24 % by 2025 thereby improving the welfare of over 740 million consumers. The key outputs will be the development of guidelines/procedures/regulations/manuals necessary for implementation of the TFTA Agreement, and roll out online databases for Non-Tariff Measures (NTMs), building on the pilots under phase I. The aim of NTMs databases is to improve transparency in trade, facilitate speedy resolution of non-tariff barriers (NTBs), deter arbitrary application of regulatory measures by governments, and improve awareness among traders about legitimate regulatory requirements thereby facilitating improved capacity for compliance. The Project will also provide training to members of regional business councils/chambers on the applicable rules of origin and disseminate information on TFTA trade rules and opportunities through the Bank-funded 50 million WS Platform for entrepreneurs. These actions will help to improve utilization of trade preferences accorded under the TFTA. Further, the project will establish a Tripartite Simplified Trade Regime (STR), building on a similar system developed under COMESA and EAC. STR provides simplified procedures for small scale traders, the majority of whom are women.

2.1.2 Project Components: Pursuant to the objectives, the Project will focus on two components.

2.1.3 Component I: Improving the Capacity to Implement the TFTA Agreement: This component will support capacity building of the three (3) RECs and businesses in the tripartite countries on areas critical to operationalize the TFTA Agreement. It will focus on the development of guidelines, regulations and manuals for all the 10 Annexes to the TFTA Agreement, training on TFTA Rules of Origin, Stakeholder sensitization on the TFTA Agreement (including preparation and dissemination of user friendly versions of the guidelines and dissemination through the 50 Million WS platform), support negotiations on the Tripartite built-in agenda focusing on Trade in Services and Competition Policy.

2.1.4 Component 2: Improving transparency in trade to tackle non-tariff barriers in the TFTA: This component will support the roll out of NTMs databases to remaining Tripartite countries (in addition to the 9 covered in phase I), establish a Tripartite Simplified Trade Regime, and disseminate information on TFTA to increase awareness of traders, and especially women, on the TFTA trade rules and opportunities.

2.1.5 The Project will also support the recruitment of a project coordinator to support the COMESA Secretariat officials and the other RECs in managing the Project. The PC will be required to sign a performance contract with the Executing agency. Table 2.1 tabulates the Project components and cost allocations.

Table 2.1: project components

Nr.	Component name	Est. cost (UA)	Component description
1	Component I: Improving the Capacity to Implement the TFTA Agreement	586,909	▪ Develop guidelines, procedures and regulations for all the 10 Annexes to the TFTA Agreement ▪ Provide TA & Training on TFTA Rules of Origin ▪ Support negotiations on Trade in Services and Competition Policy (at TTNF level) ▪ Stakeholder sensitization on the TFTA Agreement
2	Component II: Improving Transparency in trade	79,818	▪ Roll out NTMs online database ▪ Establish a Tripartite Simplified Trade Regime [STR]
3	Project Management	183,273	▪ Project Coordinator
4			▪ External Audit

5	Total ADF Grant	*850,000*	
6	COMESA Secretariat in-kind contribution	150,000	▪ Staff time for accountancy, procurement, secretariat services ▪ Logistics/security services ▪ Office space, equipment & stationary
7	**Total Project cost**	*1,000,000*	

2.2. Technical solution retained and other alternatives explored

2.1.6 The technical solution retained is based on the specific architecture of the Tripartite Free Trade Area, focusing on activities that could realistically be implemented to fruition within the available budget. The approach also focused on activities with regional goods characteristics (see **Appendix 6** for the RPG assessment). Alternative solutions considered in the design of the Project are summarized in **Table 2.2.**

Table 2.2: project alternatives considered and reasons for rejection

Alternative name	Brief description	Reasons for rejection
Provide support to individual RECs	This approach would directly target RECs with separately interventions	▪ This approach defeats the whole purpose of supporting the rationalization of RECs in Africa, and the RECs themselves expressed a preference for a coordinated approach, as evidenced by the support letters in **Annex 3**
Target RMCs directly for capacity support in the various implementation areas	Specific country needs will be identified and support will be channelled at the country level	▪ Approach precluded mutual learning ▪ Approach spreads resources too thinly
Support on all areas of the Tripartite	Support would be provided to the three key areas of the tripartite arrangements (a) regional infrastructure (b) market integration (c) industrial development	▪ Infrastructure pillar is sufficiently supported by other Bank program such as investments in transport corridors, power interconnectors in the tripartite region ▪ Industrial development was not supported because of the need to focus on a narrow range of low hanging fruits within the limited budget

2.3. Project type

2.3.1 The project type is a stand-alone operation, within the framework of the Bank's Regional Integration Strategic Framework (RISF, 2018-2025). The activities to be financed by the Project are well defined, and will be synergised with ongoing activities funded by the Bank and other DPs (e.g. investments in transport corridors and one stop border posts, and support to the African Union to implement the AfCFTA) to yield the desired results, namely to operationalize the TTFA and expand intra-regional trade.

2.4. Project cost and financing arrangements

Source of finance

2.4.1 The project components will be funded by a grant to COMESA Secretariat from the ADF-14 Regional Operations Envelop/Regional Public Goods (RPG) amounting to UA850,000. COMESA Secretariat will provide in-kind counterpart contribution in the form of staff time for procurement, financial management and secretariat services, office space requisite utilities, and logistics services. To this end, the project has undergone the filtering process for prioritization as an RPG and duly approved by OPSCOM as an RPG fulfilling the cost-sharing exemption criteria. The RPG evaluation tool is attached in **Appendix 6.** Detailed costs and expenditure schedules are provided in **Annex B2.**

2.4.2 The summary of project cost estimates is shown in Table 2.3 and the detailed budget is provided in Table 2.3.

Table 2.3: Project cost estimates by component [amounts in UA]

Components	***Foreign***	***Local***	***Total***	***% foreign***
Improving the Capacity to Implement the TFTA Agreement	528,218	58,691	586,909	90
Improving Transparency in trade	71,836	7,982	79,818	90
Project Management	170,182	13,091	183,273	93
	770,236	79,764	850,000	91

Note: Exchange rates are provided in the introduction of this report (page (i))

Table 2.5: Project cost by category of expenditure [amounts in million UA equivalents]

Category	Foreign	Local	Total cost	% foreign
Goods	-			
Services*	351,260.00	34,740.00	386,000.00	91.00
Operational Costs**	350,000.00	114,000.00	464,000.00	75.43
	773,500.00	76,500.00	850,000.00	91.00

* TA to develop modules & training materials for RoO, TA for TFTA RoO, consultancy to develop STR, TA for NTMs data collection & classification, consultancy to classify & upload NTMs, Expert to manage NTMs database, project coordinator, project audit

** Convene TWG, trainings & workshops, TTNF meetings on services & competition policy negotiations, awareness workshops

2.5. Project's target area and population

2.5.1 The direct beneficiaries are the Tripartite RECs namely COMESA, EAC and SADC, their member countries, traders (including women traders who are the major beneficiaries of the STR) and business persons in the Tripartite region which covers over half of Africa's population and GDP. The indirect beneficiaries are consumers who will benefit from a wider choice of goods and services at affordable prices. Investors will also indirectly benefit from the improved business environment brought about by a reduction in impediments to trade. A map of the Project area is provided in **Appendix 5**.

2.6. Participatory process for project identification, design and implementation

2.6.1 As part of the project appraisal process, the Project team conducted consultations with COMESA Secretariat which was mandated by the other two (2) T-RECs (EAC and SADC) to mobilize funding for TCBP Phase II. The two sister RECs have endorsed the Project components and proposed implementation arrangements. Consultations were also held with development partners, in particular the European Union and USAID who have been active in supporting Tripartite activities. In particular, the EU has been supporting the negotiation of technical annexes to the TFTA Agreement, and piloting of NTMs databases. USAID has supported sensitization activities in the EAC to accelerate ratifications, as a result of which four (4) out of the seven (7) ratifications so far realized are from the EAC-Burundi, Kenya, Rwanda and Uganda. Accordingly, it was determined that the Bank-funded intervention would build on the foundation created under TCBP Phase I, focusing on implementation activities which are not fully supported by other DPs. In addition, the consultations with the DPs emphasized the need for continued coordination and collaboration between the activities funded by other DPs and the proposed AfDB-funded capacity building Project. The mechanism for such coordination is through the Development Partners Working Groups (DPGs) which exist in all the RECs. The AfDB participates in the DPG meetings and is co-chair of the EAC-DPG. All the Tripartite RECs also have mechanisms for engaging with the private sector, through the regional Business Councils affiliated to each REC.

2.7. Bank Group experience, lessons reflected in project design

2.7.1 The Bank has supported the Tripartite activities through a UA5 million grant to finance the Tripartite Capacity Building Program (TCBP Phase I), which was implemented from 2013 to 2018. This operation generated useful results such as provision of training and technical assistance on trade negotiations to T-RECs and Member States, technical studies to inform the negotiation process, and piloting of online non-tariff measures (NTMs) databases in 12 member countries to improve transparency of regulatory regimes and serve as a deterrence against arbitrary application of NTMs. The support provided by the Bank contributed to the successful conclusion of negotiation. The Project closed in October 2018 and was rated satisfactory in the project completion report (PCR).

2.7.2 Lessons generated from the TCBP Phase I include: (a) the need to focus on a narrow range of tangible outcomes that are feasible within the budget, timelines and are not dependent on negotiation processes (negotiations faced many unplanned disruptions due to scheduling conflicts, stalemates , adjournments and quorum challenges), (b) avoidance of start-up delays through advanced procurement, (c) the need for more efficient coordinating mechanisms among the T-RECs to ensure speedy implementation (e.g. making use of Video Conferencing facilities to conduct project steering committee meetings of the 3 RECs, or organizing them on the margins of other Tripartite RECs events to minimize costs and minimize delays associated with scheduling, quorums, etc.), and (d) the need to mainstream project activities in RECs programs, including the use of in-house project management expertise (with capacity augmentation where necessary) to ensure sustainability. Lessons derived from the multilateral trading system on supporting implementation of trade agreements emphasize the need to provide special attention to low income countries, and the need to translate trading agreements into business-friendly language to increase their utilization by traders. Therefore, since the Project is funded under ADF, priority in selection specific interventions such as roll out of STR, will be given to low income, landlocked countries. The Project will also support sensitization activities to improve awareness of traders and the business communities on opportunities created by the TFTA and how to harness them.

2.8. Key performance indicators

2.8.1 The key performance indicators and the expected outcomes at project completion are outlined in the results-based logical framework. The expected project outcomes are: entry into force of the TFTA triggered by the realization of the required number of ratifications, and an improvement in NTBs resolved as a share of total NTBs reported from 91 percent in 2019 to 98 percent by 2022. At the output level, these results will be realized through the adoption of tools (guidelines, procedures, regulations and manuals) required to implement the TFTA Agreement, conclusion of negotiations on Trade in Services and Competition Policy, establishment of NTMs databases in 8 more countries, establishment of a tripartite Simplified Trade Regime, and enhanced awareness by traders of trade opportunities in the Tripartite Area and how to take advantage of the preferences under the TFTA Agreement.

2.8.2 Performance indicators will be tracked through quarterly progress reports and biannual Bank supervision missions. Where relevant, indicators will be disaggregated by gender. Measuring of the indicators will help to evaluate the degree of achievement of the project objectives.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

3.1.1 As an Institutional Support Project, the project has not undergone the traditional cost-benefit analysis to establish the internal rates of return. Notwithstanding, trade is widely accepted as an engine for economic growth, employment generation and poverty reduction. Therefore, implementation of the TFTA Agreement will yield far-reaching economic benefits by boosting intra-regional trade in the Tripartite area from 20 percent in 2018 to 24 percent by 2025. Rationalization of the trade regimes in 3 RECs will eliminate the challenge of overlapping membership and create a larger market for investors of up to 740 million consumers and covering 56 percent of Africa’s GDP. Seven of Africa’s top ten economies by GDP are part of the Tripartite- South Africa, Egypt, Angola, Ethiopia, Kenya, Sudan, and Tanzania.

3.1.2 By creating a seamless and larger Tripartite market the Project will also contribute towards improved competitiveness of regional manufacturing and agriculture, while enhancing integration of the constituent economies into Continental and global economies. This will foster stronger and more inclusive economic growth and job creation.

3.2. Environmental and Social impacts

3.2.1 **Environment:** The project is classified Category 3 because it does not directly impact the environment adversely and are unlikely to induce adverse social impacts. The project therefore does not require an environmental and social assessment.

3.2.2 **Climate Change:** The project faces minimal climate risks as it primarily focuses on capacity building activities, therefore its preliminary classification at PCN stage is Category 3, and no further action is required. However, it is noted that the success of the project will have significant additional benefits for the region and countries in enhancing their resilience to the growing effects of a changing climate. With enhanced trade facilitation and removal of barriers, countries are better positioned for economic growth and can withstand climatic shocks and improve the quality of life for their citizens.

3.2.3 **Gender:** Women play a key role in African trade and are critical to the success of the TFTA. However their contribution to regional trade is much less than it could be because of various non-tariff barriers that push them into informality. These include high transaction costs and delays; corruption; insecurity and gender-based harassment; poor basic infrastructures and facilities at borders; weak trade associations; and lack of gender-disaggregated data on cross-border trade flows. These barriers often confine women traders into the informal economy where lack of access to finance, information, and networks jeopardize their capacity to grow and develop their businesses. Such conditions if not addressed will prevent women from taking full advantage of the opportunities created by the TFTA.

3.2.4 Based on an assessment of the project components and activities, the Project has been classified as a **Category III** according to the Bank's Gender Marker System. It will contribute to addressing challenges faced by women traders in the region by (i) developing a Tripartite Simplified Trade Regime (ii) simplification of documents and regulatory processes and leverage the Bank-funded 50 Million Women Speak Platform to disseminate this information, and (iii) awareness raising for small scale traders on the regulatory processes for trade within the TFTA. Addressing challenges faced by women traders in the TFTA stands to benefit both traders and governments.

3.2.5 **Social:** The ultimate aim of implementing the TFTA Agreement is to promote cross-border trade, and investment. Ultimately this intervention will lead to enhanced competitiveness of the industrial, agricultural and services sectors and creation of jobs.

IV – IMPLEMENTATION

4.1. Implementation arrangements

4.1.1 The COMESA Secretariat has been designated by the T-RECs to coordinate the implementation of the TCBP on behalf of the three RECs (**see Annex 3** for endorsement letter from sister RECs). COMESA shall be the recipient and the COMESA Secretariat will be the Executing Agency for the project on behalf of the T-RECs.

4.1.2 To facilitate effective implementation of the TCBP, a Programme Coordinator will be recruited to augment existing capacities at the COMESA Secretariat. The Project Coordinator will report to the Director of Trade and Customs of COMESA on a day to day basis. Each T-REC has a focal person dedicated to coordinating Tripartite-level activities. The TCBP Phase II Project Coordinator will liaise with these focal persons to ensure smooth implementation.

4.1.3 On its part, the Secretariat will provide project management support for procurement and financial management from among its existing staff. This allows for more resources to be channelled towards the core activities of the project as well as ensuring long term sustainability of the project.

4.1.4 A Project Steering Committee (PSC) comprising of Trade Directors from the T-RECs will be established to review implementation progress and provide strategic guidance. The Committee shall hold quarterly meetings to review progress. To the extent possible these meetings will make use of Video Conferencing and may at times be held on the margins of other Tripartite RECs events to minimize costs. Where none of these options is feasible, PSC members meeting to transact the Project businesses will be funded by their respective RECs. The Steering Committee will report progress to the Tripartite Task Force, which comprises Secretary Generals of the three RECs.

4.1.5 Similar implementation arrangements were successfully used for the TCBP Phase I, with modifications informed by the lessons learnt. The key change is the establishment of an improved coordination mechanism to minimize implementation delays and costs associated with physically convening of PSC Meetings. Under TCBP II, the involvement of existing T-REC staff will be enhanced to support Project activities. This will ensure sustainability and ownership of the Project by the T-RECs.

Procurement

4.1.6 Procurement of goods (including non-consultancy services) and the acquisition of consulting services, financed by the Bank for the project, will be carried out in accordance with the *"Procurement Policy and Methodology for Bank Group Funded Operations"* dated October 2015 and following the provisions stated in the Financing Agreement. Specifically, all procurement will be carried out as follows:

4.1.7 **Bank Procurement Policy and Methodology (BPM):** Since COMESA Procurement System has not been officially assessed by the Bank, the Project will use Bank standard Procurement Methods and Procedures (PMPs) and the relevant Bank Standard Solicitation Documents (SSDs). The specific procurement arrangements are outlined in paragraph B5.1 of the Annex of Volume II of the PAR.

4.1.8 **Procurement Risks and Capacity Assessment (PRCA):** The assessment of procurement risks at Project levels and procurement capacity of the Executing Agency (COMESA), were undertaken for the project and the findings have informed the decisions on the procurement arrangements being used for specific transactions or groups of similar transactions under the project. The appropriate risk mitigation measures have been included in the project design. Advance contracting will be applied in order to mitigate the risks associated with start-up delays and to help accelerate the first disbursement on the project.

Financial Management

4.1.9 **Summary:** The overall financial management risk for the project is assessed as moderate. An assessment of COMESA Secretariats financial management capacity for the implementation of the project satisfies Bank minimum requirements. The secretariat has prior experience in managing donor funded projects including the Yes 50 million Africa Women project, COMESA airspace and Trading for peace. These projects' management has been found generally satisfactory. The current accountant managing donor funded projects shall be retained to manage FM responsibilities of the proposed project under the supervision of the head of finance within the secretariat. The secretariat utilizes Sun System to process and maintain financial transactions including donor funded projects. The system has been found to be adequate and therefore shall be adopted for accounting and financial reporting of the proposed project. There is a functional internal audit within the secretariat strengthening the internal controls within the projects. The internal audit shall include the proposed project into their annual work plan. Generally, the internal control environment was found to be adequate and reliable. The current budgeting system from preparation, approval, execution monitoring and reporting was found to be comprehensive and therefore shall be adopted for the proposed project. The current financial reporting system has been found to be reliable and timely hence shall be adopted. In accordance with the Bank's financial reporting and auditing requirements, the project will be required to prepare and submit to the Bank Quarterly Interim Financial Report (QIFR) no later than 45 days after the end of each quarter. In addition, the project will be required to prepare separate project annual financial statements which will form the entry point for external audit due diligence. There has been no delays in completion of external audit for the ongoing and past donor funded projects. Similar audit arrangement shall be adopted where an external auditor shall be recruited to audit the project an annual basis under Bank approved terms of reference. The audit report together with the audit opinion and the associated management letter shall be submitted to the Bank not later than six months after end of the fiscal year. The overall FM residual risk for the project is assessed as Moderate. (Refer to PAR Volume II B4 Annex for details of Financial Management arrangement).

4.1.10 **Disbursement arrangement:** COMESA operates several bank accounts including Bank funded projects' special account. There has been adequate controls in the management of the bank accounts and the SA operations have been found to be generally satisfactory. The proposed project would make use of Bank's various disbursement methods including (i) direct payment, (ii) special account (SA) and (iii) Reimbursement methods in accordance with the Bank rules and procedures as laid out in the Disbursement handbook as applicable that can be accessed from the Bank's website. The special account in foreign currency and a project account in Kwacha, respectively, shall be opened at a commercial bank acceptable to the AfDB. The funds transferred into the Special Account shall be justified frequently (at least every six months and/or when 50% of the funds disbursed into the special account are utilized).

4.1.11 **Auditing arrangement:** The latest audit report did not contain any accountability issues. COMESA Secretariat has been audited by private auditors, however there is ongoing development of framework to enable Board of Auditors by Member States to audit the Secretariat (on a rotation basis). In the meantime, the proposed program shall be audited annually by private auditors under Bank approved Terms of Reference. The cost of the audit shall be borne by the program resources. The audit report together with the associated management letter shall be submitted to the Bank not later than 6 (six) months after end of each financial, period.

4.1.12 **Implementation Schedule:** It is anticipated that the Project will be completed within 24 months (2 years) starting from signature of the grant by both Parties.

4.2. Monitoring

4.2.1 Project Monitoring will be the responsibility of the COMESA Secretariat, which shall submit quarterly progress reports to the Bank after clearance by the PSC. The reports will indicate progress made in light of the Project's Results-Based Logical Framework and include a clear presentation of activities undertaken during the period under review. The reports will also analyze the extent to which the activities undertaken have contributed towards the realization of the anticipated project outputs and objectives. The reports will offer recommendations to address implementation challenges. Overall, the assessment of the monitoring and evaluation capacity is satisfactory, given that COMESA Secretariat has previously executed Bank-funded projects, including TCBP Phase I, and is currently implementing similar capacity building projects funded by the European Union.

4.2.2. The Bank will undertake a mid-term supervision mission, in line with its standards for project implementation and result reporting. COMESA Secretariat will be required to prepare and submit to the Bank, a Project Completion Report within three months of the final disbursement of the Grant. The Report will provide lessons learnt for follow up actions. RGDE will play an active role in project monitoring and evaluation.

Timeframe	*Milestone*	*Monitoring process*
December 2019	Request for Advance Procurement	COMESA Secretariat
December 2019	Grant approval	AfDB
January 2020	Advance procurement of Project Management team in place	COMESA Secretariat Oct. 2019
	Grant Signature & Launch	AfDB & COMESA Secretariat
January 2020	Grant Effectiveness	COMESA Secretariat
February 2020	First Disbursement	AfDB
Jan-June 2020	Ratifications for TFTA for entry into force of TFTA Agreement	COMESA Secretariat
Jan-July 2020	Guidelines, manuals, etc. finalized	COMESA Secretariat
January 2021	Midterm review	AfDB
June-2021	Online NTMs databases established	COMESA Secretariat
June 2021	STR established	COMESA Secretariat
2020-2021	Trainings and Awareness	COMESA Secretariat
December 2021	Completion	AfDB & COMESA Secretariat

4.3. Governance

4.3.1 The Project will be implemented using the Bank's fiduciary policies. A project specific governance risk mitigation measures of the Project include: (i) prior endorsement by all the T-RECs of the project components and implementation arrangements (ii) approval of the Annual Work Plan and Progress Reports by the Project Steering Committee comprised of Trade Directors from all the three RECs; (ii) deployment of an independent auditor recruited competitively using the Bank's procurement Rules and regulations to audit the project finances (iii) Bank prior review and clearance of major project procurement activities; and (iv) effective supervision arrangements through quarterly progress reports (QPR) that include an interim financial report(IFR), and biannual supervision missions supplemented with backstopping from the Bank's Country Office, in Zambia, where necessary.

4.4. Sustainability

4.4.1 Since trade is one of the core mandates for the regional economic activities, the participating REC will mainstream the Project activities into their regular work programs to ensure sustainability of the Project outputs. During implementation, the project will utilise existing staff at COMESA and the other RECs for functions such as procurement, financial management and general oversight. Given that the negotiations of the first phase of the TFTA have been concluded and what remains are the guidelines, regulations and manuals for the technical annexes of the Agreement, the intervention by Bank will provide the much-needed impetus for the Agreement to be implemented. Training of stakeholders on the TFTA rules of origin will also assist expedite the implementation of the Agreement and help to create a critical mass of knowledgeable officials in these disciplines at the REC and RMC level.

4.5. Risk management

4.5.1 The risks which might affect the attainment of project objectives and corresponding mitigation measures are discussed in Table 4.5.

Table 4.5: Potential Risks and Mitigation Measures

	Risk	Likelihood	Mitigation Measures
1	Slow ratification	M	T-RECs will continue to engage Member States and sensitize them on the benefits of ratification The Project will front-load activities that are not predicated on ratification
2	Some countries may delay implementation owing to concerns about anticipated revenue loss	M	T-RECs will conduct national sensitization workshops on revenue implications of the TFTA in countries that experience delays
3	Some countries might be reluctant to participate effectively in the negotiations for services	M	A number of services such as tourism, transport, financial services etc., have commonly been agreed upon by the Tripartite countries and could constitute a start. Countries that lack capacity could be assisted through TA under the project
	Possible proliferation of new NTMs by Tripartite Member Countries.	M	Continuous training and information sharing to ensure that proliferation of new NTMs is minimised.
	Dissemination and capacity building on TFTA simplified instruments might be uneven across the borders.	M	Countries sharing borders to be encouraged to synchronise simplified measures and ensure timely implementation

4.6. Knowledge building

4.6.1. The project is aimed at supporting the implementation the TFTA Agreement bringing together three pre-existing trade regimes of regional economic communities. This Tripartite arrangement is the first ever effort by African RECs to consolidate inter-REC market regimes. It provided the preliminary roadmap for the AfCFTA, and vital insights and ready reference materials that served as inputs into the AfCFTA negotiations and legal drafting processes. Given that all technical annexes for the TFTA are ready, successful implementation of the Agreement will therefore provide knowledge and experience for the implementation of the continent-wide free trade area, whose technical annexes are yet to be negotiated. The project will also establish a multi- REC Simplified Trade Regime, which will provide lessons for the AfCFTA process. The roll out of Non-Tariff Measures databases in all the Tripartite countries will provide a database to tackle non-tariff barriers, which are a major impediment to intra-African trade.

4.6.2. The knowledge and experience generated by this Project will be carefully captured through reports of the Project Steering Committee Meetings, quarterly progress reports, supervision missions and the Project Completion Report (PCR

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

5.1.1. The legal instrument for the Project will be a Grant Agreement between the COMESA (the 'Recipient') and the African Development Fund (the "Fund"). The Grant Agreement will enter into force upon signature by the Recipient and the Fund.

5.2. Conditions associated with Bank's intervention

5.2.1. In addition to the above provision on entry into force, the obligation of the Fund to make the first disbursement of the Grant shall be subject to the satisfaction of the following conditions by the Recipient:

i. Submission of the evidence of the designation of the following persons from the Executing Agency to the Project Implementation Unit: (i) Project Procurement Officer and (ii) Project Accountant, with qualification and terms of reference acceptable to the Fund;

ii. Submission of evidence of the establishment of the Project Steering Committee comprising the Directors of Trade from each of the COMESA, EAC and SADC; and

iii. Submission of a Project Implementation Plan, in form and substance satisfactory to the Fund.

Other Condition

The Recipient shall:

i. Recruit the Project Coordinator within six (6) months of the date of first disbursement of the Grant;

ii. Submit the evidence demonstrating that Parliaments of at least fourteen (14) regional member countries of COMESA, EAC and SADC have submitted the TFTA Agreement to their respective Parliaments for ratification, within one (1) year of Date of the Grant Agreement or such longer period as may be agreed in writing between the Fund and the Recipient.

Undertakings

The Recipient shall:

i. Maintain at all times during the implementation of the Project and until completion, the Project Implementation Unit and the Project Steering Committee with mandate, staffing and resources satisfactory to the Fund.

ii. Make timely provisions for its counterpart contribution to the implementation of the Project.

5.3. Compliance with Bank Policies

5.3.1 This project complies with all applicable Bank policies, including procedures for waiving of counterpart contribution. In this regard the Project has undergone the filtering process for prioritization as an RPG and was duly approved by OPSCOM as an RPG fulfilling the cost-sharing exemption criteria under the Revised Regional Operations Selection and Prioritization Framework (2014).

VI – RECOMMENDATION

Management recommends that the Board of Directors approve the proposed grant of UA 850,000 to COMESA Secretariat for the purposes and subject to the conditions stipulated in this report.

Appendix 1: The Region's comparative socio-economic indicators

Social Impact and Poverty Reduction*:* The ultimate objective of the TFTA is poverty alleviation in the twenty-nine (29) countries through expanded cross-border trade and production. Well implemented and with a complete elimination of tariffs and non-tariff barriers to trade, the TFTA has the potential to stimulate intra-Tripartite trade to about US$ 3.3 billion per annum, a five-fold increase from the current figures. It could also boost light manufacturing and agri-processing sectors in the TFTA region. Increased trade performance would have momentous boost for a trade area covering all the 29 countries, with a population of over 700 million people, and a combined GDP of $1.4 trillion.

Table of Select Comparative Socio-Economic Indicators

Country	Population Size – 2017 (Million)	Population Growth 2017-2018 (Million)	GDP at Current Prices (Billion)	Intra – Tripartite Imports (% of intra-Africa Imports)	Intra – Tripartite Exports (% of intra-Africa Exports)	GDP Per Capita-2018 (Current US$)
Angola	26.7	4.1	104.6	88	79	3 432.4
Botswana	2.3	0	11.5	98	96	8 258.6
Burundi	11.9	-0.7	3.1	97	96	275.4
Comoros	0.8	0	0.632	84	81	1 445.5
Djibouti	0.9	-0.8	2.1	79	87	2 050.2
DRC	82.2	1.8	44.7	89	77	561.8
Egypt	95.2	3.2	263.7	44	51	2 549.1
Eritrea	5.5	1	6	69	53	811.4
Eswatini	1.3	-0.2	3.3	100	81	4 140.0
Ethiopia	104.3	4.9	93	94	93	772.3
Kenya	48.5	2.8	77.3	82	91	1 710.5
Lesotho	2.2	-0.1	1.8	100	100	1 324.3
Libya	6.4	0.3	47.8	79	67	7 235.0
Madagascar	25.6	0.7	10.3	66	77	460.8
Malawi	18.3	-0.2	6.2	96	98	389.4
Mauritius	1.3	0	14.4	98	99	11 238.7
Mozambique	29.5	0	10.3	99	97	490.2
Namibia	2.6	-0.2	10.2	100	91	5 931.5
Rwanda	12.2	0.1	9	94	97	773.0
Seychelles	0.1	0	1.9	99	98	16 433.9
Somalia	11.4	3.6	4.7	83	85	314.6
South Africa	55.4	2.4	276.1	67	89	6 374.0
South Sudan	11.3	-1.2	11.8	79	65	353.0
Sudan	42.2	-0.4	124	62	67	977.3
Tanzania	56.9	-0.6	52.7	81	94	1 050.7
Tunisia	11.5	0.1	41.6	43	36	3 446.6
Uganda	41.7	1	33.1	82	59	643.1
Zambia	17.2	0.2	24.2	100	100	1 539.9
Zimbabwe	16.3	-1.9	12.9	94	98	2 147.0
Totals	**741.7**		**1302.932**			

Data sources: Population and GDP data (AfDB), trade data (Trade Law Centre- Tralac).

Appendix 2 : Table of AfDB's portfolio at the COMESA Secretariat

List of active projects (grants):

Sector Name	Window	Long name	Approval date	FinDisbDate	Net loan (UA)	Disb. Ratio (%)	Latest Disb.
Multisector	ADF	50 MILLION AFRICAN WOMEN SPEAK NETWORKING PLATFORM (COMESA)	July, 2016	Dec 2020	3,820,000	71.44	Sept.2019

Appendix 3 : Key related projects financed by other development partners in the region

No.	Development Partner	Project Name	Activities Supported	amount	Start date	End date
1	USAID	Support to EAC for ratification of the TFTA	• Support to EAC for ratification of the TFTA • National sensitization workshops on TFTA in the EAC	USD 100,000	March 2019	Feb. 2020
2	European Union	EDF 11 Trade Facilitation project	Negotiation of the TFTA Annexes*	EUR 744,656	Nov. 2018	Nov. 2021
		Supported the establishment of NTMs databases in some member states	Supported the establishment of NTMs databases on a pilot basis in some member states			

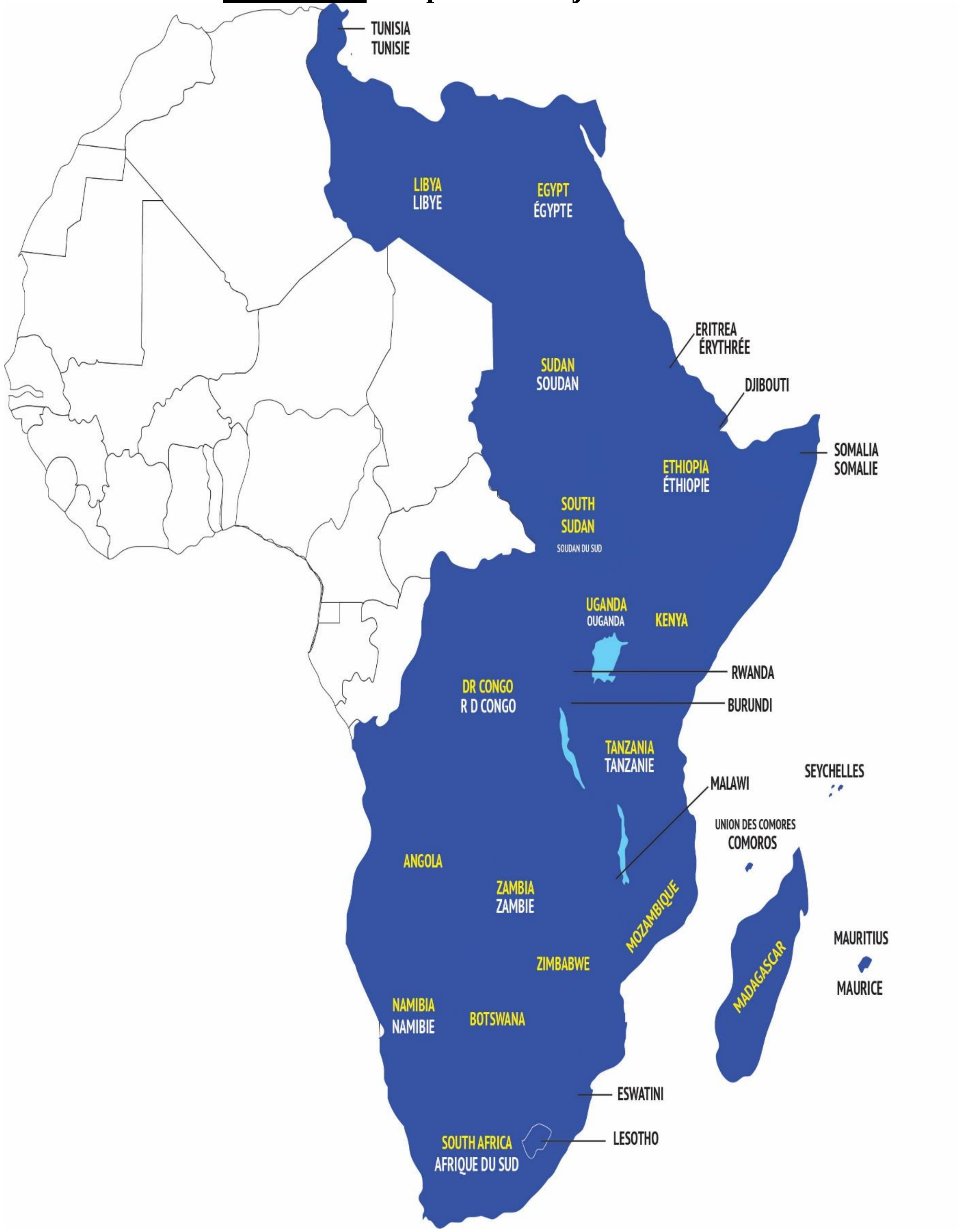
*EU support bridged the gaps left by the AfDB-funded TCBP I, which supported negotiation of the TFTA but not the Annexes

Appendix 4: Tripartite Countries and Status of TFTA Agreement Ratifications

No.	Country	REC Membership			Ratification Status	
		COMESA	EAC	SADC	Ratified	Cabinet approval granted
1	Angola			x		
2	Botswana			x	x	
3	Burundi	x	x		x	
4	Comoros	x		x		x
5	Democratic Republic of Congo	x		x		
6	Djibouti	x				
7	Egypt	x			x	
8	Eswatini	x		x		x
9	Eritrea	x				
10	Ethiopia	x				
11	Kenya	x	x		x	
12	Lesotho			x		
13	Libya	x				
14	Madagascar	x		x		
15	Malawi	x		x		x
16	Mauritius	x		x		
17	Mozambique			x		
18	Namibia			x		x
19	Rwanda	x	x		x	
20	Seychelles	x		x		
21	Somalia	x				
22	South Africa			x	x	
23	South Sudan		x			
24	Sudan	x				x
25	Tanzania		x	x		x
26	Tunisia	x				
27	Uganda	x	x		x	
28	Zambia	x		x		x
29	Zimbabwe	x		x		x
	Total	***21***	***6***	***16***	***7****	***9***

*14 ratifications are required for Agreement to enter into force

Appendix 5: Map of the Project Area



<u>Appendix 6:</u> Tripartite Countries and Status of TFTA Agreement Ratifications

This proposal was screened as part of the Regional Operations Envelop Prioritization and Assessment Process and was selected and approved by OPSCOM. Below is the Regional Public Goods assessment based on the defined criteria in the Revised ADF Regional Operations Envelop Prioritization and Allocation Framework (2014).

CRITERION	SHORT EVALUATION (BULLET-POINTS)
Stage I:	
***Non-rivalry**:* Public goods are those whose benefits can be enjoyed by one party without (or hardly) reducing the availability of these benefits to others. The project will demonstrate that the object of assistance within the project is something whose benefits will be consumed by more than one party and that a provider cannot keep non-contributors from consuming the benefit of that good. Some examples can be terms of trade, cross-boundary diseases (animal and human), shared water resources, cross-border roads.	Once the tools for implementation of the TFTA are developed, they will be available for use by all Tripartite countries and their business communities without reducing the benefits to others.
Non-excludability: It is difficult or prohibitively expensive to exclude others (countries/ communities/ regions) from enjoying/ consuming the generated benefits. The project will demonstrate that there is no way that non-participating countries/ communities can be stopped from enjoying the generated benefits because of the nature of the object of the project's assistance.	Information on NTMs, TFTA rules and business opportunities will be readily accessible by all countries. Business persons from all countries will be able to enjoy the benefits of a freer and transparent trade regime in the Tripartite.
***Of Public Interest**:* The good is of broad public interest and benefit. Typically, a public/ governmental entity in each participating country is typically responsible for the regulatory/policy context for the good to be produced and takes part in its production. The project will demonstrate that there is either an inter-governmental coordinating body in place or an existing REC to regulate and oversee the function and coordination of the object of support in a proposed project. As such, the project will demonstrate to what extent the inter-governmental body and/or REC has taken steps to ensure the maintenance of the object of support and to what level of success.	The Project is of public interest and responds to the need by RMCs to consolidate their market regimes. The Tripartite RECs were mandated by their Heads of States to negotiate the TFTA and the proposed project will support implementation of the signed Agreement. Fragmentation of Africa's markets has been recognized as a key impediment to intra-African trade, job creation and sustainable growth. This project aims to address these challenges which are of public interests to Governments, traders, producers and consumers in the Tripartite and across Africa

CRITERION	SHORT EVALUATION (BULLET-POINTS)
Stage II	
Regional Dimension*:* The public good involves two or more countries and can only be effectively produced if every country involved participates and supports its production. The project will demonstrate that there are at least two countries involved with regards to the object of support and that the object of support in the Bank's investment is something that is either of a global and/or regional development importance and this should be demonstrated through a regionally/globally validated document (for example the "Convergence Plan of COMEFAC" outlining the work in the Congo Basin, a UN document agreeing on steps to reduce climate change, SADC gender action plan, the ECOWAS memorandum on Food Crisis, etc.) confirming this importance.	The 3 RECs and 29 African countries constituting the tripartite configuration will benefit from implementation of the TFTA supported under the Project, leading to more inclusive growth and poverty alleviation in Africa.

CRITERION	SHORT EVALUATION (BULLET-POINTS)
Strategic Alignment: The RPG is strongly aligned with the Bank's strategic orientations and to continental and regional objectives, (i.e. RPGs identified as priority operations under NEPAD or REC regional integration plans). Harmonization and partnership will be encouraged by giving preference to co-financing arrangements that promote donor coordination and leverage the Bank's own resources by mobilizing additional funds, including from sister institutions or the private sector. The project will demonstrate that the RPG is closely aligned with the continental and regional development agenda as well as the Bank Group's own strategy, especially with regard to selectivity and sector focus, and harmonization and partnership.	The Project is aligned with the Integrate Africa Hi-5 and the Bank Group Regional Integration Strategic Framework (RISF, 2018-2025) pillar 2 Trade and Investment; and the Bank's Eastern Africa Regional Integration Strategy (EA-RISP, 2018-2022) Pillar II 'strengthening the policy and institutional frameworks for market integration, investment and value chains development' which identifies the need to work with RECs and RMCs to facilitate implementation of existing Agreements and protocols to foster market integration. The Project also aligned with REC strategies such as EAC 5th Development Plan (2018-21), COMESA Medium Term Strategic Plan (2016-20), and SADC Revised Regional Indicative Strategic Development Plan (2015-20), and seeks to implement the Heads of States Decision arrived at during the Summit of Tripartite RECs held in Kampala, Uganda in 2008.

CRITERION	SHORT EVALUATION (BULLET-POINTS)
Catalytic and Upstream Role: Bank financing targets the ***initial stages*** of the processes for generating the public good and the Bank's support should aim at ***correcting disincentives*** that prevent the RPG from emerging or progressing toward the stage of production, such as *lack of coordination*, a*version to risk, free-rider problem*. The project will demonstrate that the Bank is supporting an initial investment to an object and that by doing so opens the way for further investments by partners/ RMCs in the regional or national context for specific development impact (to be specifically demonstrated). Under this criterion, the project will also demonstrate that without the Bank's intervention, there is a risk of certain beneficiaries' free riding and not being held accountable. The project will demonstrate that the Bank's intervention will add value to strengthen coordination in the region generally and/or through the inter-governmental body or REC involved (if any).	As a forerunner to the AfCFTA, implementation of the TFFTA will be a major stepping stone for continental integration. Already the TFTA Agreement and informed the framing of AfCFTA negotiations in all areas Equally, the project will promote learning and experience sharing among countries of the Tripartite Free Trade area and those outside the Tripartite. Implementation of the TFTA will foster a culture of transparency in trade and catalyze private sector activities in the Region.
Higher Developmental Impact in Cooperating: The development impact to be achieved through countries' cooperation is demonstrably superior to what each country could have achieved individually. The project will go on to demonstrate that the development impact (to be specified by the team e.g. poverty reduction, gender equity, human development, etc.) will be increased only if the object of support is addressed within a regional context with the participation of at least two countries (as opposed to national projects).	The TCBP Phase II will help tripartite RECs and RMCs improve the coordination of regional policies and programs, facilitate regulatory policy convergence and foster regional integration.

CRITERION	SHORT EVALUATION (BULLET-POINTS)
***Development Effects*:** Relative to the investment size, the project is expected to yield strong development results and there is comprehensive documentary evidence as related to: • Enhanced Governance; • Knowledge building; • Environmental sustainability and Climate change; • Protection of human health; • Regional Integration	The Project is expected to yield higher development impacts by improving the trading environment, catalyzing private sector activities, and promoting spill over effects to consumers who will benefit from access to a wider range of products at more affordable prices due to the expected reduction in trade costs. The Project will also generate useful lessons for implementation of the African Continental Free Trade Area (AfCFTA), which has been entered into force but is yet to be implemented due to a lack of technical annexes on issues such as tariff concessions, rules of origin and related implementation tools
Eligibility to cost-sharing exemption	
Grant resources outside the PBA allocation *(i.e. exclusively from the RO envelope)* will be considered for those projects which demonstrate superior developmental impact-with respect to economic and social advancement through amongst others, the following: employment generation, trade promotion, security improvement, gender equality and climate change and adaptation. The list of such projects will be determined by the ranking stemming from the rating assessed during the previous stage and endorsement by the Operations Committee.	The project financing will be entirely from ADF RO Envelop (RPG), since the T-RECs Secretariats have no capacity to borrow. The Project underwent the screening process for cost sharing exemption under the Regional Operations Regional Public Goods prioritization framework and was selected and approved as such by OPSCOM

AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/Z1/2020/07

Adopted by the Board of Directors on a lapse-of-time basis, on 20th January 2020

Multinational: Grant to the Common Market for Eastern and Southern Africa (COMESA) to finance the Tripartite Capacity Building Programme, Phase II

THE BOARD OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the "Fund" or "ADF"); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund ("ADF-14"); (iii) the applicable ADF-14 Country Resource Allocation; (iv) the Guidelines for the Financing of Multinational Operations; (v) the Strategic and Operational Framework for Regional Operations; and (vi) the appraisal report contained in document ADF/BD/WP/2019/220/Approval (the "Appraisal Report");

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Grant;

DECIDES as follows:

1. To award to the Common Market for Eastern and Southern Africa (COMESA) (the "Recipient"), from the resources of the Fund, a grant of an amount not exceeding the equivalent of Eight Hundred and Fifty Thousand Units of Account (UA 850,000) (the "Grant") to finance the Tripartite Capacity Building Programme, Phase II;

2. To authorize the President to conclude a protocol of agreement between the Fund and the Recipient (the "Protocol of Agreement") on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund and the Appraisal Report;

3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and

4. This Resolution shall become effective on the date above-mentioned.