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***Annex to the***

**COMMUNICATION FROM THE COMMISSION**

**”EU STRATEGY FOR AFRICA”**

***Impact Assessment***

**{COM(2005) 489 final}**

# **IMPACT ASSESSMENT<sup>1</sup> ON EU STRATEGY FOR AFRICA**

## **Executive summary**

Following the Commission's proposal, on 24 May 2005 the GAERC invited "the Commission, in consultation with the SG/HR, to put forward proposals, each within their respective spheres of competence, by autumn, for a comprehensive and long-term EU Strategy for Africa, to be adopted by the European Council in December 2005."

The general objective of the EU action is to make a substantial contribution to the achievement of the MDGs in Africa over the period 2005-2015. The EU will seek to achieve this overarching objective by strengthening its support in the areas considered prerequisites for attaining the MDGs (peace and security and good governance), areas that create the economic environment for achieving the MDGs (economic growth, trade and interconnection) and areas directly targeting the MDGs (social cohesion and environment). Taken together, these measures constitute the EU's common, comprehensive and coherent response to Africa's development challenges. Consultations have been held with relevant stakeholders, including the African Union (AU) and Africa's Regional Economic Communities (RECs), to ensure that the policies and strategies outlined in the communication are in line with their needs and priorities.

In this Impact Assessment the Commission identifies three possible options for action: (1) a "no policy change" scenario, (2) a centralised EU Africa policy, and (3) a balanced approach between a complete merging of aid policies and the absence of strategic coordination. For reasons of effectiveness, efficiency and consistency, the Commission prefers the third option, in the form of an EU Strategy for Africa.

Given the nature of this action, it is difficult to quantify the possible impact of the EU Strategy for Africa. It is, however, believed that the action taken in the framework of the Strategy (outlined in the communication and summarised in this Impact Assessment Report) will have a major impact both on the EU's work and on Africa's progress towards the MDGs.

Regular monitoring and evaluation will be undertaken, both of the individual actions carried out in the context of the EU Strategy for Africa (e.g. the establishment of a Partnership for Infrastructure) and of the EU's ongoing work to support the achievement of the Millennium Development Goals (MDGs) and of the financial targets agreed at Monterrey and Barcelona.

## **1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES**

Following the Commission's proposal, on 24 May 2005 the GAERC invited "the Commission, in consultation with the SG/HR, to put forward proposals, each within their respective spheres of competence, by autumn, for a comprehensive and long-term EU Strategy for Africa, to be adopted by the European Council in December 2005."

In preparing its proposals for an EU Strategy for Africa, the Commission has sought a broad consensus among all stakeholders. Part of this process involved consultations within an internal DG DEV working group, meetings with selected DGs, as well as broader informal

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<sup>1</sup> On the basis of SEC (2005) 791 of 15 June 2005 (Impact Assessment Guidelines).

consultations with all relevant departments. These consultations have ensured that there is broad Commission support for the policies and strategies outlined in the communication.

To ensure that the policies and strategies outlined in the EU Strategy for Africa are in line with the needs and priorities of Africa's organisations, and to strengthen African ownership of the development process, the Commission also conducted broad consultations with African stakeholders. One important part of this consultation process was to invite the African Union (AU) and Africa's Regional Economic Communities (RECs) to express their views on a consultation document. Their comments have been very useful in the development of the Strategy and have been integrated in the final version of the text.

## **2. PROBLEM DEFINITION**

40% of all Africans survive on less than one dollar a day. This stark poverty gives rise to a number of interrelated problems and has consequences in a number of areas. Only six out of ten African children go to primary school, one African out of five lives in a country affected by war or violent conflicts, and in 2004 alone AIDS killed over two million people in Sub-Saharan Africa and affected another three million. In terms of per capita income, eighteen out of the twenty poorest countries in the world are African and the continent is the only part of the developing world where life expectancy has been falling over the last 30 years.

At the September 2000 UN General Assembly, the 191 members unanimously adopted the UN Millennium Declaration setting eight Millennium Development Goals (MDGs) with the aim of ending extreme poverty by 2015. The EU – the European Community and the Member States – are committed to achieving this global objective. However, recent reports, including the EU MDG Report, the UN Millennium Report, and the Commission for Africa Report, show that many parts of Sub-Saharan Africa will not achieve one or more of the MDGs by the target year of 2015, or even much later, unless major additional efforts are made by African governments and the international community.

## **3. OBJECTIVES**

In response to the problems outlined in the previous section, the general objective of the EU action is to support Africa's efforts substantially to reduce poverty and to achieve the MDGs by the target year of 2015. In addition to this overarching objective there are also a number of interrelated sectoral objectives, aiming at addressing the root causes of Africa's underdevelopment and limited progress towards the MDGs, which together support the general objective. All these objectives are in line with general EU policies and strategies, such as the Lisbon Strategy and EU human rights commitments. In addition, these objectives are consistent with – indeed build on – existing agreements and policies, particularly the Mediterranean Agreements for North Africa, the recently revised (2005) Cotonou Agreement for Sub-Saharan Africa, and the Trade, Development and Cooperation Agreement (TDCA) for the Republic of South Africa, as well as the “European Consensus”, the EU's new development policy. They also build on the policies outlined in earlier communications, most notably the 2005 “MDG Package”: ‘Speeding up progress towards the MDGs. The EU's contribution’ (COM(2005) 132); ‘Accelerating progress towards attaining the MDGs – financing for development and aid effectiveness’ (COM(2005) 133); and ‘Policy coherence for development. Accelerating progress towards the MDGs’ (COM(2005) 134).

### 3.1. Specific objectives

- **Peace and security** are the first essential prerequisites for sustainable development. The *Copenhagen Consensus project*<sup>2</sup> has demonstrated that, on average, countries in conflict suffer negative annual per capita GDP growth of 2%. In addition, wars and conflicts also provoke uncontrolled population movements and destabilise the societies and governing structures of neighbouring countries and regions. The EU will therefore seek to *step up its efforts to promote peace and security at all stages of the conflict cycle*.
- **Good governance**. Some African countries have made remarkable progress towards sustainable democracy but much remains to be done. Restrictions on the right to assembly and the freedom of organisation and expression are still in place in many countries. Reliable information is still limited, corruption is often endemic, and violence against political opponents is commonplace. The EU will therefore seek to *support legitimate and effective governance as a second central prerequisite for development* and, thus, for attaining the MDGs.
- **Economic growth and equity**. Despite recent improvements in economic performance, economic growth is still insufficient and in trade in particular Africa continues to be marginalised. In an increasingly globalised world economy, Africa accounts for only about 2% of world trade and its share of global manufactured exports is almost negligible. Most African countries have been unable to diversify their exports and remain dependent on agricultural produce and a limited number of market-sensitive commodities. Whereas about 80% of Africa's farmers live in areas with reasonable agronomic potential, only 20% are well connected to markets. Boosting economic growth will be a key factor in achieving the MDGs. Without economic growth, few African countries will have the sustainable revenues they need to deliver basic social services such as primary education and health care. In order to ensure that globalisation can become a positive force for Africa's development, the EU will therefore seek to *stimulate and expand more rapid and broad-based economic growth* in order to contribute to an effective reduction of poverty.
- **Interconnectivity**. Limited access to transport and communication services, missing links in cross-border connections and regional networks, and limited access to energy, water and sanitation constrain economic growth. People pay heavily in terms of time lost, high costs for services and poor health. In addition, trade becomes uncompetitive as transport and service costs in landlocked countries can reach three quarters of a country's total export value. The EU should therefore introduce *a Partnership for Infrastructure to initiate or support programmes (Trans-African Networks) that facilitate interconnectivity at continental level for the promotion of regional integration*.
- **Basic social services**. 40% of all Africans survive on less than one dollar a day. This poverty has consequences in a number of areas. Only six out of ten African

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<sup>2</sup> The *Copenhagen Consensus project* sought to improve prioritisation of the numerous problems the world faces by gathering some of the world's greatest economists at a meeting in Copenhagen in 2004 to assess some of the world's biggest challenges.

children go to primary school. Communicable diseases, in particular HIV/AIDS, malaria and tuberculosis, have hit Africa hardest and in 2004 alone AIDS killed over two million people in Sub-Saharan Africa and affected another three million. Africa's social crisis is, in particular, a phenomenon of the urban areas that have expanding rapidly over the last few decades. While in 1975, 21% of Sub-Saharan Africa's population lived in cities, today this figure stands at over 50%. This massive urbanisation has contributed to uncontrolled population growth and has rendered the social infrastructure inadequate. The EU should therefore address the *need for making basic services available for the poorest people in Africa (MDGs 1-6)*.

- **Build an environmentally sustainable future.** Many Africans rely heavily on natural resources for their subsistence, particularly in times of crisis, for example during famines or conflicts or in the wake of natural disasters. However, Africa's environment is fragile and prone to water shortages, climate change and desertification. Current population growth and agricultural expansion have caused land shortages and the intensification of agriculture has contributed to further land degradation. An estimated 65 million people living in or near forests depend on forest production for their livelihood. These forests are now coming under increasing pressure for commercial exploitation. The EU should therefore *assist Africa to protect its environment, a global good for the whole world*.

### 3.2. Policy options

When considering the best option for meeting the objectives and tackling underdevelopment in Africa, the Commission assessed three basic policy lines.

In the **first option**, the baseline (or 'no policy change') scenario, the EU would retain its current approach where each Member State and the Commission autonomously develop and implement their own policies and strategies towards all African sectors, countries and organisations. The main risk under this 'no policy change' scenario is that the EU's Africa policy would remain fragmented and lose most of its potential synergies or, even worse, create duplications, contradictions and "orphan" countries or sectors. This would be particularly detrimental given the increase in aid decided by the June 2005 European Council. In order for Africa to achieve the MDGs by the target year of 2015, optimum use must be made of all available resources, EU or other.

A **second option** (centralised EU Africa policy) would require detailed common guidelines for all EU Member States and the Commission in all areas. The main risks here would be (a) the difficulty of reaching unanimous agreement in such detail for all sectors concerned and (b) the loss of specific added value by certain players in specific sectors or regions.

The **third option**, finally, aims at a balanced approach between a complete merging of aid policies and the absence of strategic coordination, based on the experience gained and the lessons learned from our long-standing partnership with Africa, and fully consistent with the new EU development policy statement ("The European Consensus").

#### 4. ANALYSIS OF IMPACTS

Given its strategic nature, the proposed EU action will have a considerable impact on the work of all EU stakeholders – the 25 Member States as well as the Council Secretariat and the Commission departments. In Africa, this Strategy will have an impact on all countries, organisations, stakeholders and sectors involved in relationships with EU players. The specific impact on individual sectors or stakeholders is, however, difficult to specify or quantify.

##### 4.1. Political impact

The Strategy proposes measures to *promote peace and security at all stages of the conflict cycle* by:

- Strengthening conflict and crisis prevention;
- Sustaining peace and stability in post-conflict situations and fragile states;
- Supporting African peace-support operations;
- Tackling the issue of conflict resources;
- Preventing accumulation and proliferation of small arms and light weapons (SALW) and fighting anti-personnel landmines.

The Strategy proposes measures to *support legitimate and effective governance* by:

- Building effective central or local institutions, paying particular attention to national parliaments;
- Reforming Africa's security sector;
- Reinforcing respect for human rights;
- Reinforcing the fight against corruption.

##### 4.2. Economic impact

The Strategy proposes measures to *stimulate both sufficiently rapid and broad-based economic growth* in order to create the resources for an effective reduction of poverty:

- Create integrated regional markets as the primary component of the Economic Partnership Agreements (EPA);
- Improve market access and trade (south-south and north-south);
- Stimulate private-sector development, also involving European services;
- Boost agriculture and ensure food security.

The Strategy proposes launching a *Partnership for Infrastructure to support and to initiate programmes (Trans-African Networks) that facilitate interconnectivity at continental level for the promotion of regional integration:*

- Identify and address missing links;
- Harmonise transport policies;
- Develop integrated water management;
- Develop cross-border and regional energy infrastructure;
- Bridge the digital divide in Africa.

#### **4.3. Social impact**

The Strategy proposes measures to help *make basic services available for the poorest people in Africa as laid down in MDGs 1 to 6:*

- Improve access to basic and vocational education;
- Support the establishment of a network of centres of excellence in higher education linked with the European network so as to foster exchanges of students and researchers;
- Tackle communicable diseases;
- Sustain and promote cultural diversity;
- Address urban development problems;
- Ensure social and regional cohesion, notably by supporting efforts to ensure better and more sustainable management (including land reform);
- Support the creation of decent jobs fostering employment.
- Enhance the capacity to generate, assimilate, disseminate and apply new and a indigenous knowledge in the context of life-long learning.

#### **4.4. Environmental impact**

The Strategy proposes *assisting Africa to protect its environment, a global good for the whole world:*

- Protect water resources;
- Conserve biodiversity;
- Make fishing sustainable;
- Stop desertification and improve sustainable land management (SLM);

- Manage forests sustainably;
- Counter the effects of climate change.

## 5. COMPARING THE OPTIONS

In line with the new Impact Assessment Guidelines,<sup>3</sup> the criteria used to evaluate the three “policy options” outlined in section 3 were **effectiveness** (the extent to which options can be expected to achieve the objectives of the proposal), **efficiency** (the extent to which objectives can be achieved with a given level of resources/at least cost), and **consistency** (the extent to which options are likely to limit trade-offs between the economic, social and environmental domains).

While each of these alternative policy lines has its advantages and disadvantages, the Commission prefers the third option, which steers a middle course between the non-regulatory “no policy change” scenario and the centralised approach of option two. Given the wide scope of the proposed EU action, the Commission believes that this option – in the form of an EU Strategy for Africa – is the best way to address the problems outlined in section 2.

## 6. MONITORING AND EVALUATION

In order to ensure that the EU action proposed (a) is in line with the priorities and policies outlined in the Strategy and summarised in this document and (b) achieves the overarching policy objectives by successfully addressing the problems outlined at the beginning of this document, the Commission proposes a dual process of regular **monitoring and evaluation** of progress on (a) individual measures taken in the context of the EU Strategy for Africa (e.g. the establishment of a Partnership for Infrastructure) and (b) the EU’s ongoing work to support the achievement of the Millennium Development Goals (MDGs) and its financial commitments given on the financial targets agreed at Monterrey and Barcelona:

(1) Regarding the overall progress towards achieving the **MDGs**, the Council (GAERC, May 2005) invited the Commission to monitor and regularly report on the implementation of these EU commitments on MDGs, including annual reports on the follow-up of the EU commitments on financing and on the effectiveness of aid and a biennial report on policy coherence for development.

(2) For the **Financing for Development process** (Monterrey and Barcelona commitments) the monitoring framework established in 2002 should be pursued. The Council mandated the Commission to report annually on the rate of implementation of EU commitments<sup>4</sup> and to propose corrective measures wherever no sufficient progress is demonstrated. Based on *annual surveys in the form of questionnaires to the Member States* the Commission is monitoring progress on implementation of the “Barcelona commitments”. This monitoring is a good opportunity for collective benchmarking and ensures transparency in the action taken by the Union. The first monitoring report in 2003<sup>5</sup> fed into the preparations for the first UN

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<sup>3</sup> On the basis of SEC (2005) 791 of 15 June 2005 (Impact Assessment Guidelines).

<sup>4</sup> Conclusions adopted by the General Affairs and External Relations Councils in November 2002 and May 2003 respectively.

<sup>5</sup> SEC (2003) 569 of 15.5.2003.



High-Level Dialogue on FfD in October 2003,<sup>6</sup> while the 2004 report<sup>7</sup> focused on the coordination of policies and harmonisation of procedures.

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<sup>6</sup> Commission Staff Working Document “*Follow-up to the International Conference on Financing for Development (Monterrey – 2002) - Monitoring the Barcelona Commitments*” SEC (2003) 569, 15. 5.2003; Conclusions of the GAER Council of 20.5.2003, document 9379/03 (Presse 138) p. 20.

<sup>7</sup> Communication from the Commission to the Council and the European Parliament “*Translating the Monterrey Consensus into practice: the contribution by the European Union*” COM (2004) 150 final of 5.3.2004; Conclusions of the GAER Council of 29.4.2004; Council Doc. 8973/04 of 29.4.2004.