REGIONAL INTEGRATION IN COMESA

- STATE OF PLAY AND CHALLENGES

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The views in this paper are personal to the writer, though colleagues contributed information on areas they cover, and should not be attributed to COMESA secretariat or any Member State. Though critical in some instances, the views are intended only to raise a few issues for discussion in order to find some possible ways forward. Peter Mulenga and Sydney Phiri are appreciated for the supportive research work.

Abstract

The Common Market for Eastern and Southern Africa (COMESA) was established in 1994. It has 19 Member States, and is a functioning Free Trade Area since 1 November 2000. A Customs Union was launched on 7 June 2009, with a three-year transition period. The next milestones are establishment of the Common Market and the Monetary Union, scheduled for 2015 and 2018 respectively. With a total population of over 441 million people, and a combined GDP of about $444 billion, COMESA offers a large market for trade and investment.

The vision of COMESA is to be a fully integrated and internationally competitive region, with improved living standards particularly for the ordinary people, and a region that is fully part of the continental integration process. Several achievements have been made for a deeper level of economic integration particularly with the launch of the Customs Union on 7 June 2009, following the launching of the Free Trade Area on 31 October 2000. There has been a five-fold increase in intra-COMESA trade since the year 2000. Programs for establishing the Common Market in 2015 are on-going and performing well particularly in the areas of services liberalization; agriculture; elimination of non-tariff barriers; trade facilitation; market information; visa relaxation; energy; peace and security; formulation and implementation of a regional industrial policy; formulation and implementation of a regional intellectual property policy; as well as programs for harnessing science and technology and the Tripartite Free Trade Agreement.

This paper on the *State of play and challenges relating to Regional Integration in COMESA* examines the progress made. It highlights some key challenges that need to be squarely addressed in order to move forward. In addition an assessment is made of the performance by Member States in implementing COMESA programs. The results indicate that Kenya and Rwanda lead in implementing the COMESA programmes followed by Burundi and Uganda, then, Zimbabwe, Malawi, Zambia, Sudan, Ethiopia, Comoros, Djibouti, Madagascar, Swaziland, Eritrea and RD Congo, Seychelles, and Libya.

Some of the key challenges the Report points out include:

a. Inadequate capacity for the Member States and the Secretariat in implementing the COMESA regional integration agenda;
b. Inadequate policy coherence and coordination in Member States, and low prioritisation of integration programs;
c. Inadequate political will from some Member States to take the integration agenda forward reflected, for instance, in laxed implementation of the programs, inconstancy in financial contributions for COMESA activities, and low human and financial resources allocated to integration activities in the relevant ministries coordinating the COMESA integration agenda ; and
d. The role of new emerging global players, that promote bilateral relations rather than dealing with regional economic communities.

Regarding the way forward on these challenges, the paper suggests various important interventions, particularly long term sustainable capacity building for regional integration particularly through strengthening the Government and private sector institutions dealing with COMESA matters and through strengthening the secretariat, appropriate prioritisation of COMESA programs in Member States, and better coherence among the Member States in relations with third countries and in implementing COMESA integration programs.

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INTRODUCTION

1. The last four years have been particularly important for COMESA. Much progress has been made towards achieving its vision of becoming a fully integrated and internationally competitive region, with improved living standards particularly for the ordinary people and of being a region that is fully part of the continental integration process.

2. A deeper level of economic integration has been achieved, particularly with the launch of the Customs Union on 7 June 2009 in Victoria Falls, following the establishment of the Free Trade Area on 31 October 2000. Since the year 2000, intra-COMESA trade has increased over four-fold from USD 3.1 billion to USD 13.6 billion in 2008, with a slight drop in 2009 attributed to the financial crisis and the resulting global recession. In 2010 COMESA intra-trade recovered rather faster than expected and increased from USD 12.6 billion in 2009 to USD 15 billion in 2010. A wider level of integration is expected as the four Member States that are yet to join the FTA continue to finalise their internal preparations to join.[1] Indications at the moment are that RD Congo, Eritrea and Uganda have moved closer to finalising their internal consultations and preparations for joining the COMESA FTA.

3. Programs for establishing the Common Market in 2015 are on-going and performing well, particularly the services liberalisation program under which infrastructure services have been earmarked for immediate liberalisation. Infrastructure programs have assisted to consolidate the regional market into a linked-up market where goods, services, people, and investment can move more freely. Agriculture programs have assisted to integrate the rural community into the regional market, particularly through promoting productivity and trade of agricultural products in the region. Programs for elimination of non-tariff barriers have assisted to promote COMESA as a seamless economic space where goods move freely. Trade facilitation programs have reduced the cost of doing business in the region. Market information programs have assisted better utilization of trade and investment opportunities in the COMESA region. And visa relaxation programs continue to promote free movement of persons. The direction for the future is to continue to deepen and widen the regional integration process towards a Common Market by 2015 and a Monetary Union by 2018, in accordance with the COMESA integration timelines.

4. As a region, COMESA is increasingly competitive, arising from programs that assist, the development of infrastructure including energy; private sector strengthening; liberalisation of key input services such as communication, transportation and financial services; promotion of peace and security in the region including good governance; promotion of value addition initiatives; formulation and implementation of a regional industrial policy; formulation and implementation of a regional intellectual property policy as well as programs for harnessing science and technology, which greatly assist innovativeness and beneficial participation in the global economy.

5. The raison d'être of COMESA is to improve the living standards of the people, particularly the ordinary people. All COMESA programs have this core objective, and work towards achieving the Millennium Development Goals and other Internationally Agreed Development Goals. The trade, investment, agriculture, infrastructure, industry, science and

[1] The four Member States are the following: RD Congo, Eritrea, Ethiopia, and Uganda. Swaziland has derogation.

technology, and statistics programs aim to increase prosperity in the region, and to do so in an equitable manner that fully gives due attention to the needs of the marginalized and the poor, and the development priorities of Member States, in order to assist the achievement of the medium to long term development plans of the Member States individually and together as COMESA.

6. To assist the continental integration process, COMESA has been a trail blazer. Various COMESA institutions have now become continental institutions, such as the PTA Bank and the African Trade Insurance Agency. As the largest existing Free Trade Area in Africa, COMESA has contributed to harmonisation of trade and investment policy within COMESA as a region and in other regional economic communities that have drawn on the experience of COMESA. To crown it all, working with the East African Community and the Southern Africa Development Community, COMESA has proactively supported the progressive and eventual merger of the three organisations into a Common Market, starting with establishing a Tripartite Free Trade Area covering all the 26 countries of the three organisations. To this end, following the Tripartite Summit of 22 October 2008, in Kampala, legal and institutional instruments for the Tripartite FTA have been drafted and circulated to Member States for their consultations, and meetings of technical experts held in key thematic areas.

7. Under the theme "Deepening the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC) (COMESA-EAC-SADC) Integration," the Heads of State met in Sandton, Johannesburg, South Africa on 12 June 2011 and launched negotiations for the establishment of an integrated market of 26 Countries. Adopted was a developmental approach to the Tripartite Integration process to be anchored on three major pillars: market integration based on the Tripartite Free Trade Area (FTA), infrastructure Development to enhance connectivity and reduce costs of doing business, and industrial development to address productive capacity constraints.

8. The Tripartite Summit agreed that the Tripartite initiative is a decisive step to achieve the African vision of establishing the African Economic Community envisaged in the Lagos Plan of Action and the Final Act of Lagos of 1980, the Abuja Treaty of 1991 as well as the resolution of the African Union Summit held in Banjul the Gambia in 2006 that directed the African Union Commission and the Regional Economic Communities (RECs) to harmonize and coordinate policies and programmes of RECs as important strategies for rationalization; and to put in place mechanisms to facilitate the process of harmonization and coordination within and among the RECs.

9. The Tripartite Summit signed the Declaration Launching the Negotiations for the establishment of the COMESA-EAC-SADC Tripartite FTA; adopted the Roadmap for Establishing the Tripartite FTA, the Tripartite FTA Negotiating Principles, Processes and Institutional Framework; and finally directed that a programme of work and roadmap be developed on the industrial development pillar.

10. This report on the current state of regional integration in COMESA, indicates the progress made over the last four years, and highlights some key challenges that need to be squarely addressed in order to move forward.

11. In addition an assessment is made of the performance by Member States in implementing COMESA programs. The results indicate that Kenya and Rwanda lead in

implementing the COMESA programs, followed by Burundi and Uganda, then, Zimbabwe, Malawi, Zambia, Sudan, Ethiopia, Comoros, Djibouti, Madagascar, Swaziland, Eritrea and RD Congo, Seychelles, and Libya – in that order. With the highest score at 67%, there is room for much better performance by all Member States through implementing more COMESA programs and meeting the obligations.

12. COMESA was established by Treaty, which entered force in 1994, clearly setting out the rights and obligations of Member States. Under the Treaty, organs have been established with powers to operationalise the Treaty, and in this regard, they can adopt Decisions that are binding on Member States once they enter force, that is, upon gazetting.[2] Failure to implement obligations can attract sanctions.[3] The obligations require Member States to implement the various programs set out in the Treaty, such as implementation of the Free Trade Area and the Customs Union.[4] Action in this respect can be brought in the COMESA Court of Justice, by a Member State, an organ, the Secretary General, or a person (legal or natural).[5] Also, a national court can refer a matter to the COMESA Court for preliminary rulings.[6]

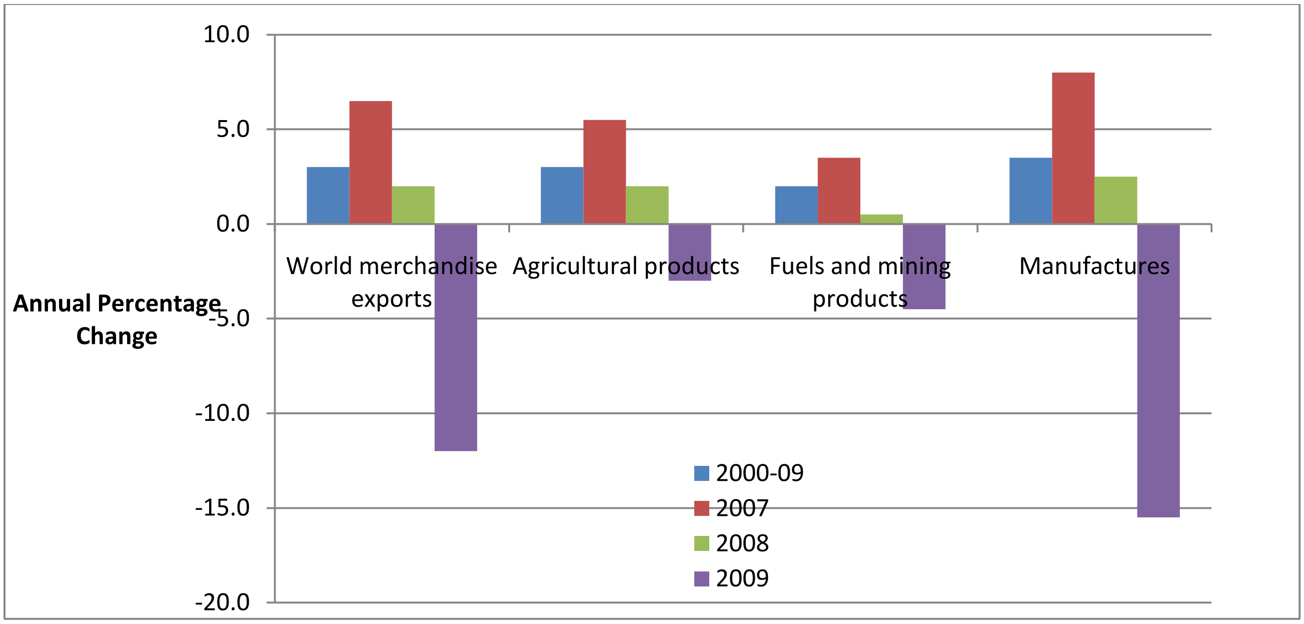
TRADE DEVELOPMENTS

13. Intra-COMESA trade continued to boom, showing that stakeholders, including the private sector, very much see and appreciate the trade and investment opportunities arising from the COMESA regional market. The COMESA regional market was yet again, in 2010, the no.1 or leading export market for several Member States, namely, Burundi, Eritrea, Kenya, Rwanda, Uganda and Zambia.

14. Globally, growth in world merchandise exports between 2000 and 2009 averaged 3% with agricultural products, fuels and mining products and manufactures accounting for 3%, 2% and 3.5% respectively. These are some of the products that constitute the COMESA Member States' exports. In 2007, exports of agricultural products grew by 5.5%, declined to 2% in 2008 and further fell to -3% in 2009. Similarly, fuels and mining exports fell from 3.5% in 2007, then to -4.5% in 2009 but the dramatic changes occurred in the exports of manufactures where a fall from 8% in 2007 to 2.5% in 2008 and finally to -15.5%.[7]

[2] Articles 7, and 8-47 of the COMESA Treaty
[3] Articles 171-172 of the Treaty as set out in Annex 1 to this paper.
[4] Articles 46-49 of the Treaty
[5] Article 23-30 of the Treaty
[6] Article 30 of the Treaty
[7] World Trade Organisation, International Trade Statistics, 2010.

Growth in World Merchandise Exports, 2000-2009



15. These statistics explain the observed trends in the intra-COMESA trade during the same period because according to preliminary figures available for 2009, intra-COMESA trade contracted by 7.5% from USD 13.6 billion in 2008 to USD 12.6 billion in 2009. The drop in intra-COMESA trade levels can be partly attributed to less demand for intra-regional products in countries such as Egypt (38% intra-import reduction), Sudan (33% intra-import reduction), Malawi (29% intra-import reduction) and Ethiopia (28% intra-import reduction). On the supply side, major drops in intra-COMESA exports for 2009 were observed in Rwanda (49%), Zambia (30%) and Sudan (27%).[8]

16. In 2009, Egypt captured the biggest export market share for intra-COMESA trade with a split of 29%. Egypt was followed by Kenya, Uganda, Zambia and Congo DR with shares of 22%, 11%, 10% and 7% respectively. On the import side, Libya registered the biggest share of intra-regional imports of 18%. Following Libya were Congo DR, Egypt, Zambia and Sudan with shares of 12%, 12%, 11% and 10% respectively. Libya's intra-regional imports consisted of various products generally from Egypt.

17. Tea continued to be the most traded product in intra-COMESA trade in 2009. Tea was followed by Portland cement, copper ores and concentrates and tobacco. The star performance of tea is attributed to exports worth over USD 185 million from Kenya to Egypt and Sudan. Uganda, Rwanda, Burundi and Malawi also exported considerable amounts of tea to Kenya.

18. Just like intra-COMESA trade, global COMESA trade in 2009 slumped for both imports and exports dropping to USD 238 billion, down from USD 301 billion the previous year. This represented a decline of 21%. Specifically, total exports dropped to USD 108 billion in 2009 from levels of USD 155 billion in 2008, registering a decline of 30%. The drop in exports is mainly attributed to the drop in exports of petroleum products which accounted for over 70% of

[8] The source of all trade figures is the COMESA statistics data base called COMSTAT, available at www.comesa.int

COMESA's global exports in 2008 and 53% in 2009. Exports of petroleum products dropped by 47% in 2009. Imports also dropped to USD 130 billion from USD 146 billion in 2008, implying a decrease of 12% over the previous year's levels.

19. The percentage of intra-COMESA trade to total COMESA trade rose slightly from an average of 4% for the previous four years to 5% in 2008 and 2009. At country level, a number of countries in the region registered negative percentage changes for both their total exports and imports in 2009 over levels of 2008. Three countries however registered growth in both their total exports and imports and these were Comoros, Madagascar and Zimbabwe.

20. In 2009, only Libya, Swaziland and Zambia registered favourable terms of trade (TOT) with the world, having ratios of 1.9, 1.3, and 1.1 respectively. The rest of COMESA countries had their TOT with the world below one.

21. As regards key markets, on average, a number of COMESA Member States continued to export comparatively large proportions of their products to the EU with the exception of Sudan, Zambia, Burundi and Zimbabwe. Over 56% of COMESA's exports in 2009 were destined to the European Union while 9% were to China. Other markets included the USA and the rest of the world in particular Switzerland, United Arab Emirates, and South Africa. Regarding imports, a number of COMESA Member States sourced their imports from the EU with a regional figure of 35% of total imports. Swaziland sourced 98% of its imports from South Africa in 2009.

22. According to the World Bank's Commodity Price Database, international annual average commodity prices for major commodities generally declined in 2009 over 2008 price levels. As regards oil and petroleum the annual average price of crude oil went down to USD 62/barrel from an annual average of USD 97/barrel in 2008. Libya, Egypt and Sudan are the key exporting countries of this commodity in the COMESA region with exports in 2009 worth USD 53 billion, USD 7 billion and USD 4 billion respectively. All these countries registered declines in export values for the commodity in 2009 over 2008 levels.

23. As regards minerals and metals, average annual prices for copper, nickel and zinc declined by 26%, 31% and 12% respectively in 2009 from the average levels in the previous year. The average annual price for gold however increased by 12% in the same period. Major exporters of these minerals and metals in the region are Zambia and the Democratic Republic of Congo for copper, Egypt and Sudan for gold and Zimbabwe for nickel.

24. In the beverages group, Robusta coffee registered a decrease of 29% in 2009 over the 2008 price levels while on the contrary Arabica coffee and tea both recorded increases in their annual average prices of 3% and 13% respectively in 2009. Ethiopia, Uganda and Burundi are the major exporters of coffee in the region while tea is mainly exported by Kenya, Malawi, and Uganda.

25. As for grains specifically maize, rice, wheat and sorghum that are traded from the region, all registered declines in average annual prices of 26%, 23%, 34% and 27% respectively in 2009 over 2008 levels.

26. In 2010, intra-COMESA trade increased by 16% from USD 12.6 billion in 2009 to USD 15 billion in 2010 after a tumble in 2009. It is worth noting that this major recovery was expected because of the launch of the Customs Union besides the increase in the demand for commodities due to the easing (though not for all sectors) of the global financial crisis. Most

COMESA Member States have regained GDP levels that would have prevailed had the melt down not occurred and the increase in economic growth is expected as more and more economies in Asia, Europe and the United States recover. This is a lesson that Member States should learn from and try to diversify their economies especially from agricultural products to manufactures in order to protect themselves from external shocks.

GLOBAL ECONOMIC PERFORMANCE

27. The global financial crisis had a negative effect on the region even despite the positive signs of global recovery seen during the second half of 2009. The global economy contracted by 2.2%, trade volume decreased by 12.4%, and there was a rapid decline in FDI flows to developing countries. Even though there was a view that the impact of the crisis on African countries would be minimal because of their low integration into the global economy, there were immediate contagion effects of the crisis in African economies, on financial markets, foreign exchange, commodity markets, workers' remittances, FDI flows and the flows of official development assistance. As a result, Africa's economic growth continued to slow in 2009, down to 1.6%, from 4.9% in 2008.

28. Due to the combination of declines in energy and global food prices, weak domestic demand resulting from the global recession, and favourable food supplies 2009 saw a considerable reduction in Africa for the year 2009. However, due to increased spending needs and reduced revenues stemming from the slowdown in economic activity, many African countries experienced fiscal deficits in 2009. Because of prudent fiscal policies in the past, many African countries had the fiscal space for countercyclical policies. In departure from past practice, where monetary policy was geared strictly towards inflation targeting, there is evidence that monetary authorities in African countries supported expansionary fiscal policies with prudence in 2009. The real exchange rate in many countries, including in COMESA, experienced depreciation.

29. The global economic performance in 2010 was robust with the global rebound in export volumes of 14.5% and a 3.6% global economic growth[9].The recovery in world output was uneven. Developed economies grew by 2.6% from a 3.7% slump in 2009, while the rest of the world grew at 7% from a slump of 2.1% in 2009. Growth was faster in the first half of 2010 but was hampered, in the second half, by the effects of the sovereign debt crisis which restricted economic growths of some smaller Euro area economies. GDP growth in developing Asia, at 8.8 percent, was the fastest among all the regions- mainly attributable to China and India registering strong increases of 10.3% and 9.7% respectively. However, FDI flows to Africa were reported to have fallen by 14% during the same period[10].

30. For economies whose export profile is dominated by natural resources, 2010 had them experience increasing dollar value of their exports in the face of low export volume growth. For most African economies, this was the order, as exports grew by 6% in volume and 28% in dollar terms. This is largely attributable to the rising primary commodity prices which resumed their pre-global financial crisis trajectory largely due to the rising import demand in the fast growing developing economies of China and India. In contrast, prices of manufactured goods rose much less than those for primary goods in 2010. Though the import and export price indices may vary substantially across nations, prices of manufactured goods rose much slower that those for

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[9] WTO (2011) World Trade 2010, Prospects for 2011
[10] UNCTAD 2010

primary goods in 2010. For example the prices of imports from china (predominantly manufactures) declined by 0.1% while import prices for the US were virtually unchanged from their 2009 levels. Import volume growths for Africa were the lowest among all other regions and this can be attributed to the fact that in 2009, African imports did not fall by much, hence leaving less pent up demand for imports in 2010.

31. According to WTO, the hangover of the global financial crisis still persists with high unemployment rates still persisting in developed countries (OECD average unemployment rate was 8.6% in 2010 up from 6.1% in 2008 and for the US, unemployment averaging 9% during 2010).There is considerable uncertainty about the short term 2011 economic prospects owing to the Japan catastrophes which, because of the nuclear incident, are constraining relief and rebuilding efforts. There is a dearth of research on the economic repercussions of natural disasters; however, it is expected that these catastrophes should have little effects on world trade in the medium to long term. The rising prices for food and other primary products, and unrest in major oil exporting countries are some of the potential constraints for further economic recovery and expansion of trade.

32. One of the biggest lessons of the last financial crisis is the volatility of export led growth at the expense of domestic demand driven growth. For COMESA and Africa in general, regional integration will be found to be the most important solution against future crises of this sort. COMESA and its institutions should weather the challenges that the recent economic downturn has presented by: responding to the urgency of reducing dependency on primary commodities, developing better strategies for natural resource management and prudent use of export revenues to enhance diversification and resilience to hedge against external shocks through the generation of a profound domestic consumer base and making use of the AfDB’s liquidity.

33. The challenge facing African countries is to find ways of solving the topical problems of achieving endogenously determined long term human development, climate change and inclusive growth. The resilience of the African economies during the financial crisis was largely exogenous and this provides African countries an opportunity to pursue policies that will lay foundations for transforming their economies into dynamic, employment creating, poverty reducing and low inequality economies. With conclusive evidence that public investment matters for long term human development, African countries should pursue fiscal policies to finance investment in infrastructure, education and health care as a way to build their economies for the future. Long term strategies involve investment that will transform the structure of African economies from reliance on low employment generation natural resource extraction to high-employment labour intensive manufacturing, agro-industry and service provision. Moreover, African countries need to pay attention to policies that increase growth in total factor productivity. These policies may include improved economic and political management as well as political stability, technology transfer and investment in research and development.

MACROECONOMIC CONVERGENCE

34. The macro economic convergence programme aims at establishing a common monetary area with a greater measure of monetary stability in order to facilitate the economic integration efforts and provide for sustained economic development of the region. The ultimate objective is to establish a monetary union in 2018. Table 1 below shows the criteria.

Table 1: COMESA Macro Economic Convergence Criteria

Type and number	Criteria
Primary criterion 1	Overall budget deficit (Excluding grants /GDP ratio) of not more than 5%
Primary criterion 2	Annual inflation rate not exceeding 5 percent (annual averages)
Primary criterion 3	Minimize central bank financing of budget deficit towards zero percent
Primary criterion 4	External reserves equal to or more than 4 months of imports of goods
Secondary criterion 1	Achieve and maintain stable real exchange rates
Secondary criterion 2	Achieve sustainable growth of real GDP of not less than 7 percent
Secondary criterion 3	Achieve sustainable growth of real GDP of not less than 7 percent
Secondary criterion 4	Sustainable pursuit of debt reduction initiative on domestic and foreign debt (Reduction of Debt/GDP ratio to a sustainable level)
Secondary criterion 5	Total domestic revenue to GDP ratio of not less than 20%
Secondary criterion 6	Reduction of current account deficit (excluding grants) as a % of GDP to sustainable level
Secondary criterion 7	Achievement and maintenance of domestic investment rate of at least 20%
Secondary criterion 8	Implementation of the 25 Core Principles of Bank Supervision and Regulation based on agreed Action Plan for Harmonization of Bank Supervision for the COMESA region
Secondary criterion 9	Adherence to the Core Principles for Systematically Important Payments Systems, by modernizing the payment and settlement system

35. Performance on the criteria was on the whole satisfactory, indicating improved macroeconomic stability in the region. Developments in the overall fiscal balance (excluding grants) for most Member States during 2010 mirror the challenges and opportunities that arose for the region as a result of the effects of the global financial crisis. The average level of reserves in Member States was sufficient almost for 4.0 months of imports of goods and services in 2010. This was due to the higher levels of capital flows in the form of official development assistance and debt relief. Table 2 below shows the status of performance on the criteria.

36. In 2009, 10 out of the 19 Member States missed the fiscal criterion but an assessment of this shows that the performance of COMESA in respect of compliance with the secondary criteria as regards to the use of indirect monetary policy instruments, moving towards market determined exchange rates; adherence to the 25 core principles of Bank Supervision and

adherence to the core principles for systematically important payments systems were in the right direction. The achievements as regards the other secondary convergence criteria were however not very impressive. He highlighted the following major features of macroeconomic developments in the region in 2010 and early 2011.

37. Fiscal policy remained on a supportive footing in 2010 in many countries. In the wake of the deteriorated international environment, a larger number of countries recorded fiscal deficits. On average, these fiscal balance developments reflected the combination of increased or constant public spending and declining government revenue. Some countries continued to ease fiscal policy, with the adoption of a series of measures to boost infrastructure investments and expand social safety-net systems in the 2009/2010 budget.

38. Similarly, discretionary fiscal impulses targeted public investment in a number of countries as these countries attempted to relieve infrastructure bottlenecks that were limiting the supply response and the ability of these economies to sustain strong growth rates. The fiscal policy stance in 2010 indicates that the fiscal response in the region to the crisis has been appropriately counter cyclical, while protecting social and capital spending. More countries than in the past seem to have had the economic stability and fiscal space to pursue countercyclical fiscal policies. Most of them did this by increasing or sustaining spending despite declining revenues. In general, social and capital spending has been protected during the down turn. Nonetheless, execution problems meant that not all budgeted spending, especially capital spending was achieved. In some cases, this was also a result of unexpected dramatic reduction in GDP growth and as a result in tax revenue. Table 2 below shows the achievements under primary and secondary criteria.

	Achievements under Primary Criteria				Achievements under secondary Criteria									
	1	2	3	4	1	2	3	4	5	6	7	8	9	10
Burundi	3.2% (met)	7.1% (not met)		6.5 met	met	met	3.9% not met		48% Met	9.4% met	21.7% not met	met	met	
Comoros	-4.6% met	2.6 % (met)		6.3 met	met	met	2.1% not met		30.1% Met	10.2%	13.5 % not met	met	met	
Congo(D.R)	1.6% (met)	26.2 % (not met)			met	met	3% met		42.6% Met	15.7% not met	7.8% met	met	met	
Djibouti	2.7% met	4.2% met			met	met	5 % not met		35.3% met	17.5%		met	met	
Egypt	8.1% not met	12.8% not met		6.4 met	met	met	5.1 % Not met		25.1% Met	2%	met	met	met	
Eritrea	16.07% Not met	20% not met		3.8 Almost met	met	met	2.2% Not met		18.57 9% Not met	5.79%		met	met	
Ethiopia	2.3% met	11 % not met		0.9 not met	met	met	7 % met		17.3% Not met	5%	21.8% met	met	met	
Kenya	5.8% almost met	4.1% met	0.0	3.89 Almost met	met	met	5% not met		25.2% Met	7.8% met	19.2% met	met	met	
Libya	20.9 % Not met	3% met		3 years (met)			7.4% met		59.7% Met	-28.4% met		met	met	
Madagascar	1.6 % met	9.6 % not		10 met	met	met	0.3% not		11.7%	17%	35.1%	met	met	

		met					*met*		*Not met*		*met*			
Malawi	*1.1% met*	*7.7 % not met*	*1.0*	*2.2 not met*	*met*	*met*	*6.7% Almost met*		*42.42 % Met*	*-1.1% met*	*7.6% met*	*met*	*met*	
Mauritius	*4.7 % met*	*2.9% met*	*-10.2 met*	*8.6 met*	*met*	*met*	*4.1% not met*		*21.9% met*	*7.9 % almost met*	*24.5% met*	*met*	*met*	
Rwanda	*0.5 % met*	*2.3% met*	*0.0*	*6 met*	*met*	*met*	*7.4% met*		*29.7% Met*	*6.7% not met*	*31.3 % met*	*met*	*met*	
Seychelles	*3.2% met*	*-2.1 % met*		*2.2 not met*	*met*	*met*	*6% not met*		*36.7% Met*	*33.2%*	*36.0% met*	*met*	*met*	
Sudan	*2.1 % met*	*13.8% met*		*1.2 Not met*	*met*	*met*	*5% Not met*		*15.7% Not Met*	*8.3% met*	*23.5% met*	*met*	*met*	
Swaziland	*6.7% Not met*	*4.5% met*	*0*	*2.9 Not met*	*met*	*met*	*2% Not met*		*27.6% Met*	*16.6 % met*	*12.4% met*	*met*	*met*	
Uganda	*1.8% met*	*7.3% not met*		*4.8 met*	*met*	*met*	*5.1% Not met*		*14.8% Not met*	*9% not met*	*12.4% not met*	*met*	*met*	
Zambia	*3.1 % met*	*7.9% not met*	*1.1*	*4.3 met*	*met*	*met*	*6.6% Not met*		*19.56 % Almost met*	*1.5 % met*	*2.4% not met*	*met*	*met*	
Zimbabwe	*1.7% met*	*4.9 (met)*		*0.4 Not Met*			*8.2 Met*		*29.43 % Met*	*19.9%*				

39. All Member States used indirect monetary policy instruments. Financial markets are characterized by relatively poor coordination between fiscal and monetary policies. All Member States have liberalized interest rates. Some Member States have exceptionally high real lending rates and a wide margin between lending and deposit rates. Most of Member States have made significant progress in moving towards market determined exchange rates and thereby reducing overvaluation of their currencies.

40. The average real growth in the region in the year 2010 was 4.8% as compared to a growth rate of 9.2% percent in 2009. Considering the world economy was in a recession and is not fully recovered, the average growth in the region was more robust than that attained in the developed world. In addition, most Member States implemented sound macroeconomic as well as microeconomic reforms that have resulted in a generally improved business environment and investment climate so as to benefit more once the world economy is on its upswing.

41. The saving rate in most Member States was less than 10%. This is not only significantly below the 24% average for developing countries as a group, but it is insufficient to finance the investment necessary for rapid and sustained expansion. This reflected low levels of income, weaknesses in the domestic and regional financial markets, and the inability to use commodity revenues to boost domestic investment significantly. In addition to harnessing domestic resources, the region needs to mobilise non-debt creating external resources to boost domestic investment.

42. The investment performance for most Member States was on average less than 20%, underscores the challenge facing policymakers in the region to implement a set of policies that would move the economies into a virtuous cycle of higher investment and higher growth.

43. Average inflation in COMESA decreased from 19.5% in 2009 to 6.1% in 2010 and many Member Stated experienced single digit inflation in 2010. Attributing factors include the decline in the world food and energy prices during the 2009 recession, good agricultural harvest in some countries and lower demand pressures in the face of weakening economic activity and extension of government subsidies on basic food production in a number of countries in the aftermath of the crisis. In spite of this, 10 out of the 19 Member States missed the inflation criteria

44. High energy and food prices resulted in rising current account deficits in most of the Member States. This together with internal imbalances and inflationary pressures could pose severe risks to macroeconomic stability and growth prospects in the coming years.

45. The average external debt to GDP ratio of the region decreased from 17.4% in 2007 to 14.5% percent in 2008. This came as a result of reaching the HIPC completion point by a number of Member States, and the decline in the reliance on debt creating flows. However, the MDGs remain underfinanced and most Member States are far from making progress on them. While the official debt of most Member States in the region declined, the debt owed to banks and other private creditors increased in a number of Member States. Overseas development assistance remained below the level which is necessary to permit achievement of the MDGs.

46. The assessment shows that the performance of COMESA were in the right direction in respect of compliance with the secondary criteria, namely, the use of indirect monetary policy

instruments, moving towards market determined exchange rates, adherence to the 25 Core Principles of Bank Supervision, and adherence to the Core principles for Systematically Important Payment Systems.

47. The Report on Multilateral Fiscal Surveillance was produced as a result of the conclusion of the earlier COMESA- AfDB workshop in Mauritius in December 2009 on multilateral fiscal surveillance that included a request that COMESA prepare a report which elucidates an effective Multilateral Fiscal Surveillance Framework (MFSF) for COMESA. The report had been validated by a Joint Meeting of Experts of Ministers of Finance and Central Banks in the workshop which was held from 7-9 February 2011.

48. The Proposed Multilateral Fiscal Surveillance Framework for COMESA acknowledges that a monetary union is a fusion of two types of regional integration: real economy (trade) integration, and financial integration. In that sense the promotion of monetary union requires the implementation of appropriate mix and sequencing of policies comprising structural, monetary, fiscal, and exchange policies to ensure member countries' convergence and competitiveness. The role of fiscal policies is predominant in this process, more so as countries gradually yield sovereignty in monetary and exchange policies to the common central bank. This implies that an effective MFSF must be based on national effective public finance management systems (PFMs) that support regional fiscal convergence criteria, and that a trade integration strategy (supporting FTA/CU) be embedded with MFSF.

49. Trade integration, as a proxy for real economic integration, serves as an important motivational force for forging fiscal convergence. Hence, a trade integration process should be embedded with MFSF. The MFSF should have features not only of being a policeman, but also a promoter, and a crisis manager and harmonizing national public finance management (PFM) systems as the bedrock of an effective MFSF. The other most important features included prescribing a quantitative limit on the government debt criterion and limiting it as a proportion of government revenues instead of GDP, providing for some central bank credit to Government, the establishment of a Convergence Council with joint membership of Ministers of Finance and Governors of Central Banks, the establishment of an Excessive Slippages Procedure (ESP), and the setting up of the COMESASWAP Facility (to provide liquidity during periods of crisis in individual countries), and a Fiscal Unit in the Secretariat.

50. Proposed MFSF for COMESA has significance for the on-going tripartite discussions aimed, among others, at harmonizing their convergence agendas These proposals, could be also discussed with SADC and EAC authorities to get a tripartite agreement on a broad common framework of the MFSF.

51. The proposed MFSF has two distinct parts: one concerning fiscal convergence criteria, and another relating to surveillance institutions and surveillance process. The two parts can stand alone but together they form a complete MFSF. While at this time it may be difficult to introduce modifications to the fiscal convergence criteria (however, the debt criterion needs to be quantified), the other part should be introduced in its entirety as ensuring that at least the existing fiscal criteria would see better performance from member countries;

52. Specific institutions that need to be introduced include the establishment of a Convergence Council, a Fiscal Unit in COMESA Secretariat, and the establishment of CO-SWAP Facility.

53. Finally, the proposals envisage a proactive role for IFIs and the AfDB in the financing and multilateral surveillance process.

CUSTOMS UNION

54. The launch of the Customs Union at the Thirteenth Summit of the COMESA Heads of State and Government on 7 June 2009 was one of the notable achievements of 2009. This signified a great step in efforts for deeper integration and establishment of a Common Market by 2015. Further, the Council Regulations on the COMESA Customs Union and the Common Market Customs Management Regulations were adopted, and the Committee on the Customs Union established with the main function of reviewing and monitoring the implementation of the Customs Union.

55. The Committee on the Customs Union held its first meeting in September 2009 during which it adopted its Rules of Procedure and developed a work programme for the transition period of 2009 to 2012. The three-year transition period provides time for Member States to adjust to the requirements of the Customs Union and to implement programs that will ensure the operation of a full Customs Union. These programs include alignment of the national tariffs to the COMESA Common External Tariff (CET), use of the COMESA Common Tariff Nomenclature by all Member States, and domestication of the Regulations on the Customs Union.

56. The architecture of the Customs Union provides for policy space and flexibility that allow Member States to address national issues arising out of the implementation of the CET and the operation of the Customs Union. In particular, provision has been made for the possibility of designating some products as sensitive, indicatively not more than 20% of the total tariff lines of the CTN; or excluding them, indicatively not more than 5% of the total lines, from the CET.

57. Significant work was done in 2009 regarding the identification of sensitive products. Eleven out of the 19 Member States submitted their lists of sensitive products and these are: Burundi, Eritrea, Kenya, Madagascar, Malawi, Mauritius, RD Congo, Rwanda, Sudan, Swaziland and Uganda. In order to take forward the process of tariff alignment, the region agreed to a simple formula to be applied in the adjustment of the national tariffs to the COMESA CET, and using the formula, the Secretariat generated tariff alignment schedules for the 12 Member States that provided their Tariffs to the Secretariat. The tariff alignment schedules are action plans for progressively aligning the national tariffs to the COMESA CET over the three-year transition period.

58. Madagascar has submitted a tariff alignment schedule and Malawi has also gone a long way in aligning its national tariff to the COMESA CET in its 2010 national budget. Zimbabwe has done considerable work to come up with drafts of the four schedules, namely schedule I , those tariff lines that are aligned to the COMESA CET; schedule II, those tariff lines that are not aligned to the CET but will be aligned within the transition period of three years; schedule III(a), those tariff lines not aligned to the CET but could be aligned in a period spanning beyond the transition period; and scheduled III(b), those tariff lines that a country may not align to the CET for an indefinite period for religious, social or cultural reasons.

59. It is worthwhile highlighting that Council decided already that the FTA *acquis* will be maintained, in that Member States will continue to apply duty free and quota free treatment to originating imports from other COMESA Member States that are in the FTA. This is an important

part of the inclusive approach to regional integration in COMESA. This decision accommodates Member States by taking into account the principle of variable geometry.

60. It is important for all Member States to continue to undertake national and regional economic reforms that promote competitiveness and modernisation. An important area for the reforms is strengthening an internal tax base by deepening and broadening it. An important aspect in this would be to find innovative ways of taxing the informal sector. The average size of the informal sector in Africa was estimated to be as large as 43.2% of 2002/3 formal GNP[11] and studies have shown that ignoring informal activities tends to lower compliance rates and that the larger the informal sector, the lower the compliance rates[12]. Thus, the non productivity of a Member States tax system could be as a result of rising tax evasion in the economy due to the inequitable distribution of the tax burden among the economic agents. All indications are that customs duties will not be an important source of revenue in the long run. Duties will be set not on considerations of revenue but rather on considerations of industrial policy particularly to lower the cost of inputs by maintaining a customs duty rate of 0% on them and protect nascent industries through an effective customs duty rate, 25% in COMESA and EAC.

61. Under ongoing domestic reforms, Malawi has been able to reduce the number of tariff lines with a 5% rate. A mission undertaken by the secretariat on 14-15 October 2010, established that Malawi was on track to implement the transition period.

62. The Congo DR, proposes to deal with this matter within the raft of measures to be put in place in joining the FTA and Customs Union. These include; use of the COMESA Adjustment Facility to deal with revenue issues, use of the safeguard mechanism to allow the strengthening of certain industries that need this intervention, and designation of certain products as sensitive.

63. Congo DR has made significant progress in as far as the COMESA FTA is concerned. The government has decided to join the COMESA FTA stating that the subject matter is not to discuss whether or not Congo DR has to participate in the COMESA FTA but rather to understand the implications of joining the FTA in line with the roadmap that Congo DR should follow to ensure a successful implementation of the FTA and the necessary steps to take in order to enhance the process.

64. In turn, the COMESA Secretariat has explained the background, objectives, benefits and challenges of the FTA. This was done by involving the Customs Department and the entire Management Team who were educated on the key roles that they have to play in the implementation of the FTA. Officers from Customs and Ministry of Finance were urged to initiate a paper that should be submitted to the Cabinet for the Minister of Finance who in conjunction with the Coordinating Minister and Minister of Commerce will then, present it to the government so that instructions to implement the FTA can be issued to the relevant ministries and institutions. Once recommended, His Excellency Joseph Kabila will then issue an "Ordonnance-Loi" which is an act passed by the Head of State of Congo DR using their legislative power in

[11] Schneider Friedrich. (2005): "*The Size of the Shadow Economies of 145 Countries all over the World: First Results over the Period 1999 to 2003"*. IZA DP No. 1431

[12] See Terkper (2003) 'Managing Small and Medium-Size Taxpayers in Developing Economies'. *Tax Notes International* and Alm, James, Jorge Martinez-Vazquez, and Friedrich Schneider, (2003). *'Sizing' the Problem of the Hard-To-Tax"* a paper presented at The AYSPS 'Hard to Tax' conference

order to formalise the modification to the Customs Law to enhance the implementation of the FTA.[13]

65. The Congo DR government emphasised the need for the COMESA Secretariat to continue assisting them in sensitising the Customs Officers especially in Katanga Province and in Goma where the FTA will be most implemented so as to ensure that there is no information asymmetry in any part of the country. In addition, a recommendation that the Secretariat invites delegates from the Ministry of Finance, Customs Administration, Coordinating Ministry and the Ministry of Commerce in August to develop and finalise the paper to be submitted to the government of Congo DR through the Minister of Finance was made. This is to allow the government of Congo DR to address the issue at hand before the next summit is held.

66. Since the launch of the Customs Union, a lot of studies have been done. At an Extraordinary Meeting of the Trade and Customs Committee of 9-10 August 2010, the various studies requested were presented and deliberated. The Report of the Twenty Eighth Meeting of the Council of Ministers of 27 August 2010 contains an extensive part on the studies, setting out in some detail all the key findings, on which Council Decisions were taken. The studies considered and on which Council made Decisions are the following:

a. Rationale and considerations on the basis of which CET rates were allocated
b. 5% tariff band
c. Countries with a substantial number of tariff lines with rates above the CET rates
d. Countries with a substantial number of tariff lines with rates below the CET rates
e. thresholds for lists of sensitive and excluded products
f. Treatment of goods from free zones, and
g. Incorporation of intellectual property provisions into the Customs Management Regulations.

67. Since 2008, the Secretariat has done several studies on the possibility of introducing an additional tariff band of 5% to the COMESA CET. The first study was done in 2008 and discussed in April 2009 after which another study was requested to be carried out to look at revenue and competitiveness issues. The second study was carried out and presented to the Extra-Ordinary meeting of the Trade and Customs Committee in August 2010. This study was refined and again presented at the Twenty-fifth meeting of the Trade and Customs Committee. The essential finding of the study was that adding the 5% tariff band would not necessarily shorten the sensitive products lists for those countries that had it in their national tariffs. In addition, the introduction of the 5% band would raise costs of production since most of the 20-26% adjustment of the CET structure would be required in what the CET defines as raw materials and capital goods.

68. The study recommended maintenance of the current CET and for Member States with substantial number of tariff lines at 5% summon political and administrative will to adjust their tariff lines especially that it was technically feasible and economically rational for them to do so. On the other hand, adding an additional 5% to the COMESA CET would prove to be very difficult technical and political policy options given the substantial adjustments to the CET that

[13] In Congo DR, with the new Customs Law 2010, the Minister of Finance has no power to take any decision in line with the matter which falls under legislative competence

would delay the set timelines of establishing the Customs Union and also the considerable progress made in harmonising the COMESA and EAC CETs

69. A further study on whether to introduce an additional 5% tariff band into the CET has been completed in 2011 and the results show that 20-26% adjustment of the CET structure would be required if an additional 5% tariff band were introduced, and much of these adjustments would be required in what the CET defines as raw materials and capital goods. It was a recommendation of the study that the three countries with substantial number of tariff lines at 5% (Egypt, Zimbabwe and DR Congo), summon political and administrative will to adjust their tariff lines especially that it was technically feasible and economically rational for them to do so. On the other hand, adding an additional 5% to the COMESA CET would prove to be very difficult technical and political policy options given the substantial adjustments to the CET that would delay the set timelines of establishing the Customs Union and also the considerable progress made in harmonising the COMESA and EAC CETs.

70. Another study on the implications of alignment to the CET of some Member States with a substantial number of tariff lines below the CET has been completed. Results are that technically feasible tariff alignment options exist for the four countries considered (Libya, Mauritius, Seychelles, and Madagascar). However, there are some administrative, legal and political caveats; Article XXIV of the GATT might be a challenging issue in this regard and hence political and administrative feasibility of the alignment proposal would depend largely on the administrative and political costs of undertaking the tariff reforms.

71. However, it is important to note that the scope of the Customs Union is wider than the CET, which nevertheless remains a key pillar. Other elements of the Customs Union include common positions in international trade and economic relations. In this regard, the common external trade and economic policy of COMESA, together with a joint negotiating mechanism, will be important elements of the Customs Union that all Member States can participate in. Relations with traditional partners and new powers will increasingly require the group power of COMESA to be brought to bear on the salient issues to be resolved.

INTERNAL MARKET

72. As COMESA becomes a Customs Union, the Free Trade Area (FTA) will need to be strengthened into a seamless internal economic space within the Customs Union in which goods and services move freely. This seamless internal space, for the time being, is the FTA, but various complementary programs, such as services and competition policy, will increase the scope of measures necessary to progressively consolidate it as a seamless internal economic space. The main ongoing programs are the following.

Simplified Procedures For Cross Border Trade

73. The Simplified Tariff Regime (STR) has now taken off. The regime uses a simplified customs declaration document and a simplified certificate of origin, as well as agreed lists of products that benefit from the simplified procedures between sets of bordering Member States. The objective is to facilitate informal trade by small scale traders as it forms the bulk of intra–COMESA trade.

74. Ten countries have agreed to pilot the STR[14]. High level meetings were held at Ministerial level to agree the list of products that can be traded between neighbours and develop a time table for implementation. However, some Member States have not been able to adhere to the timetable. A major problem encountered has been timely gazetting of the STR instruments**.** Priority activities concerning the STR include provision of needed budgetary support to the ten pilot countries for ensuring the successful launch and implementation of the STR and hastening the process of collaboration with EAC on harmonizing the procedure.

75. A Cross Border Trade (CBT) Desk has been set up at the Secretariat to facilitate and coordinate the implementation of the STR as well as building the capacity of informal cross border traders. COMESA aims to strengthen the existing cross border traders associations and assist in the development of new national associations, in particular to make them self-reliant institutions providing a service to their members and an effective advocacy in trade fora. Capacity and Training Needs Assessments are being carried out in Uganda, Kenya, Burundi, DRC and Rwanda in order to form CBTAs in these Member States and assess what support the Secretariat can provide.

Non Tariff Barriers

76. In implementing Council decisions on elimination of NTBs, the Secretariat has engaged Member States which are reported to have imposed measures contravening Article 49 of the Treaty. Ten reported NTBs have been successfully resolved. The focus is now on resolving four outstanding NTBs. Table 3 below shows the status on elimination of NTBs.

Table 3: Eliminated NTBs

Non-Tariff Barrier Categories
CATEGORY 1: Government participation in trade & restrictive practices tolerated by governments
CATEGORY 2: Customs and administrative entry procedures
CATEGORY 3: Technical barriers to trade (TBT)
CATEGORY 4: Sanitary & phyto-sanitary (SPS) measures
CATEGORY 5: Specific limitations
CATEGORY 6: Charges on imports
CATEGORY 7: Other (procedural problems)
OTHER: Non Actionable Complaints

[14] Malawi, Zambia, Zimbabwe, Uganda, Kenya, Rwanda, Burundi, Ethiopia, Sudan and RD Congo

NTB No.	Product Description of NTB	NTB Summary	WTO NTB Category	Reporting Country	Imposing Country	Status/Recommendation
D R C O N G O						
256	All Products	DRC customs, cause problems on road transport through delaying trucks to depart on time to Lubumbashi	2.8 Lengthy and costly customs clearance procedures	Namibia	DRC	Awaiting response from imposing country.
262	All Products	Turnaround time for trucking into DRC is unnecessarily extended and unpredictable causing additional costs of trucking.	7.4 Costly procedures	NAMIBIA	DRC	Awaiting response from imposing country.
358	All Products	The process of obtaining DRC Ogeframe certificate delays cargo at the port and increases costs. Procedure is too long as it involves exporter paying fees at Tanzania Revenue Authority in Dar es Salaam Office and then take the document for endorsement by DRC. This is applicable only to transit goods to DRC.	2.8 Lengthy and costly customs clearance procedures	Tanzania	DRC	Awaiting response from imposing country.
379	All Products	DRC is charging exorbitant fees which are not in line with SADC and COMESA harmonized fees. From 01/02/10 DRC did not reduce their tolls they instead greatly increases them. Road tolls in DRC are about 15 (1500 %) times greater than the SADC recommended. Today a foreign transporter entering DRC at Kasumbalesa going to Tenke Fungurume mine (300 kms each way) is subject to the following tolls and fees (distance of 300 kms into DRC and 300 kms out of DRC): Road toll Kasumbalesa/Lubumbashi return $ 300 ; Road tolls Lubumbashi/Likasi return $ 300; Road tolls Likasi/Tenke return $ 150 ; Government tax $ 50 ; Fumigation Fees $ 50 ; Card entry $ 15 ; Tourism/Vaccination fees $ 35 ; Visa for truck $ 25 ; Break bulk fees $ 20. Total cost to the transporter in Fees and Tolls is $ 945. That works out at $ 157.5 per 100 kms. The SADC agreed is $ 10 per 100 kms.	7.10 Costly Road user charges /fees	Namibia	DRC	Awaiting response from imposing country.
		KENY049A				
049	Live horses/asses/ mules/hinnies: pure-bred breeding animals	Pre-verification of Compliance (PVOC)	2.10. Inadequate or unreasonable customs procedures and charges	Egypt	Kenya: Kenya Bureau of standards	Complaint drawn to the attention of the Kenyan authorities PENDING
117	Wheat/meslin flour	Restrictive import permit imposed by Kenya for importation of bread flour. This has been in place for more than ten years now.	2.10. Inadequate or unreasonable customs procedures and charges	Mauritius	Kenya: Kenya Revenue Authority	
150	All Products	In some instances, Kenya customs demands that Tanzania exporters wishing to penetrate the Kenyan market have to produce an EA certificate of origin or alternatively an international certificate of origin. An EA certificate of origin does not exist yet, since the EA countries are using the COMESA certificate of origin until they develop their own.	2.10. Inadequate or unreasonable customs procedures and charges	Tanzania	Kenya: Kenya Revenue Authority	
157	All Products	Too much time is lost during cross border pre-shipment inspection and certification for Kenyan bound cargo.	2.10. Inadequate or unreasonable customs procedures and charges	Tanzania	Kenya: Kenya Revenue Authority	
359	All Products	In Kenya, police can claim that a container is security risk and arrest it until customs people come	2.10. Inadequate or unreasonable	Tanzania	Kenya: Ministry of	

NTB No.	Product Description of NTB	NTB Summary	WTO NTB Category	Reporting Country	Imposing Country	Status/Recommendation
			customs procedures and charges		Home Affairs	
360	All Products	Kenya is not calibrating the weighbridges; therefore there is use of different weights. Leading to rampant Bribery activities taking place at the weigh bridges	7.10. Costly Road user charges /fees	Tanzania	Kenya: Ministry of Transport	
361	All Products	Unreliable, different readings on the internal weighbridges in Tanzania, Kenya, Uganda, Rwanda and Burundi. Readings can differ as much as between 500-700kgs resulting in transporters paying unnecessary huge fines. Weighbridges are often verified, however, various factors which include technical faults of the instruments and unscrupulous conduct of the transporters sometimes result in false readings: This problem relates to transit goods in properly sealed containers that, under normal circumstances, cannot be opened before they get to destination.	7.10. Costly Road user charges /fees	Tanzania	Kenya: Ministry of Transport	
389	All Products	Police officers at the Kirumu check point are harassing Truckers bringing goods to Tanzania through Sirari border post. The harassment is associated with attempts to solicit for bribes. Truck owners claim that although they usually have all the customs receipts pertaining to the merchandise they are carrying, police officers have continued to hassle them for no apparent reasons	7.10. Costly Road user charges /fees	Tanzania	Kenya: Sirari Border Post	
M A L A W I						
38	All Products	Kenya complained that Malawian Government requires submission of Form 18 along with COMESA Certificate of Origin. On Form 18, exporter has to justify that value addition amounts to 51% contrary to the COMESA value addition requirement of 35%.	2.3 Issues related to the rules of origin	Kenya	Malawi	Malawi reported that Malawi Revenue Authority does not demand Form 18 together with COMESA certificate of origin. However, NMC recommended that MRA should verify the actual status and submit report by 1st June 2011 so that the correct position is recorded PENDING
51	laundry soap	25% excise duty on laundry soap. Kenya complained that Malawian Government charge 25% excise duty on imports of laundry soap.	2.7 International taxes and charges levied on imports and other tariff measures	Kenya	Malawi	Malawi reported that she charges 20% duty on imported soap in powder foam not bar soap to protect local industry. Local soap does not attract the 20% duty. The meeting noted that Malawi does not produce powdered soap. NMC therefore mandated Ministry of Trade to make further consultations with relevant Ministry and report back by 1st June PENDING
52	edible oils	25% excise duty on edible oils Kenya complained that Malawian Government charge 25% excise duty on imports of edible oils.	2.7 International taxes and charges levied on imports and other tariff measures	Kenya	Malawi	Malawi reported that she imposed a 20% duty on imported edible oils to protect local industry. NMC agreed that the Ministry of Industry and Trade to make further consultations report on the status by 1st back PENDING
168	Sugar	Import restrictions on sugar	5.1 Quantitative restrictions	**INVENTORY SURVEY 2007**	Malawi	Malawi reported that importation of sugar is subject to licensing but importation is not banned Recommended for resolution
172	All Products	Cumbersome and bureaucratic delays encountered in the processing of documentation and clearing of goods at the border posts.	2.8 Lengthy & costly Customs procedures	**INVENTORY SURVEY 2007**	Malawi	NMC meeting held on 25 May 2011 in Blantyre agreed that Ministry of Industry and Trade would carry out consultations and revert by 1st June

NTB No.	Product Description of NTB	NTB Summary	WTO NTB Category	Reporting Country	Imposing Country	Status/Recommendation
						Malawi to notify the legal instrument. PENDING
174	All Products	Time taken to test products varies between five days for meat and poultry to ten days for batteries. The time factor and discretionary use of these services at the borders has lead to delays in the distribution.	4.1 Issues related to sanitary and phyto-sanitary measures	**INVENTORY SURVEY 2007**	Malawi	Awaiting response from imposing country.
182	tobacco	Restriction on importation of tobacco leaf from SADC countries	5.1 Quantitative restrictions	Zimbabwe	Malawi	The Ministry of Industry and Trade are consulting with Ministry of Agriculture and will give response by 1st June 2011. PENDING
S W A Z I L A N D						
132	All Products	Swaziland is charging a fine of E1000.0 per set of customs documents for documents not acquitted within a month.	2.8 Lengthy & Costly Customs procedures	Swaziland	Swaziland	Awaiting Response from imposing country
334	All products	Permits are issued by different authorities in different cities. Agricultural import permits are issued by NAMBOARD in Manzini. Dairy products imports are issued by Dairy Board in Manzini. Other miscellaneous goods import permits issued by Ministry of Finance in Mbabane.	1.14 Lack of coordination between government institutions	Uganda	Swaziland	Consultations in progress
		UGANDA				
033	Meat of bovine animals, frozen, boneless	Ban on Imports Kenya has complained that Uganda had placed a ban on beef imports		Kenya	Uganda: Ministry of Tourism, Trade and Industry	
Z A M B I A						
417	All Products	Small cross border traders who wish to register for a Taxpayer Identification Number (TPIN) are delayed for at least a day while waiting for that number to activate to enable them to be exempted from paying Advance Income Tax (AIT).	7.5 Lengthy procedures	Zambia	Zambia	Awaiting response from imposing country
Z I M B A B W E						
114		High insurance premiums in Zimbabwe	Non Actionable	South Africa	Zimbabwe	Awaiting response from imposing country.
211	Agricultural products	Restrictions on agricultural goods. Some officials at the border posts are not fully aware of the implications and objectives of requiring permits for agriculture. Thus some consignments are allowed to be imported without import permits. Issuing of permits is centralized to Ministry of Agriculture Head Office, in Harare which is costly and inconvenient for those living out of Harare	2.4 Import licensing	**INVENTORY RESULTS**	Zimbabwe	Awaiting response from imposing country.
370	Seeds	Traders of Plant materials, e.g., seeds are charged different rates by Zimbabwe at Victoria Falls Border post in Livingstone (US$20.00) from those charges by other countries e.g., South Africa (ZAR60.00) for each entry.	2.7 International taxes and charges levied on imports and other tariff measures	Zambia	Zimbabwe	Awaiting response from imposing country.
376	All Products	There is lot of bureaucracy at the Zimbabwe Revenue Authority offices countrywide.	2.8 Lengthy and costly customs clearance procedures	Zimbabwe	Zimbabwe	Awaiting response from imposing country.
399	All Products	Lake harvest company was refused to export fish using Kariba bridge on this particular date yet they were allowed to do so ,the man who was on Interpol this day wanted some money from this company as bribe ,after refusal he denied to stamp the gate pass, this led to the fish to be bad and it was 4tonnes,all that fish perished as they took long in negotiating	7.3 Corruption	Zimbabwe	Zimbabwe	Awaiting response from imposing country.

NTB No.	Product Description of NTB	NTB Summary	WTO NTB Category	Reporting Country	Imposing Country	Status/Recommendation
413	030211: Trout (Salmo trutta, Oncorhynchus mykiss/ clarki/aguabonita/gilae/apache/chrysogaster), fresh/chilled (excl. fillets/other fish meat of 03.04/livers & roes)	Cross borders buses are not allowed to cross over Kariba Bridge, which in turn will force a number of cross border traders to use Chirundu via Makuti which is expensive to the traders then(can the tonnage limit be reviewed by Zambezi River Authority and the Ministry of transport)	7.9 Inadequate trade related infrastructure	Zimbabwe	Zimbabwe	Awaiting response from imposing country.
416	200210: Tomatoes, prepared/preserved other. than by vinegar/acetic acid, whole/in pieces	Zimbabwe government absolute ban of the importation of potatoes and tomatoes	5.10 Prohibitions	Zimbabwe	Zimbabwe	Awaiting response from imposing country.
C O M E S A						
164	All products	High cost of railways and customs services. In addition the Tanzania Zambia Railway (TAZARA) is rundown with aging locomotives and wagons.		Tanzania	COMESA	

77. The Secretariat has circulated the electronic specimen signatures to Member States to assist in speeding up the process of releasing of goods under preferential treatment. Fast processing of queries related to specimen signatures has minimized NTBs that are usually associated with rules of origin.

78. Most Member States have established National Enquiry Points and National Monitoring Committees to implement the national and regional NTBs elimination plans.

79. NTBs Impact Study was conducted which provided an opportunity for dialogue between the business community and public authorities regarding necessary improvements on trade regulations and procedures. The study provided baseline data to be used in future for monitoring improvement of conditions of doing business both at the national and regional levels.

80. Further, the Secretariat commissioned the study on the introduction of an NTB penalty system in order to facilitate the expeditious resolution of NTBs and discourage impunity. Draft Regulations have been produced and presented to the Twenty Fifth Meeting of the Trade and Customs Committee of 15-19 June 2010, which recommended that Member States be given some time to undertake national consultations first and finalise them at the next meeting to be held in the fourth quarter of 2010. The Draft Regulations provide for consultations, facilitation, and sanctions against Member States that refuse to remove reported NTBs.

81. Regarding the rationalization and harmonization of NTB strategies among COMESA, EAC and SADC, technical officials of the three RECs have held three meetings so far to implement Council and tripartite decisions on harmonization of NTB programmes. Each of the three RECs has been assigned a specific area, to take the lead on in developing a draft of the harmonized elements for consideration and adoption at the next meeting of the technical officials.

The Yellow Card Scheme

82. As regards the Regional Third Party Motor Vehicle Insurance Scheme (the Yellow Card), it is now operational in thirteen Member States. It is widely used by non–COMESA motorists particularly from SADC countries as well. Currently over 170 insurance companies in the region are involved in the operations of the scheme. During the year 2009, those insurance companies issued over 90,000 cards, collected over USD 5.2 million premium incomes and entertained over 428 compensation claims for road accident victims. The Scheme has a Re-insurance Pool facility designed to enhance efficiency and profitability.

Transit Procedures – The RCTG Scheme

83. In order to validate and verify the modalities of operation of the Regional Customs Transit Guarantee (RCTG) Scheme together with its instruments including the RCTG-MIS and procedures, a pilot test of the scheme was conducted in 2008 in Northern Corridor countries, namely: Kenya, Uganda, Rwanda and Burundi. During the pilot test, the effectiveness of the scheme in achieving its objectives was widely confirmed. The stakeholders selected for the pilot test issued over 500 RCTG Carnets and have continued to issue Carnets for goods in transit to and from the corridor.

84. On 25 March 2010, the RCTG CARNET was officially launched in Mombasa, Kenya, and immediately after the launch, several carnets were issued. However, the operations were halted as some Customs Administrations had not put measures in place to transform the pilot

test activities into the mainstream operations. Several missions were mounted and consultations were held with the Commissioners of Customs of Kenya, Uganda, Rwanda and Burundi and recently measures were taken to restart the operations of the issuance of CARNET, including the assignment of a dedicated office & officer to oversee the implementation of the RCTG in the respective countries. Activities required for the commencement of issuance of CARNETS were identified of which some were finalised. The activities identified included the following:

a. To review the configuration of ASYCUDA to process T1 (Transit declaration) with or without IM8 to process CARNET for transit goods;
b. To review the configurations of SIMBA system to adequately process CARNET issued by the landlocked countries using Mombasa Port;
c. To review the functionalities and application of the RCTG-MIS (Transit Management System –TMS)
d. To incorporate the RCTG CARNET in the Customs business transactions;
e. To identify Clearing and Forwarding Agents and Sureties to participate in the initial stage of issuance of the RCTG CARNET;
f. To assess the training needs of the stakeholders and conduct training and organize workshops; and
g. COMESA to provide technical/capacity support in training stakeholders and assist in the activities of issuance of CARNET.

85. On the progress on the North-South Corridor, it was made known during the Fifth Meeting of the Management Committee (MC) of the Regional Customs Transit Guarantee (RCTG) Scheme, held in July 2011, that preparatory activities were undertaken in Zimbabwe and Malawi in May 2010, during which stakeholders' awareness workshops were held, national RCTG Implementation Teams were established and activity work plans for the commencement of operations were agreed. Notable were the Malawi Revenue Authority (MRA) and Zimbabwe Revenue Authority (ZIMRA) which assigned dedicated offices and officers to oversee the implementation of the scheme in their respective countries and agreed to configure their Customs IT systems to process RCTG transits. During the stakeholders' workshop, the importance of Tanzania and Mozambique joining the Scheme was underscored. However, no major activities were undertaken since May 2010 as COMESA and SADC had agreed to harmonize their RCTG programmes and carry out joint activities.

86. It was however brought to the secretariat's attention the need for the COMESA Secretariat to engage Zambian stakeholders to ensure their participation in the implementation of the RCTG CARNET, given the country's critical position in transit of goods in the North–South Corridor.

87. Following the request made by the Government of Ethiopia for the urgent implementation of the RCTG CARNET between Ethiopia and Djibouti, a team lead by the Secretary General of COMESA visited Ethiopia and Djibouti and held consultations with high level government officials of the two countries. During the mission, authorities in Ethiopia had reiterated their readiness to implement the scheme and urged the COMESA Secretariat to assist Djibouti in the establishment of its National Surety and the Djibouti authorities indicated that they would consult the stakeholders further on the establishment of the National Surety and advise accordingly.

88. With regards to the implementation of the RCTG Scheme in Sudan, no further mission was mounted nor activities taken since June 2010, due to the ongoing political development in the country.

89. The implementation of the RCTG CARNET will significantly assist Member States, particularly landlocked countries, in reducing the cost of transport and transit through the reduction of cost of insurance bonds and bank guarantees, collaterals tied up with financial institutions, delays at border posts and long transit times. It will minimize documentation; shorten processes and revenue leakages of Customs. The implementation of the RCTG CARNET is expected to reduce the total cost of transport and transit for importers and exporters, in landlocked and land-link countries, by between 15% and 20%.

Building Productive and Trade Capacities – Pact II

90. Activities undertaken in 2009 included: partner institutions in the selected overseas markets, that is, India and Italy, were identified as Council for Leather Exports (CLE) and Unione Nazionale Industria Cucio (UNIC) respectively; studies on trade opportunities in these two markets, that is, the Indian and Italian markets, which will provide the analysis of actual business potential and market conditions, have been concluded and the draft reports presented for comment; training of 11 informal women micro-producers was carried out in Jinja, Uganda in December 2009; Result Based Management training to ensure that COMESA programmes are result oriented was undertaken for the Secretariat and the related Institutions as well.

Single Window System

91. In 2005, the Recommendation and Guidelines on establishing a Single Window, UN Economic Commission for Europe UN/CEFACT Recommendation 33, was published. The recommendation defines a Single Window as ”a facility that allows parties involved in trade and transport to lodge standardised information and documents with a single entry point to fulfil all import, export and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.”

92. The project aims to support the development of the Single Window (SW) for COMESA and six countries under the tripartite agreement COMESA-SADC-EAC. Several COMESA Council of Ministers decisions from 2009 and 2010 instructed COMESA to move towards establishing One-Stop-Border Posts (OSBP) and Paper-Free trade facilitation through a Single Window.

93. The COMESA SW will contribute to: (i) promoting trade facilitation within the sub-region and trans-regionally, (ii) achieving better economic efficiency and effectiveness of COMESA economies, (iii) promoting the establishment of the tripartite Free trade agreement, and (iv) enhancing region’s competitiveness by removing barriers to trade (v) contribute to economic growth and poverty reduction, (vi) enhance competitiveness of SMEs particularly women cross border traders.

94. Following the presentation by Microsoft on the Single Window System to the Trade and Customs Committee meeting in May 2009, Council of Ministers at its meeting in Victoria Falls, June 2009, noted the importance of the Single Window in promoting trade facilitation through among others facilitation of movement of data to stakeholders, increased connectivity in data sharing among various agencies, increased transparency standardization and predictability, monitoring transaction progress across multiple steps within the process chain.

95. The need for technical assistance, political will and a lead agency to undertake the implementation of the system was greatly emphasised. The Council then decided that the Secretariat should mobilize resources for the implementation of the Single Window System in the context of the trade facilitation programmes and also support Member States that are ready to adopt the SWS for its implementation at national level as well as at regional level. Further, the Secretariat was requested to work out the details of implementing the Single Window System for interested Member States.

96. The Single Window Initiative and other programmes aiming at trade facilitation are clearly mandated by the COMESA Treaty. Under the COMESA's Mid Term Strategic Plan MTSP 2011 – 2015, COMESA intends to effectively address supply side constraints in order to reduce the cost of doing business and enhance competitiveness. Therefore, COMESA is developing a Single Window Initiative (SWI) project proposal to be submitted to the Canadian International Development Agency (CIDA), for funding. In this regard, consultative missions have been undertaken in selected Member States in order to come up with a consultative study for the establishment of SW Systems both at national and regional levels. The study will be presented to the consultative workshop comprising of the key stakeholders with a view to bolstering commitment and buy-in.

97. It should be noted, however, that the success of the SWI depends on the readiness and commitment of Member States and key stakeholders, the availability of necessary infrastructures and legal and regulatory frameworks at the national level, proposed institutional arrangement both at national and regional level that would be required for the implementation of the Single Window System in the COMESA region.

98. Member states and key stakeholders should display commitment and ensure readiness to implement the Single Window System; allocate some complementary budgets and identify synergy projects towards the implementation of the SWI. In addition, Member States should ensure that: the legal frameworks to support the implementation of the SWI are in place, the necessary infrastructures particularly connectivity in the selected countries required for implementing the Single Window system are available and that institutional arrangements both at national and regional levels required for the implementation of the Single Window System are put in place.

Standardization and Quality Assurance

99. The Committee on Standardization and Quality Assurance agreed on a Regional Policy for Standardization and Quality Assurance, which is expected to be part of the Regional Trade Policy and it agreed on Modalities for the provision of Accreditation services in the region. In order to facilitate the provision of basic drugs and medicines in the COMESA region, a set of 14 Technical Standards for Harmonisation of Drugs and Medicines Regulations have been agreed upon.

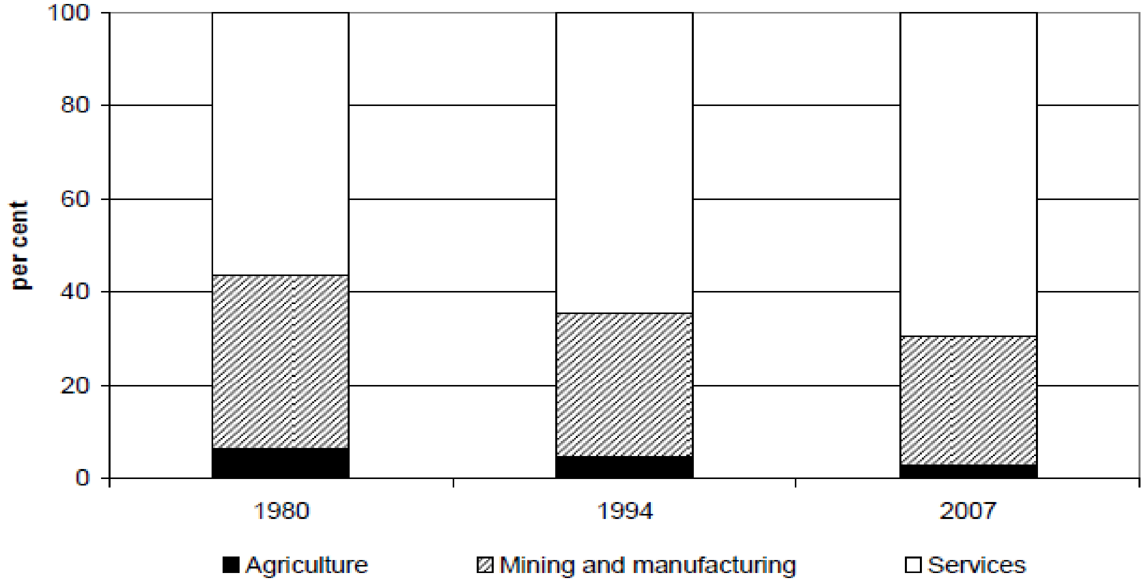
SERVICES

100. Many have come to acknowledge that the services sector plays a pivotal role in the global economy because of its favourable impact on economic growth and poverty alleviation as it comprises a huge proportion of world trade reaching up to about 67%.[15] In fact, according to the World Health Organisation, Trade in Services has been the fastest growing component of international trade since the early 1990s with annual growth rate averaging about 10%. Given this background on trends and the importance to the developed economies of the service sector more generally, it is not surprising that liberalisation of services trade is a key issue in past and almost all ongoing trade negotiations. There is need to acknowledge the importance of yet another COMESA programme on Science, Technology and Innovation in the liberalisation of trade in services if this programme is to be successful.

101. Owing to technological progress, services are now easily traded across borders increasing the mobility of labour. COMESA, having seen trade in services as bedrock of economies of its Member States, set up a programme on Trade in Services. This is important because as these economies grow and develop, they increase the tendency to trade as a result of changes in their economic structure which tends to increase demand for services faster than per capita incomes. Accordingly, the share of services in global production has increased over the last few decades, with a corresponding decline in the relative shares of agriculture and manufacturing as shown in the figure below:[16]

[15] World Bank, Trade and Development, 2010
[16] Online information viewed at: http:// *www.pc.gov.au/__data/assets/pdf_file/0016/104209/06*

Value Added by Broad Sector as a Proportion of Global Production



Source: World Bank (2010a).

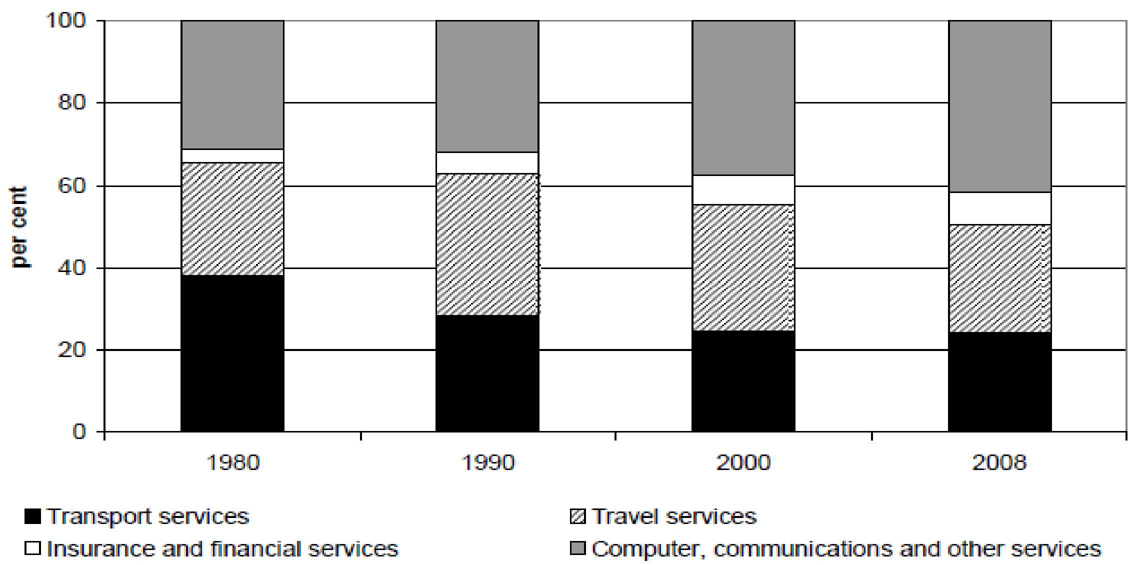
102. Expansion of Trade in Services in relative importance varies depending on the type of an economy as the graphs show that developed nations' percentage of value added by the services sector increased from about 59% in 1980 to 73% in 2007, in tiger economies (East Asia and Pacific region), services as a proportion of value added increased from approximately 27% to around 41% in the same period.[17] This shows that, globally, services are being traded more and more hence the need for COMESA Member States, as they work towards becoming middle income countries, to exploit the service sector being the largest and most dynamic part of most middle and high income countries.

103. Further, the global context shows that over the ten years from 1997 to 2007, world imports of commercial services rose by 141% while world exports of commercial services rose by 152%.[18] Top exporters of services included the US, United Kingdom and Germany. China and India ranked as the world's seventh and ninth largest services exporters, respectively. Overall, the top 10 exporting countries accounted for 53% of such exports in 2007.

104. The COMESA region exported USD12.8 billion worth of services in 1997 and this rose to USD26.1 billion in 2007, representing an increase of 104%. In terms of share of world exports of services, COMESA's share was 0.99% in 1997 and this share fell to 0.80% in 2007. This could be attributed to the fact that within that period, there were changes in the composition of trade in services where the proportion of traditional transport services associated with the movement of merchandise, which is typical of the region, declined and on the other hand, communications, computer services and banking and insurance services increased their share.[19]

[17] ibid
[18] Ideally world imports should equal world exports as the whole world is a closed economy but issues of recording and bases of recording are responsible for the differences.
[19] World Bank , Bilateral and Regional Trade Agreements, 2010

The Changing Composition of Trade in Services



[a] Percentage of commercial services exports (total services exports minus exports of government services).
Source: World Bank (2010a).

105. Top importers included: US, Germany and the UK. China, which was the fifth-largest importer of commercial services in 2007, was the only developing country to rank among the top 10 global importers. The COMESA region registered an increase in services imports of 121% from USD11.4 billion to USD25.3 billion from 1997 to 2007. In terms of share of world imports of services COMESA's share was 0.89% in 1997 and the share fell slightly to 0.82% in 2007.

106. The realization of the importance of services in; facilitating trade in goods, countering domestic shortages and diversifying away from production of low quality goods in the economies of Member States, are some of the main reasons behind the COMESA programme on trade in services. Trade in services is an increasingly important part of the trade of almost all economies. It accounts on average for around 50-60% of GDP in COMESA. No economy can function without transportation, communications, financial services, health services, education services and so forth. Services such as financial, telecommunication and transport provide vital inputs to manufacturing and agriculture and can help promote growth and development throughout the economy.

107. In 2009, the Regulations on Trade in Services that will guide the liberalization of services were adopted. Rules of procedure for the Committee on Trade in Services were adopted as well as an indicative list of services sectors in which each Member State is expected to make commitments. The indicative sectors which have been identified due to their central infrastructural functions and their role in the competitiveness of economies are: financial, communication, business, transport, tourism, energy and construction and related engineering services.

108. At the time the second meeting of the Committee on Trade in Services which was held in May 2010, 13 Member States had sent in their chosen sectors, and based on those submissions, the Committee agreed on four sectors to start for immediate negotiations in

November 2010. The four sectors - finance, transport, communications and tourism services - were chosen because they were the sectors that were selected by Member States that submitted their list and in light of their importance as infrastructure services and high growth sectors.

109. Fifteen Member States have now submitted their lists of priority sectors with Eritrea, Ethiopia, Libya and Sudan being the only four Member States that are yet to submit their lists.

110. The Committee agreed further that Member States that indicated other priority sectors were welcome to open up those further sectors. Some member states such as RD Congo, Djibouti and Comoros, indicated up to 10 sectors, while others indicated seven sectors.

111. The other matter considered was the establishment of the COMESA Association of Services Industries. A draft charter was presented and considered. It was agreed that there would be need to explore how the COMESA Business Council could be the umbrella for all sectoral associations, as appropriate, such as the sectoral association on services. The secretariat was asked to provide an update at the next meeting.

112. During the Third Meeting of the Committee on Trade in Services which was tentatively planned for November 2010 but took place in May 2011, the Member States undertook text-based negotiations on actual commitments on the extent to which they will open up the four agreed sectors. At this meeting, Member States selected three more sectors for the next negotiating meeting. The Council decided that the services liberalisation programme be discussed under the wings of the tripartite framework.

113. The Secretariat introduced the methodology to be utilized in the presentation of the draft COMESA schedules of specific commitments by Member States for the COMESA services program. In preparing the draft schedules the Secretariat took into account the GATS commitments of COMESA Member States who are members of the WTO, the GATS templates and questionnaires prepared during the assessment of trade in services in the COMESA region, work undertaken under the on-going COMESA programs as well as the guidelines for services liberalization in COMESA.

114. The Secretariat developed the matrices both for the specific commitments made by COMESA Member States under the GATS negotiations at the WTO and the draft schedules of specific commitments under the COMESA services program for the four priority sectors. The matrices indicated the sectors and sub-sectors committed the mode of supply concerned and the level of market access and national treatment offered by Member States.

115. It was noted that four Member States namely Egypt, Kenya, Mauritius and Zambia, had submitted their initial schedules of specific commitments to the Secretariat in the four priority sectors. Member States acknowledged the role that the Secretariat played by assisting some Member States in preparing the draft schedules of specific commitments in the four priority sectors. It was agreed that the draft schedules and the matrices would form the basis for Member States to consult with relevant stakeholders to improve their schedules of specific commitments. However, the actual negotiations will take place at the next meeting of the Committee on Trade in Services after Member States had consulted their relevant stakeholders. Table 4 below shows the priority service sectors of Member States.

.

Table 4: Priority Services Sectors– COMESA Countries

	Country	Business	Communications	Construction/ Engineering	Distribution	Education	Environment	Finance	Health	Tourism	Recreation/ Culture/Sport	Transport	Energy	**TOTAL**
1.	**Burundi**	√	√			√		√		√		√	√	**7**
2.	**Comoros**	√	√	√	√	√	√	√	√	√		√		**10**
3.	**Djibouti**	√	√	√	√	√	√	√		√		√	√	**10**
4.	**DRC**	√	√	√	√	√		√	√	√	√	√		**10**
5.	**Egypt**		√	√				√		√		√		**5**
6.	**Eritrea**													
7.	**Ethiopia**													
8.	**Kenya**	√	√			√		√		√		√	√	**7**
9.	**Libya**													
10.	**Madagascar**	√	√							√		√	√	**5**
11.	**Malawi**		√	√				√		√		√	√	**6**
12.	**Mauritius**	√	√	√		√		√		√		√	√	**8**
13.	**Rwanda**		√					√		√		√		**4**
14.	**Seychelles**	√	√					√		√				**4**
15.	**Sudan**													
16.	**Swaziland**		√	√				√		√		√	√	**6**
17.	**Uganda**	√	√			√		√		√		√	√	**7**
18.	**Zambia**		√	√				√		√		√	√	**6**
19.	**Zimbabwe**		√	√				√		√		√	√	**6**
	TOTAL	**9**	**15**	**9**	**3**	**7**	**2**	**14**	**2**	**15**	**1**	**14**	**10**	

INTELLECTUAL PROPERTY

116. A successful workshop on intellectual property was held in Harare, on 3 May 2010 to exchange views on the COMESA Regional Policy on Intellectual Property Rights and Cultural Industries (COMESA IP Policy) and put together partnerships with international and regional institutions to assist in the implementation. The workshop agreed on activities to be undertaken by COMESA jointly with partners that attended, particularly, World Intellectual Property Organization (WIPO), United Nations Conference on Trade and Development (UNCTAD), and the African Regional Intellectual Property Organization (ARIPO). WIPO and UNCTAD have already undertaken extensive activities in various Member States, on which the region will build in implementing the COMESA IPR Policy.

117. In May 2011, Member States and partners provided written comments to the Secretariat on the substance of the COMESA Model IP Policy and once adopted, Member states will use the COMESA Model IP policy and Law as a reference when formulating their national Policies and Laws

118. Further, the Secretariat had meetings with ARIPO in order to revive the existing Co-operation Agreement between COMESA and ARIPO signed in 2002. The two organizations have agreed on areas of co-operation which include: creating a favourable investment climate through protection of IP, providing support services to research and development institutions, capacity building, promoting traditional knowledge, expressions of folklore and genetic resources, and exchanging information and documents on activities.

119. Key precise activities have been agreed with ARIPO for joint collaboration and a lot of interest has been generated in the COMESA IP Policy, due to its focus on development and regional priorities.

120. Key immediate steps under the IP Program will be to update the IP Audit reports COMESA and WIPO funded back in 2002, and to convene a meeting of experts to refine the partnership and the activities, followed by another meeting of stakeholders and Member States with participation and assistance from the partners.

121. Given that the theme for 2010-2011 in COMESA “Harnessing Science and Technology for Development”, the intellectual property program will be instrumental in taking forward the process of mainstreaming science and technology in COMESA programs and implementing key outcomes from the Summit.

122. Under the COMESA IP Policy, the regional priorities include the following: investment in the pharmaceutical sector and regional trade in pharmaceutical products to promote access to medicine in order to contain and eradicate killer diseases in the region, technology transfer, access to knowledge particularly access to books and other educational material, agricultural productivity, innovation including incremental innovation by SMEs, geographical indications to put to maximum potential the products unique to the region due to geographical conditions such as teas coffees wines fruits and vegetables, value addition particularly to reduce the exportation

of raw materials or unprocessed products, promotion of cultural products such as film music and crafts and other culturally decorative products, Traditional knowledge; and utilization of rights and pro-development provisions in international agreements on intellectual property rights such as the World Trade Organization's Agreement on Trade Related Aspects of Intellectual Property Rights.

INVESTMENT

123. COMESA FDI inflows in 2008 increased to USD21.8 billion, representing 0.8% of growth compared to the 2007 level. This small increase is due mainly to the dependence on a narrower range of export commodities that were hard hit by falling demand from developed countries following the current global crisis. COMESA share in Africa's 2008 FDI inflows was 25%, with Egypt, Libya and Sudan as leading economies. Legal and administrative barriers are among other factors which impede investment flows in the region.

124. COMESA FDI outflows increased to USD2.1 billion representing 428%. The leading cross-border investing Member States are: Egypt (USD1.9 billion) sharing 90% of total COMESA FDI outflows, followed by Sudan (USD98 million) with 5% of share, and Mauritius (USD52 million) with 2% of share.

125. The Secretariat conducted a business survey with regard to business facilitation based on investors' perception and needs in 15 Member States. Key findings were the following: efficiency and cost of infrastructure and basic services are crucial determinants of investment; administrative bottlenecks, corruption, inflation, access to finances/credit, lack of transparency of rules and regulations and business licensing and operating permits affect business; domestic and regional political environments are, to some extent, negatively affecting Member States.

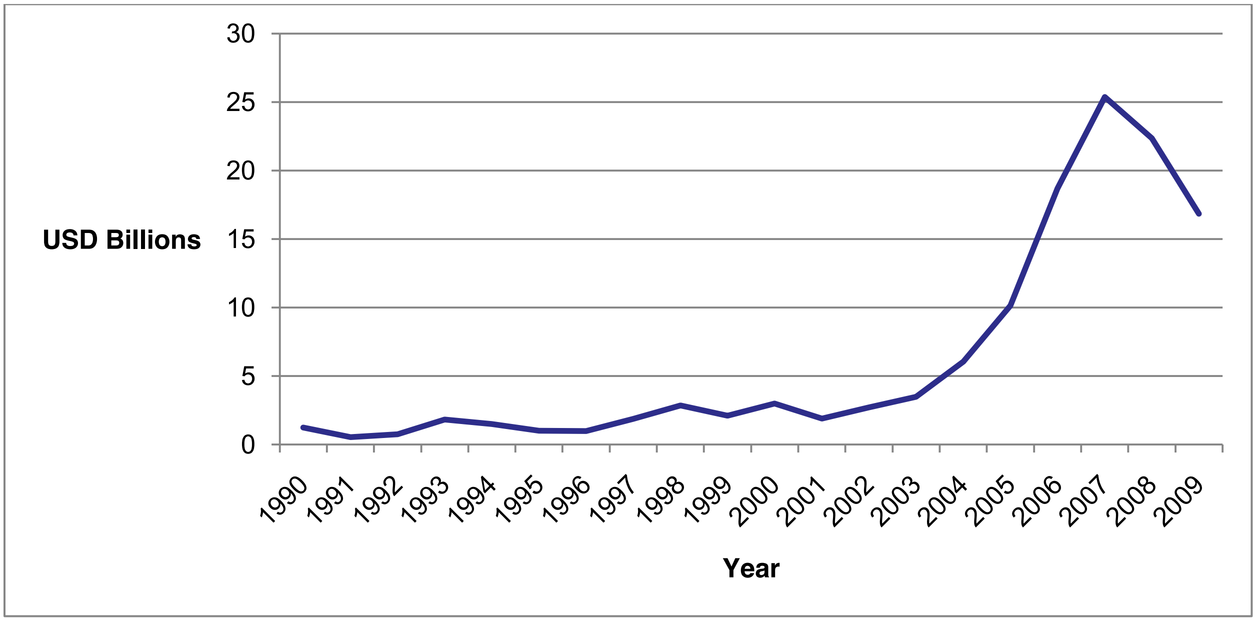
126. In conjunction with UNCTAD, the Secretariat has continued to conduct training workshops on FDI statistics and statistics on transnational corporations in Member States. This is to enable the Member States conduct their national FDI surveys from which accurate FDI data can be collected and compiled for dissemination at the regional level.

127. The COMESA Regional Investment Agency in collaboration with the Dubai Chamber of Commerce and Industry held an Investment Forum in Dubai on 23-24 March 2011 whose theme was, "Dubai to Africa-Unlocking the Markets of the Future." Due to its large size, the COMESA region proves to be a very attractive region is likely to benefit through the much needed infrastructure, agricultural productivity, roads, aviation, railways, finance and banking services. Between January 2003 and 2011, the Dubai World has been the major investor in the region with up to 36% of total investment flows.

128. With the recent global economic turmoil, investment in the COMESA region has been on a decline both in form of projects and FDI as can be seen from the graph below. In the 1990s, inflows of FDI to COMESA were very low but increased steadily from the early 2000s until between 2007 and 2008 when they reduced steeply from 25% to about 17% in 2009. However, COMESA Member States have been praised for their resilience beside their natural possession of competitive advantages. For this reason, Citadel Capital, a large private equity firm with capital of about USD 8.3 billion in 15 industries and 14 nations out of which Egypt, Ethiopia, Kenya, Libya, Uganda and Sudan are COMESA Member States, has shown indubitable interest in investing in the COMESA region. This firm has industries in electricity generation, oil

and gas, mining, cement, agriculture, agrifoods, banking and transportation and logistics. Recently, Citadel Capital invested in the COMESA region through the acquisition of a 51% share in the Rift Valley Railways of Kenya-Uganda as well as the signing of a 30 year lease with a view of establishing El Nahda for Integrated Solutions.[20]

Inflows of FDI to COMESA



Source: UNCTAD World Investment Report 2010

INFRASTRUCTURE DEVELOPMENT

129. During 2010 progress was made in achieving policy and regulatory harmonisation, development of physical infrastructure and facilitation of services in the key infrastructure sub-sectors of Road and Air transport, information and communications technology, and energy. This will go a long way towards the attainment the COMESA vision since economic and social development is dependent, to a great extent, on the state of infrastructure.

Policy and Regulatory Harmonization

130. The COMESA Transport and Communications Strategy/Priority Investment Plan (TCS/PIP) study was completed and adopted by policy organs in 2010. This now serves as a Strategy and an Integrated Policy as well as a Priority Investment Plan that guides the development of regional transport and communications infrastructure in the COMESA region. Various trade transport facilitation instruments which aim at reducing transport costs have

[20] Citadel Capital

continued to be implemented. Significantly, though, the Chirundu One Stop Border Post was formally launched and opened, the very first of its kind in Africa.

131. In the ICT sub-sector, the Broadcasting Policy and Model Bill were adopted. This, together with the other policies already adopted for ICT and Postal services have continued to guide Member States in developing or reviewing their national ICT policies.

132. On energy, an integrated planning strategy in the development of the energy resources and a strategic policy on the development and use of renewable energy and nuclear was adopted. This will assist in addressing the region's energy related supply side constraints through the exploitation of the advantages of economies of scale and scope and in turn, will contribute to increased productive competitiveness and economic growth for poverty reduction. Further, an Association of Energy Regulators was launched. This will assist in facilitating capacity building programmes for the regulators as well as developing common regulatory guidelines for the energy sector. The status of postal sector reform, adoption of national energy policy and membership the Regional Association of Energy Regulators for COMESA are presented in tables 5,6 and 7 respectively.

Table 5: The status of the postal sector reform

	Telecommunications			**Broadcasting**			**Post**		
MS	Policy	Law	Regulator	Policy	Law	Regulator	Policy	Law	Regulator
Burundi	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes
Comoros	Yes	Yes	Under establishment	No	No	No	Yes	No	NO
Djibouti	No	No	No	No	No	No	No	No	No
D R Congo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Egypt	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Ministry regulates
Eritrea	No	No	The Ministry regulates	No	No	No	No	No	Ministry regulates
Ethiopia	No	No	Yes	No	No	Yes	No	No	Under establishment
Kenya	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Libya	No	No	The Ministry regulates	No	No	No	No	No	No
Madagascar	No	No	Yes	No	No	No	No	No	No
Malawi	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mauritius	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Rwanda	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Seychelles	Yes	Yes	The Ministry regulates	Yes	Yes	The Ministry regulates	Yes	Yes	No
Sudan	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Swaziland	Yes	No	No	No	No	No	No	No	No
Uganda	Yes	Yes	Yes	Yes	Yes	Under establishment in UCC	Yes	Yes	Yes
Zambia	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Under establishment
Zimbabwe	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 6: The Status on Adoption of National Energy Policy in COMESA

Country	**National Energy Policy (NEP)**
Democratic Republic of Congo	Development of NEP is in progress

Ethiopia	Development of NEP is in progress
Kenya	Compliant to the COMESA Model Energy Policy Framework
Malawi	Compliant to the COMESA Model Energy Policy Framework
Mauritius	Compliant to the COMESA Model Energy Policy Framework
Rwanda	Development of NEP is in progress
Sudan	Development of NEP is in progress
Uganda	Compliant to the COMESA Model Energy Policy Framework
Zambia	Compliant to the COMESA Model Energy Policy Framework
Zimbabwe	Development of NEP is in progress

Table 7: Status of the Membership of the Regional Association of Energy Regulators for Eastern and Southern Africa

Country	Status of membership
Democratic Republic of Congo	Associate Member, Independent Energy Regulator not yet established
Burundi	Associate Member, Independent Energy Regulator not yet established
Comoros	Associate Member, Independent Energy Regulator not yet established
Djibouti	Associate Member, Independent Energy Regulator not yet established
Egypt	Member
Eritrea	Associate Member, Independent Energy Regulator not yet established
Ethiopia	Member
Kenya	Member
Libya	Associate Member, Independent Energy Regulator not yet established
Madagascar	Member
Malawi	Member
Mauritius	Associate Member, Independent Energy Regulator not yet established
Rwanda	Member
Seychelles	Associate Member, Independent Energy Regulator not yet established
Sudan	Member
Swaziland	Not a Member
Uganda	Not a Member
Zambia	Not a Member

Development of Physical Infrastructure

133. Under the COMESA-EAC-SADC Tripartite, priority infrastructure projects were identified for the North South Corridor and the North South Corridor Donors Conference was held where USD2,7 billion was pledged for infrastructure projects and programmes. In addition, corridor diagnostic studies were conducted for the Central, Northern, Lamu and Djibouti corridors.

134. Construction works in most of the 2010 projects have been completed with the exception of the Gulu/Jaba road, which joins Southern Sudan to the Northern corridor network, whose construction began in February 2011. The Zimba-Livingstone road segment in Zambia was completed in September 2010, the Isiolo Merille River road, part of the Cape to Cairo Highway, was completed before December 2010 and a number of road rehabilitation projects on the Mombasa-Kigali highway were completed.

135. On inland waterways, an MOU was signed between Malawi, Mozambique and Zambia with a consortium of developers to carry out a detailed feasibility Study and Environmental Impact assessment of the Shire-Zambezi waterways project. The detailed design work for the rehabilitation of the Lukuga Dyke/Barrage on Lake Tanganyika reached an advanced stage.

136. As regards ICT, both the SEACOM and the TEAMS marine fibre optic links were completed and commissioned and have now facilitated the connection of the entire Eastern Africa region to the global marine fibre networks thereby providing low cost high bandwidth access to the region. In addition, Member States continued to build their national fibre optic backbones to serve national needs and also to act as backhauls to the marine optic fibre links.

137. Under energy, it has been agreed that the installed capacity of around 38,000 mega watts should be increased by 50 % each five years. Preparatory works are ongoing for various power projects (Uganda–Rwanda, Rwanda-Burundi, Burundi-DRC, Kenya-Uganda, Ethiopia-Sudan and Ethiopia-Djibouti).

138. The Zambia-Tanzania-Kenya Power Interconnector which was identified as a priority project for the North-South Corridor Pilot Aid for Trade Conference is scheduled to be operational by 2012 since the remaining gap is that between Tanzania and Zambia. The Governments of Kenya, Tanzania and Zambia confirmed on a number of occasions that they were keen to fast track the physical implementation of this project. The scale of investment requirements for the priority projects and the best way of financing them will be determined.\

139. Under Air transport, the Tripartite consider the development of a seamless upper airspace across the three sub regions as imperative to the enhancement of efficiency in the management of the upper airspace, the subsequent reductions in navigational costs to air transport operators and an improvement in the civil aviation safety.

140. The COMESA upper flight Information Region study (UFIR) is ongoing and will serve to augment the already completed UFIR studies in SADC and EAC because it includes some countries absent in the SADC/EAC UFIR's. Once complete, the COMESA UFIR study will aid in the development of a single project proposal for the implementation of a single seamless upper airspace.

141. Early this year, COMESA signed a Grant Protocol Agreement with African Development Bank for US$8.6 million to fund the Tripartite Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM) system project. The Project will build upon the SADC, EAC and COMESA feasibility studies.

TRIPARTITE FTA

142. The Tripartite framework for inter-regional co-operation and integration among the three (3) Regional Economic Communities (RECs) of Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Community (SADC), launched in 2001 between COMESA and SADC and later extended to include the EAC in 2005, seeks to promote co-operation and harmonisation of regional policies and programmes aimed at contributing and fast-tracking the attainment of the African Economic Community as envisaged by the African Union under the 1980 Lagos Plan of Action and the 1991 Abuja Treaty. The three (3) RECs are among the building blocks to the African Economic Community.

143. The Tripartite framework was born out of a realisation that the regional integration processes of COMESA, EAC and SADC were similar and in some cases identical. With overlaps[21] in the membership of these three RECs, it was seen prudent for the three RECs to co-operate and harmonise their trade, infrastructure and other regional integration programmes.

144. Between 2005 and 2008, the three RECs undertook numerous activities aimed at harmonising policy and procedures in the area of trade, trade facilitation, customs processes and documentation and harmonisation of infrastructure development. These activities led to the First Tripartite Summit that took place in Kampala, Uganda on 22nd October 2008.

145. The Tripartite Task Force met on 26 April 2010 in Nairobi to consider progress on Member States national consultations on the Draft Tripartite legal and institutional instruments. The Secretariat, together with colleagues from EAC and SADC, undertake missions to five Member States, namely, Egypt, Kenya, Mauritius, Swaziland, and Uganda. The unanimous message from this important sample of Member States was an unequivocal support for expeditiously establishing the Tripartite FTA and immediately commencing consultations at the Tripartite level by convening workshops of experts in the various areas to be covered by the Tripartite FTA Agreement.

146. At its April meeting, the Tripartite Task Force considered a report on the country missions and decided the following:

a. There is need for greater Member/Partner States involvement in the Tripartite process and to this end an informal Committee of Permanent/Principal Secretaries of the Troikas of the three RECs should be established.
b. all country missions should comprise representatives of all three REC Secretariats
c. Trade Mark Southern Africa should fund planned missions and national consultations as well as experts' group meetings on the Tripartite FTA; and
d. The draft Road Map for the launch of the Tripartite Free Trade Area should be maintained, as adopted at its meeting on 9 November 2009 in Mombasa.

147. At the COMESA level, two officers have been recruited and have reported, to constitute the Tripartite Unit at the Secretariat.

[21] Of the 19 Member States of COMESA, 8 are also members of SADC and 4 are Partner States of the EAC. Of the 15 Member States of SADC, 1 is a Partner State of EAC.

148. In addition, all the key COMESA meetings held in the first half of 2010 have considered an agenda item on the Tripartite FTA, which has promoted the on-going process of consultations, awareness creation, and preparations for engaging the other Member States in the other RECs.

149. At its Second Extraordinary Meeting that was held on 18 September 2009 in Lusaka, Zambia, the Task Force decided that a Tripartite Task Force Secretariat (TTFS) be established and that TORs be developed for the Secretariat in order to enhance the TTF's capacity to closely co-ordinate and monitor the implementation of its programmes.

150. The Task Force adopted the Organogram of the TTFS: composed of a TTFS Coordinator, a Trade Specialist, a Customs Specialist and an Infrastructure Specialist, and a few support staff.

151. The Tripartite FTA negotiations were recently launched during the Second Tripartite Summit on 12 June 2011 in Sandton, Johannesburg, South Africa as the three concerned trading blocs work towards harmonising trade arrangements as they seek to form a single Free Trade Area (FTA) by the year 2013. The theme was, "Deepening the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC) Integration." Once established, the FTA among COMESA, EAC and SADC would see over 560 million people and 26 nations[22] come together for one cause, that is to expand trade, create a wider market, increasing investment flows , enhance competitiveness and develop regional infrastructure. This will be achieved once the Tripartite is formed through its favourable impact on capacity constraints and costs associated with trade in goods.

152. The total GDP of the three trading blocs of about USD 1 trillion will be more than attractive to the outside world. The tripartite region once established would constitute 50%, 58% and 57% of the African Union membership, GDP contribution and population of the AU respectively. The other focus of the Tripartite FTA will be on Trade in Services and Intellectual property. At the Summit an invitation was extended to partners urging them to render their much needed support to the Aid for Trade Programme, the Tripartite and the Inter-Governmental Authority on Development (IGAD) Infrastructure Investment Conference which is set to take place in Nairobi, Kenya on 29-30 September 2011. The FTA being proposed is one based on tariff, quota and exemption free formed by merging the already existing FTAs of the three regional blocs. It has been discovered that some countries would wish to maintain a few products listed as sensitive as they trade with big partners leading to a provision that has been made to maintain some sensitive products for within a given period of time.[23]

The Tripartite FTA is expected to cover the following areas:

a) Promotion of customs corporation and trade facilitation
b) Harmonisation and coordination of industrial and health standards
c) Combating of unfair trade practices and import surges
d) Use peaceful and agreed dispute settlement mechanisms
e) Application of simpler and straight forward rules of origin that recognise inland transport costs as part of the value added in production and

[22] Refer to table 8
[23] COMESA Secretariat

f) Relaxation of restrictions on movement of business persons, taking into account certain sensitivities.

Table 8: Tripartite Population and GDP, Current USD, 2009

Country	Population, millions	GDP, Current USD, Billions
Angola	18.5	75.5
Botswana	1.9	11.8
Burundi	8.3	1.3
Comoros	0.7	0.5
Congo, Dem. Rep.	66.0	10.6
Djibouti	0.9	1.0
Egypt, Arab Rep.	83.0	188.4
Eritrea	5.1	1.9
Ethiopia	82.8	28.5
Kenya	39.8	29.4
Lesotho	2.1	1.6
Libya	6.4	62.4
Madagascar	19.6	8.6
Malawi	15.3	4.7
Mauritius	1.3	8.6
Mozambique	22.9	9.8
Namibia	2.2	9.3
Rwanda	10.0	5.2
Seychelles	0.1	0.8
South Africa	49.3	285.4
Sudan	42.3	54.7
Swaziland	1.2	3.0
Tanzania	43.7	21.4
Uganda	32.7	16.0
Zambia	12.9	12.8
Zimbabwe	12.5	5.6
Tripartite total	581.5	858.8
COMESA Total	440.8	444.1
EAC Total	134.6	73.3
SADC Total	269.6	469.4

Source: World Development Indicators, World Bank

AGRICULTURE

153. Agriculture employs about 70 % of the labour force in the region and provides a livelihood to over 80% of the region's population.[24] This justifies that agriculture is one of the key sectors in the region that can ensure decent livelihoods. The Secretariat has, therefore, put in place a series of programmes aimed at increasing agricultural productivity and access to markets by producers. These programmes have been designed within the broad framework of the Comprehensive Africa Agriculture Development Programme (CAADP).

154. The CAADP implementation agenda in COMESA pursues a two-pronged approach. On one hand, the Secretariat facilitates implementation of the CAADP process in the Member States at national level and undertook in 2009 the design of a Regional Compact, under which regional programmes in the sector will be implemented. On the hand, a number of programmes aimed at increasing agricultural productivity and access to markets by producers have been put in place.

155. The main activities conducted in 2009 were the following: supporting Member States to launch the CAADP process, conducting the stock-taking exercise in the agricultural sector, conducting evidence-based analysis to identify priority investment areas for agricultural growth and poverty reduction, designing of strategic investment plans with investment programmes and facilitation to organize the round tables and Compact signature for those countries which were ready.

156. The following nine Member States have now signed their national CAADP Compacts: Burundi, Congo DR, Ethiopia, Kenya, Malawi, Rwanda, Swaziland, Uganda and Zambia while Seychelles, Sudan (Khartoum) and Zimbabwe are yet to sign in the next three months.

157. The Secretariat has, in collaboration with other CAADP implementation partners, intensified efforts in assisting Member States which have signed the compacts, to design detailed and fully costed investment programmes and in mobilization of the required resources to implement the programmes.

158. Regional programmes, shared among multiple Member States, will be identified in a consultative process and be implemented in close collaboration with regional organisations and institutions such as ASARECA. These programmes will add value to the programmes implemented in Member States under the national compacts and further strengthen regional integration.

159. In order to facilitate African countries to accelerate the CAADP implementation process at country level, a Multi-Donor Trust Fund (MDTF) was established under the management of the World Bank. Moreover Child Trust Funds (CTF) will be set up in all RECs and other CAADP institutions. The Secretariat developed its Agricultural Strategic Framework and Operational Plan and submitted it to the World Bank in December 2009 for review by the MDTF team in early 2010. The Strategic Framework presents the overall objectives of the COMESA Agricultural Development Strategy, the strategic areas and strategic functions to be undertaken in order to achieve the objectives.

[24] FANRPAN Regional Secretariat

160. CAADP Implementation Support Process and CAADP Partnership Platform were established in order to facilitate effective coordination of development partners to support agricultural development in Africa through the CAADP process.

161. Agricultural programmes established under CAADP include: programmes to improve access to agricultural inputs, African agricultural markets programme, agricultural marketing promotion and regional integration, and guiding investments in agricultural markets in Africa (GISAMA).

162. In 2010, the International Fertiliser Development Centre (IFDC) implemented a COMESA Regional Agricultural Inputs Programme (COMRAP) aimed at assisting 3 million smallholder famers in the following COMESA Member States: Burundi, Ethiopia, Malawi, Rwanda, Swaziland, Uganda, Zambia and Zimbabwe. The programme is expected to help about 10-15% smallholder farmers in each of these Member States. This programme's objective is to increase agricultural productivity by increasing farmers' access to finance, fertilizer and seeds. Therefore, with a large proportion of people who are dependent on agriculture produce, the programme is likely to lift people out of poverty. The two year project is a specialise agency of COMESA funded by the European Union Food Facility Programme.

163. Another notable agricultural development is the three year partnership between the World Bank and the Alliance for Commodity Trade in Southern Africa (ACTESA) which is under COMESA with the aim of developing the agricultural sector by making policies that will benefit smallholder farmers. Its emphasis is on formulating policies that will provide an environment which can stimulate investment in the sector in order to achieve sustainable agricultural development and enhance food security in the COMESA region.

Participation in standard setting organisations

164. COMESA has initially received a total sum of 106,713.00 Euros for implementation of the Participation of African Nations in Sanitary and Phytosanitary standard-Setting organizations Project (PANSPSO) activities. The activities will be implemented in eight Member States namely, RD Congo, Comoros, Eritrea, Madagascar, Malawi, Mauritius, Seychelles and Zambia.

165. The first activity was the Regional Workshop for the eight Member States, with 12 participants. It objectives were to sensitize participants on PAN-SPSO Project and work out modalities for the implementation of activities in the Member States.

166. Planned PANSPSO activities under COMESA are the following: identifying experts in particular SPS fields to provide training and comments on draft standards to national representatives, establishing and strengthening National SPS Committees, national workshops on "Follow-up and support to National SPS Committees" in the eight Member States, develop a monitoring and evaluation system to keep track of attendance at and contributions to meetings and follow-up of activities on particular meetings and workshops, and setting up an integrated database for SPS related data by upgrading the current ARIS database in IBAR.

CLIMATE CHANGE

167. A Unit was established at the Secretariat to spearhead the COMESA Climate Change Initiative. The objectives of the unit are to: increase advocacy and policy dialogue through the establishment of an African Political Platform to enhance Africa's position in climate change negotiations, increase knowledge management and enhanced capacity on climate change, enhance civil society engagement in climate change negotiation processes, and establish an African Climate Change Finance Facility/Fund.

168. In November 2010, the Carbon Fund was launched and it is designed to encourage broad-based economic development of low carbon abatement projects throughout the COMESA Member States, EAC and SADC. The target size of the fund is USD 500m and will be operating from Mauritius.

169. Several meetings have been undertaken in implementation of the Climate change initiative including: Joint Agriculture/Environment Technical And Ministers' Meetings, Regional Meeting in Kigali, parliamentarians Summit in Nairobi, and Climate Change Round Tables in Member States.

170. Recommendations from these meetings were as follows: there is need for development of adaptation and mitigation measures, conservation agriculture and agro-forestry should be encouraged as the best way to increase agricultural productivity, a mechanism to encourage technology transfer should be developed, and in order to deal with pressure to de-forest, mechanisms for reducing costs, conserving moisture, and providing supplementary fuel and fodder.

171. The COMESA Climate Change Initiative will soon include agriculture, forestry and other land use (AFLOU) in the international climate change regime. AFLOU can play a key role in as far as slowing down the accumulation of GHGs in the atmosphere since agriculture and land use change (including deforestation) are responsible for about 14% and 17% of total global GHGs emissions respectively

172. Follow up activities that have been undertaken are as follows: convening a civil society meeting in Zambia, broadening of the GIS and remote sensing research on net primary productivity to vulnerability assessments and mitigation options, and Seychelles's ratification of the Kyoto protocol thereby meeting the CDM eligibility and its subsequent establishment of the designated authority to oversee all CDM projects.

173. In addition, other activities have been undertaken: signing of a contract between ICRAF and CIFOR and convening of a meeting of African scientists in collaboration, facilitating the establishment and operationalisation of an Africa-Wide Civil Society Climate Change Initiative for Policy Dialogues (ACCID), and convening workshops on Conservation Agriculture (CA). The Natural Resources Development College in Lusaka, Zambia has been identified as a good potential for a centre of excellence in the promotion of conservation agriculture.

174. The Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), have jointly been implementing the Climate Change Initiative and has a successor programme called The Programme on Climate Change Adaptation and Mitigation in the ESA (COMESA-EAC-SADC)

Region. This program will be implemented over a period of five years beginning in 2010 and aims at injecting Africa's Unified Position on Climate Change into the post-2012 United Nations Framework Convention on Climate Change (UNFCCC) global agreement whilst simultaneously promoting strategic interventions that sustain productivity and livelihood improvements of climate dependent dry land farmers in the region.

149. Funding of at least US$100 million will be invested by the Programme over the 5 years, contributed through a multi-donor funding arrangement, from the Royal Norway Government (RNG), the European Union (EU), the United Kingdom Department for International Development (DFID), the Rockefeller Foundation, the United States Agency for International Development (US-AID), and others. The Regional Economic Communities (RECs) will then leverage these investments on the ground and in climate change negotiations to access the significant investments needed to make a meaningful impact on achieving higher and more secure productivities from climate-resilient agriculture for farmers in the region.

150. Funding of at least USD 100 million, contributed through a multi-donor funding arrangement, will be invested over the five year period, in activities promoting sustainable agriculture, forestry land use and renewable energy as these contribute significantly to Climate Change adaptation and mitigation efforts in Africa. Evidence is in support of; improved crop and grazing land management for facilitating increased soil carbon storage and, sustainably cultivated energy crops and reduced use of fertilizers for the reduction in GHG emissions from fossil fuel consumption. In this regard, Agro-forestry will be very essential in building soil carbon and raising the incomes of the community.

151. To help improve the consolidated United African Position on Climate Change, COMESA in working with the World Agroforestry Centre (ICRAF), complied and shared with policy makers and Climate Change negotiators, the scientific evidence on the critical roles played by agriculture, forestry and other land use sector. COMESA also convened a meeting of the Scientists, Civil society, Youth, Gender and Climate Change Negotiators in November. The status of Member States' Submissions to the UNFCC are presented in table 9.

Table 9:Status of Members States Submissions to the UNFCCC

	Convention on Climate Change Ratification	Kyoto Protocol Ratification	1st National Communication	2nd National Communication	National Adaptation Plan of Action (NAPA)	Website
Burundi	√	√	√	√	√	
Comoros	√	√				
Djibouti	√	√	√		√	
DR Congo	√	√	√	√	√	
Egypt	√	√		√	N/A	√
Eritrea	√	√	√		√	
Ethiopia	√	√	√		√	

Kenya	√	√	√		N/A	
Libya	√	√			N/A	
Mauritius	√	√	√		N/A	
Madagascar	√	√		√	√	√
Malawi	√	√	√		√	
Rwanda	√	√	√		√	
Seychelles	√	√	√		N/A	√
Sudan	√	√	√		√	
Swaziland	√	√	√			
Uganda	√	√	√		√	
Zambia	√	√	√		√	√
Zimbabwe	√	√	√		N/A	√

Source: **www.unfccc.org**

PEACE AND SECURITY

152. In the important area of Peace and Security, there were significant achievements for COMESA, especially the following: laying down of arms by armed groups in the RD Congo and Burundi, integration of Palipehutu FNL combatants into the Government Security Forces in Burundi, 12 out of the 13 remaining armed groups in South Kivu signed a declaration officially ending hostilities in Eastern RD Congo in the RD Congo, and cooperation between the RD Congo and Rwanda as a joint effort towards dismantling the FDLR is ongoing. These efforts were commended by the Ministers of Foreign Affairs. The Ministers called for normalisation of diplomatic relations between the RD Congo with Rwanda and Uganda.

153. There is an increasing willingness of Member States in the region to cooperate on issues of peace and security, in particular through COMESA which has been mandated by its Members to carry out conflict prevention activities and has proved committed to tackling the effects of conflict on economies across its region. The EU supports these efforts and contributes to conflict prevention and post conflict reconstruction of countries in Eastern and Southern Africa region that have emerged from or have been affected by conflicts or have a high risk of conflicts by addressing the structural economic dimensions of conflicts.

154. Under the Ninth EDF, the EC co-finances with COMESA, EAC and IGAD the Conflict Prevention Management and Resolution programme (CPMR) whose purpose is to enhance the capacity of COMESA to address conflicts by focusing on war economies and their linkages to conflict propagation.

155. Under the Tenth EDF RSP-RIP, the EC supports the implementation of the regional pillar of the Pan-African architecture for conflict prevention and peace and security, through preventive crisis management and early warning and early reaction mechanisms and promotion of good governance and democracy. Under the Regional Political Integration and Human Security Support Programme (RPIHSSP) signed with the EC in 2010 for €1.6 million, COMESA will work towards the harmonisation of policies and programmes on democratic processes and

the promotion of the culture of democracy in the ESA-IO region. These developments will enable the region to play its full role in the Pan-African political architecture.[25]

156. However, there are new challenges: an unconstitutional change of government in Madagascar, a decision by Mayotte to secede from Comoros and become an integral part of France, and the rising incidents of piracy off the coast of Somalia and the Gulf of Aden.

157. On Madagascar, COMESA Ministers joined the African Union and SADC in rejecting and condemning the unconstitutional change of government there. Madagascar was consequently suspended by all three bodies pending return to constitutional rule. Efforts at reconciliation through the negotiation of a power-sharing government are still ongoing, but indications are that important progress has been made by the parties.

158. On the rising incidents of piracy in Somalia, COMESA Ministers of Foreign Affairs called for increased coordinated efforts by the United Nations to combat piracy but emphasised the need to address it in a holistic manner, on the basis that piracy can only be addressed by ensuring the underlying factors, such as the instability in Somalia, are addressed comprehensively. Various meetings have been held on the matter, and initiatives undertaken by Member States individually, particularly Seychelles.

159. The programme on Peace and Security stepped up its efforts to address the challenges facing the region by establishing the COMESA Conflict Early Warning System and the Committee of Elders. The Conflict Early Warning System is intended to offer COMESA a good opportunity to intervene at the earliest stages of conflict formation by analyzing and giving early warning of structural vulnerability to conditions that threaten peace and stability in the region. The Committee of Elders, who will serve a term of 5 years, are those "who would be chosen and deployed by the Office of the Secretary General for preventive peacemaking assignment." Five eminent persons were elected. The remaining four members of the Committee of Elders will be elected during the Tenth Meeting of the Ministers of Foreign Affairs, which is planned for the Kingdom of Swaziland in August 2010.

160. The other important program implemented is the "Trading for Peace Project", which targets the Great Lakes region and is aimed at using trade as a mechanism for peace and security by focusing on small-scale cross-border traders, and service providers and local government officials to build relations between countries of the Great Lakes Region. During the year, the programme started the process of identifying gaps in legal frameworks in Member States that make the countries vulnerable to the emergence and entrenchment of war economies.

INFORMATION AND NETWORKING

161. Significant strides were made in the implementation of various programmes in the area of Information and Networking, particularly the following:

a. Launch of e-Government portal as a means to ensure successful implementation of the framework. The E- Government focal points have been appointed in all

[25] European Union, 2010

member states and these serve as the contact points between COMESA and the Member State for the implementation of the e-Government programme.

b. An e-learning platform has been installed at the secretariat for use by all member states. For sustainability, Member States lead the programme while the Secretariat plays a facilitation role. E-learning focal points have been appointed in all Member states and the focal points coordinate e-learning activities in the Member State and keep COMESA updated about country activities.
c. Customs modernisation - Transit Data Transfer Module (TDTM) was piloted at the Zimbabwe side of the Beit-Bridge Customs Border Post to allow for transit consignment destined for COMESA countries, captured in the ASYCUDA system at this border, to be automatically uploaded into the COMESA Server and thus made available, in advance, to all authorised stakeholders along the Transit route
d. 15 out of 19 COMESA Member States now use the ASYCUDA system for processing import, export and transit declarations
e. An evaluation of the COMESA ASYCUDA Regional Project (CARP) was conducted and received a satisfactory performance rating from the evaluation;
f. Upgrading of Secretariat's IT network services
g. Launch of COMESA Help Desk Support Services for users. This has assisted to improve communication with end users; evaluate and prioritize incoming support calls; track reported problems and their outcomes; minimize support calls by teaching users basic skills; and develop effective help desk policies and procedures
h. Formulation and implementation of a marketing strategy
i. Developing the Secretariat's intranet system to improve communication
j. Developing the COMSTAT which is the COMESA Statistics System to perform economic analysis and summary of Trade Information for the COMESA, and
k. Developing the websites for the Association of Regulators of Information and Communications for Eastern and Southern Africa (ARICEA) and the Food and Agricultural Marketing Information System which facilitates Regional Agricultural Trade.
l. Guidelines on e-legislation for the COMESA region have been developed and, a study will soon be launched to draw up draft regulations to facilitate and secure electronic transactions.
m. A Free and Open Source (FOSS) programme for the region has been embarked on. The specific objectives of the programme are:
    i. Improvement of FOSS Policy Environment
    ii. Sustained and functional awareness creation
    iii. FOSS Capacity Building within region
    iv. Growth and reinforcement of the capacities of FOSS communities

A number of activities are planned in order to achieve the above stated objectives.

GENDER AND SOCIAL AFFAIRS

162. The COMESA Secretariat through the Gender and Social Affairs Division is committed to attain gender equality and equity within the overall objective of regional economic integration. In order to attain this overall objective, several developments have taken place. The COMESA Authority endorsed the COMESA Gender Policy in 2002 and the COMESA Council of Ministers

approved the COMESA Gender Mainstreaming Strategic Action Plan during its Twenty Fifth Meeting in Lusaka, in December 2008. COMESA Secretariat through the Gender and Social Affairs Division continues to implement the activities steered by the Strategic Action Plan in order to realise a full implementation of the COMESA Gender Policy.

163. On implementation of the Gender Policy, the Secretariat developed guidelines for mainstreaming gender perspectives and reporting on the implementation of the policy's strategic areas and these have since been aligned to the COMESA strategic plan of 2011-2015. All the programmes under the Gender Division are for the sole purposes of implementing the COMESA Gender Mainstreaming Strategy. These are being used by Member States to report on their activities.

164. All Member States have established a National Gender Machinery with an overall mandate to coordinate gender mainstreaming activities and promote gender equality and equity. In addition, National Gender Policies and constitutional and legal provisions have been developed as guiding tools to ensure the mainstreaming of gender in development programmes.

165. In order to promote economic empowerment of women through trade and private sector investment, a ministerial border posts fact finding mission was undertaken to Chirundu border post on the Zambia and Zimbabwe border. The objective was to familiarize the Ministers with the existing hardships and challenges faced by small-scale cross-border traders, especially women.

166. There are initiatives in the development of agri-business capacity building programme for female farmers with the goal of strengthening their trade capacity in agribusiness through policy development and technical assistance. In addition, the Federation of National Associations of Women in Business (FEMCOM) Secretariat was established in Lilongwe, Malawi, and it is now fully functional and operational. FEMCOM in May 2011 undertook a consultative forum so as to provide a conducive environment for COMESA Member States to deliberate on appropriate programmes that will integrate women into trade and development through COMRAP activities within the region. This activity is a step towards contributing to the overall objective of ACTESA and COMESA in the agriculture sector, which is to improve agriculture production and enhance food security within the region.

167. Another significant development is that the Secretariat has developed the COMESA Social Charter in order to facilitate the integration of social development perspectives into COMESA programmes. At the Council of Ministers in 2010, the Ministers effected an amendment to the Draft Concept Paper on the COMESA Social Charter to include a focal area on sex disaggregated data. In this regard, the National Central Statistical offices in COMESA member States are being urged to come up with sex (gender) disaggregated statistics to facilitate the monitoring of gender gaps in all sectors of development. The Council of Ministers also adopted, after amendments, the COMESA Gender mainstreaming toolkit which tailor-made for professionals and managers who are not versed in gender issues as well as the COMESA HIV and AIDS Strategic Multi-sectoral Programme.

168. The Council of Ministers in August 2010, endorsed the decision that Conservation Agriculture and other COMESA Agriculture programmes such as CAADP and COMRAP should ensure that at least 80 percent of the beneficiaries are female headed households in order to fully integrate them into agriculture and climate change adaptation and mitigation interventions.

169. To implement this ministerial decision, COMESA Secretariat, through the division of Gender and Social Affairs and with financial support from USAID, conducted a regional study on "integrating female farmers in agribusiness into regional and global value chains" in selected countries, namely Kenya, Uganda and Mauritius. The main objective of the study was to identify gaps and challenges encountered by small holder female farmers along the agricultural value and supply chains.

170. The main findings indicated that female farmers were still greatly incapacitated due to various operational constraints encountered along the value and supply chain. Significant among the enormous barriers to their effective participation and increased productivity were; high production costs, lack of access to modern technologies to contribute towards reduction of labour-intensive production; limited access to processing technologies for product value-addition; unavailability of credit systems tailor-made for small scale and medium scale farmers; fraudulent agro-dealership systems; limited or lack of access to market information and national/regional markets; and lack of capacity enhancement programmes focusing on climate change mitigation and adaptation interventions i.e. Conservation Agriculture.

171. In addition, the study highlighted lack of strategies in existing programmes to guide the mainstreaming of gender into agricultural and climate change initiatives within the national machineries i.e. gender, agriculture, trade and environment.

172. It was envisaged that the findings of the study would create avenues of enhancing the trade capacity of female farmers in agribusiness through policy development and technical assistance, in terms of capacity building, and increase their participation in intra-regional and regional trade activities.

COMESA INSTITUTIONS

The PTA Bank

173. In 2009, the shareholding structure of the Eastern and Southern African Trade and Development Bank (PTA Bank) had not changed with 16 COMESA countries, two non-COMESA countries and one institutional shareholder, making a total of 19 shareholders. AfDB is an institutional shareholder of the Bank. The Bank operates from three offices in Burundi, Nairobi and Harare.

174. The Bank posted a net profit of USD12.46 million for the year ended 31 December 2008. The Project Finance approvals, commitments, disbursements and letters of credit up to October 2009 amounted to USD67.48 million, USD79.86 million, USD52 million and USD 299 million respectively. It received support from the African Development Bank amounting to USD98.6 million in form of equity participation, a line of credit, and technical assistance. It signed a USD 70 million line of credit facility with the EXIM Bank of India. At the regional level, the Bank continued to mobilize local currency resources in a number of Member States by way of bond issues.

175. The Bank still maintains and utilizes two windows, namely Project Finance and Trade Finance which are for medium to long-term facilities and short-term facilities respectively. The

Bank has continued to enjoy favourable ratings from rating agencies, and despite the financial crisis, to assist the region by lending directly to the private sector when elsewhere in the world credit lines were freezing up. Given that it is estimated that 90% of trade requires credit, this function and role of the PTA Bank was critical to the development priorities of the COMESA region, and indeed the entire Africa where the Bank has operations. Table 10 below shows the outstanding trade and project finance loans by PTA Bank to Member States.

Table 10: Outstanding Trade and Project Finance Loans by PTA Bank to Member Countries for the year ended 31 December 2009 in US dollars

Country	No. of Project Loans	Outstanding Balance of Project Loan Portifolio	No. of Trade Financing Loans	Outstanding Balance of Project Financing Portifolio
Burundi	10	938,511		
Eritrea	1			
Ethiopia	3	5,907,490		
Kenya	39	43,971,148	10	47,869,275
Malawi	13	15,320.726	3	29,442,359
Mauritius	1	6,749,010		
Rwanda	8	14,624,117		
Seychelles	2	12,326,837		
Sudan	8	15,558,086	1	3,202,749
Tanzania	27	47,750,321	1	14,020,814
Uganda	26	58,686,568	3	6,023,373
Zambia	27	45,515,400	3	232,369,424
Zimbabwe	16	7,706,463	8	56,198,126
Total Gross loans		722,951,292		389,126,120

Total Gross Outstanding Balance of PTA Lending is USD 1,162,077, 412

Source: PTA Bank Annual Report and Audited Accounts for 2009

The Clearing House

176. The COMESA Clearing House (CCH) was mandated to design and implement facilities in line with its objective of facilitation of the settlement of trade and services payments amongst Member States and supporting the COMESA Monetary Harmonisation programme.

177. The facilities include: An African Guarantee Facility which led to setting up of the African Trade Insurance Agency (ATI), connection of all commercial and merchant banks to the SWIFT network for safe and secure messaging of payment transactions through a common and efficient network, and the Regional Payment and Settlement System.

The Regional Payment and Settlement System (REPSS)

178. The Regional Payment and Settlement System, launched by the Authority on 7 June 2009 at its Thirteenth Summit in Victoria Falls, is designed by Central Bank Governors and the COMESA Clearing House to allow Member States to transfer funds more easily within COMESA. REPSS is built on open standards and is accessible to Non-Member States as well. COMESA intends to make REPSS the single gateway for Central Banks within the region for effecting payments, a gateway that is fully compliant with all BIS Core Principles.

179. REPSS is aimed at stimulating economic growth in the region, through an increase in intra-regional trade, by enabling importers and exporters to pay and receive payment for goods and services through an efficient and cost effective platform. Local banks access the payment system through their respective Central Banks. Any participating bank is, therefore, able to make payments directly to, and receive payments from, any other participating bank. The linkages through Central Banks avoid the complex payment chains that occur in correspondent bank arrangements. The system, therefore, operates through Member States' Central Banks and their corresponding banking systems.

180. The Settlement Bank (Bank of Mauritius) holds accounts of all participating Central Banks in the currencies of settlement. Settlement will initially be carried out in US Dollar and Euro but the system is flexible to allow the use of other tradable currencies This setup enables the completion of transactions within the same day as against a waiting time of up to five days with the previous system.

181. Member States could save an amount of USD 45.8 million when channelling intra-COMESA trade through REPSS. Once the region starts trading on open accounts, the saving could rise to USD 229.0 million. REPSS has been so designed as to take on board, any member States outside COMESA. Besides operating as a Tripartite Facility for the three Regional Economic Communities (COMESA, EAC and SADC), it can also take on board payments for trade with China, India and the Gulf Cooperation Council countries. Initial savings for member States by channelling these transactions through REPSS have been estimated at US$194 million.

182. In the first joint meeting of Central Bankers and Ministers of finance, Central Banks that had not yet signed the various agreements pertaining to REPSS and its Operations were urged to expedite their signatures by the end of July 2011; namely Central Banks of Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar and Seychelles. REPSS is being aggressively promoted in all Member States through sensitization workshops organized by Central Banks and with the participation of commercial banks, exporters and importers and other stakeholders. The Status report on REPSS is as shown in table 11 below.

Table 11: STATUS REPORT ON REPSS

	COUNTRY	**ACCOUNTS OPENED**	**AGREEMENTS SIGNED**
	Burundi	√	
	Comoros	√	
	Congo D.R.	√	
	Djibouti		

	Egypt	√	
	Eritrea		
	Ethiopia		
	Kenya	√	
	Libya	√	
	Madagascar	√	
	Malawi	√	√
	Mauritius	√	√
	Rwanda	√	
	Seychelles		
	Sudan	√	√
	Swaziland	√	√
	Uganda		√
	Zambia	√	√
	Zimbabwe	√	
	Tanzania	√	

The PTA Re-Insurance Company (ZEP-RE)

183. ZEP-RE has continued to achieve a reasonable share of the business within and outside the COMESA region. The membership currently comprises six governments, 15 national companies, nine private companies and two regional organizations. The AfDB and IFC are currently negotiating their membership. Membership of these two institutions is expected to greatly augment the share capital of the Company.

184. As of 30 September 2009, ZEP-RE was carrying out business in 17 Member States as well as in other African countries. Business written and premium income amounted to USD34 million and USD39.35 million respectively. Total assets had increased from USD68.77 million to USD75.60 million while investments increased from USD57.16 million to USD60.38 million. Net profit realized has increased from USD2.29 million to USD3.63 million. The company has continued to enjoy favourable ratings from rating agencies.

The African Trade Insurance Agency

185. ATI continued to provide investment and credit risk insurance to financial institutions/lenders, investors, manufacturers, importers and exporters, in this way contributing significantly to private sector development COMESA Member States.

186. The following achievements can be singled out: ATI generated a gross written premium in excess of USD1.7 million, gross exposure increased from USD 113 million to USD 187 million, investment insurance for transactions is provided valued at USD 650 million, and it is in the process of opening three new field offices.

187. ATI has received grant funding from FIRST Initiative, IDA of the World Bank Group, European Union and USAID, and it is implementing the Enterprise Risk Management Project

which will enable it to effectively evaluate internal controls and move towards an agency wide risk management system.

188. The Agency has continued to enjoy favourable ratings from rating agencies. For example, the ratings in 2009 were as presented in table 12 below.

Table 12: Maximum Sum Insured by ATI by Country in US Dollars

Country	2009 Gross
Burundi	3,750,000
Congo DR	64,741,077
Kenya	31,863,353
Madagascar	1,659,784
Malawi	64,107,033
Rwanda	
Tanzania	14,637,043
Uganda	25,728,532
Zambia	39,019,810
Others	9,144,240
Total	254,650,872

Source: 2009 Annual Report of ATI

The COMESA Court of Justice

189. The Court has now decided 50 cases, including interlocutory applications. These relate to the operation of the Free Trade Area and between Member States, as well as between Member States and COMESA Institutions, and between COMESA Institutions and their staff.

190. The Court is in the process of consolidating its activities to prepare for its growth and stability. These activities include: recruitment of additional personnel, improvement of the management systems, and improvement in the collaboration with stakeholders in the justice sector, and use of IT to provide its services to the region and as well as researchers. In addition, the Court has embarked upon the process of mobilizing financial and other resources for carrying out capacity building programmes in regional trade and investment matters.

COMESA Leather Institute

191. The Institute has made achievements on the design, production and implementation of various programmes and projects for Member States to develop the leather sector in the areas of human resource and institutional development and capacity building. It has provided, directly and in cooperation with its Country Units various sectoral trainings, workshops, roundtable meetings, study tours and trade fairs to target groups representing different sectoral production, processing, and marketing activities along the whole leather value chain. It has thus up-graded existing skills and introduced new technologies and skills/know-how in the tanning, leather

footwear, garments and goods industries and SMEs and enhanced their competitiveness in the international market.

The COMESA Brussels Liaison Office

192. The BLO has been involved in the mobilization of an amount of 1,889,992 Euros as extra-budgetary funds for activities which were organized within the region to strengthen regional integration.

193. As regards the follow up and /or representation on issues related to multilateral trade, meetings organized for ACP countries in Brussels and the WTO in Geneva, BLO has focused on four areas namely: Resource mobilization, Strengthening of Development cooperation, Multilateral trade, and EPA negotiations. Several missions, meetings and workshops were undertaken. The Office continues to maintain good cooperation relations with key partners including European Commission, the ACP Secretariat, the AU Permanent Mission in Brussels, the other RECs represented in Brussels (ECOWAS, UEMOA, and Focal Point of CEMAC) and other international institutions represented in Brussels and Geneva.

194. The Liaison Office plays a central role in the dissemination of information to the Ambassadors of the COMESA Member States represented in Brussels and Diplomatic Missions of the Member States of the Tripartite COMESA-SADC-EAC Group.

FEMCOM

195. FEMCOM has established its Secretariat in Malawi. Operationalisation of its activities include: the signing of the Host Agreement between the Government of Malawi and COMESA, preparations to convene the Annual General Assembly, and implementation of the 2009-2014 FEMCOM Medium Term Strategic Plan.

ACTESA

196. ACTESA undertook significant outreach activities in support of its stakeholders, namely, farmers, traders and market institutions. These outreach was to the following various fora: East African Farmers Federation (EAFF) Congress, Zambia National Farmers Union 104th Congress Meeting, AGOA Participation, US-AFRICA Business Summit, COMPETE Work Plan, and WFP Meeting.

197. ACTESA's major result area was the finalization of its legal status. It made significant progress in designing key programs such as the COMRAP under the EC Food Facility and bringing in new partners, such as Australian AID, to support agricultural development in COMESA.

The COMESA Business Council

198. The COMESA Business Forum (CBC) was held during which the COMESA business community embraced the COMESA Customs Union as a potential driver for economic growth and regional integration. The CBC was selected as the regional apex private sector institution

that required strengthening, in order to ensure visibility and participation of the COMESA business community in regional trade related policy dialogue. Moreover, the African Cotton Textiles Industries Federation (ACTIF) launched the Cotton, Textile and Clothing Strategy.

199. The following achievements are noteworthy: recruitment of a CBC Coordinator to set up a Secretariat and facilitate the daily activities of the Council, stocktaking and analysis of trade related policy issues in the region were undertaken, launch of a CBC Board Meeting planning exercise, signing of two Memoranda of Understanding one with the COMESA Regional Investment Agency and the other with the Jeddah and Bahrain Chambers of Commerce.

MONITORING AND EVALUATION

200. The main activities undertaken under Monitoring and Evaluation ought to have been the following: assisting in the development of the Integrated Work Program and Budgeting System for the Secretariat and of capacity for monitoring and evaluation, coordination of preparation and compilation of the Annual Work Programs and Budgets, coordination of preparation and compilation of periodic reports, and technical assistance to COMESA institutions in monitoring and evaluation issues.

PARTNERSHIPS

201. The year 2009 was marked by maintenance of continuous support to the COMESA regional integration agenda by important partners. There has been strengthening of official relations with new partners within the Gulf region. There was enormous support to COMESA Climate Change Initiative which enabled COMESA to take a significant lead position in the Copenhagen negotiations.

202. In addition, the Secretariat has continued to show its commitment towards working closely with Regional and Continental organizations towards the achievement of the COMESA vision through the implementation of the continental Minimum Integration Plan.

203. The EU remains the lead cooperating partner for COMESA and a meeting was held to review the status of implementation of all the 9th EDF projects. The review came up with a positive assessment of the programmes thereby confirming the merits of using the COMESA Contribution Agreement as a modality of implementation.

204. As regards USAID, a proposal was discussed to have an integrated agreement that incorporates all the activities funded by USAID. This will be implemented by the Integrated Partnership Assistance Agreement with funds amounting to USD 1.493 million.

205. One notable programme where COMESA has partnered with USAID was the USAID’s 2010 support to Djibouti which has been the largest since 2003. Agreements between the Government of the United States and the Republic of Djibouti will promote health care, education, democracy and good governance. Resources will continue to support the Ministry of Health's efforts to eradicate polio and control Tuberculosis. Over the past three years, USAID's

support to the National Tuberculosis Program contributed to a doubling in the number of TB diagnostic and treatment centers, and Djibouti moving from having the world's second highest to third highest TB prevalence rate in the world. A new program will support good governance in the health sector by improving systems and procedures within the Ministry, including financial capacity and service delivery.

206. Education resources focus on the quality of teaching and learning. USAID has supported an Education Information Management System that helped to produce reliable statistics, illustrating significant education achievements over the last few years including an increase in the number of children and girls enrolled in primary school. USAID also worked with the Government of Djibouti, the Electoral Commission, political parties and civil society on the March 2011 Presidential and Regional Council elections. With assistance from USAID/Washington, the total 2010 budget for Djibouti was approximately USD 11 million, nearly doubling that of 2009 contribution and making it the largest contribution since USAID re-opened seven years ago.

207. USAID has also supported the African Cotton Textiles Industry Federation by engaging closely with COMESA to ensure that duty will be applied to inputs from outside the region in a way that promotes industrial competitiveness. In an effort to increase trade in agriculture, USAID has worked closely with COMESA to harmonize sanitary and phytosanitary requirements for the trade of maize and dairy within the region. USAID also continues to support implementation of the Comprehensive Africa Agriculture Development Program (CAADP) which is an African driven initiative to expand agricultural trade and production. One of the latest amendments to the Agreement was signed in September 2010 and added USD16.7 million to generate results in the areas of Trade, Transit, Agriculture, Climate Change and Conflict Mitigation. Since the first USAID-COMESA bilateral agreements were signed in 1998, USAID supported the implementation of the COMESA Free Trade Area which significantly reduced tariffs on goods traded between Member States. USAID has also facilitated private sector participation in the design of the COMESA Common External Tariff, a key element of the new Customs Union. [26]

208. DFID has continuously supported COMESA programmes such as the strengthening of the FTA, development of the Customs Union, enhancement of policies in agricultural inputs/outputs through the Africa Agricultural Markets Programme, and particularly the establishment of the Tripartite FTA to which DFID has already contributed 37 million pounds already availed and managed by COMESA Secretariat.

209. As regards the World Bank, consultations on how to benefit from the newly developed Regional Integration Assistance Strategy (RIAS) are continuing. World Bank Group launched the USD 40 million Trade Facilitation Facility (TFF) in the margins of the North-South Corridor Conference of April 2009 in Lusaka, to help countries improve their competitiveness and reduce trading costs through measures such as improving infrastructure, transport logistics and customs procedures.

210. The African Development Bank has finalized its new regional integration strategy assistance and is revising and improving its cooperation with COMESA Secretariat. Various

[26] USAID, East Africa, "*Biweekly update,*" October 2010.

ADB supported COMESA projects are ongoing, particularly in the areas of statistics, public procurement, and infrastructure.

211. NORAD in collaboration with the Swedish Government is supporting the implementation of COMESA HIV and AIDS Multi-sectoral Programme.

212. COMESA has continued to actively participate in all African Union meetings and to provide important inputs, guidance, and leadership. Outstanding recent examples to mention could be that COMESA Secretariat initiated what turned out to be the African Union positions in the Climate Change negotiations and the in the EPA negotiations.

213. The UNECA and COMESA have reviewed the Multi-Year Action Plan developed in 2008 and agreed to prioritize projects for immediate implementation. UNECA has continued to worl closely with the Secretariat, particularly through UNECA's Africa Trade Policy Centre staff.

214. There has been strengthening of the official relations between COMESA Secretariat and new partners within the Gulf region. In Saudi Arabia, two Memoranda of Understanding (MoU) were signed between COMESA and the Islamic Development Bank and the Jeddah Chamber of Commerce and Industry. In Bahrain, frameworks for future collaboration were established through the MoUs signed between COMESA and various Chambers of Commerce and Industry. The objective was to introduce COMESA Member States as destinations for investment to the business community in the Gulf States.

CHALLENGES FOR REGIONAL INTEGRATION

215. Even though significant strides have been made as the region moves into deeper and wider regional integration, consolidating the FTA and establishing a full and operational customs union, it is important to draw lessons from what has been achieved in order to prepare for possible challenges that lie ahead. This part of the report analyzes possible challenges that could stand in the way of effectively implementing and taking forward the regional integration agenda. Identifying and addressing these challenges will assist in developing elaborate and sustainable strategies in addressing them. The challenges are categorized into two, namely, systemic challenges, and those specifically relating to some of the COMESA programs.

216. Key COMESA players in the COMESA integration agenda are the following: the Secretariat, Member States, private sector, opinion leaders (for example academic and research institutions), and grass root organizations (such as civil society organizations). There are challenges that constrain the performance of each of these players, and conversely, each of these players can bring along some challenges to performance on the integration programs.

<u>Systemic challenges</u>

Secretariat

217. The Secretariat plays an important role in spearheading and managing regional integration programs for the region. However, the Secretariat is faced with serious challenges in undertaking its core activities.

218. A key challenge relates to the inadequate capacity of the Secretariat to assist the implementation of some key regional integration programs. This is manifested in a number of ways. For instance, there is lack of adequate human resources at the Secretariat to spearhead the program. Yet eight of the 15 millennium villages of the world are in the COMESA region, providing a ready chance for COMESA to build upon and work with in implementing key programs in various areas, such as agriculture, value addition, infrastructure, trade, and science and technology

219. Moreover, despite the critical role of statistics in the regional integration process and the tremendous contribution made by the Secretariat's Statistic Unit so far, a challenge relates to the stability of the Unit as it is generally comprised of short term statisticians paid under unpredictable or short term donor programs. This undermines the ability of the Secretariat and COMESA as a region to engage in long term planning and ultimately degrades the critical role of the Secretariat in assisting Member States in policy making through evidence-based policies and empirical policy research that could greatly assist ways forward on critical national, regional, and global challenges spewed from time to time particularly by the large tottering machine that globalisation increases turns out to be.

220. Further, the Secretariat does not have a defined research unit to undertake research activities in line with the integration agenda. This negatively impacts on the Secretariat's work in that the minimal research activities being undertaken are not done in a coordinated and coherent manner. This has incapacitated the Secretariat's ability to adequately contribute to the needed stock of knowledge on regional integration available to Member States and other stakeholders. The strategy is therefore to develop a strong Research Unit at the Secretariat. This will assist the Secretariat in opening up to new ideas which will be contributed both by the Secretariat and researchers in the region. In addition, this would promote ownership of the integration agenda among researchers, opinion leaders, and other stakeholders.

221. The huge dependence of the Secretariat on donor funding which has been unsustainable, especially in terms of short programs that end without successor ones, for the past few years has been another challenge for the Secretariat. In some cases, the funds have often not been provided timely and at times have been withheld. This has had a negative effect on the operations of the Secretariat resulting in delay in undertaking various activities in the programs. There is obvious need for a sustainable approach of resource mobilization for the integration programs of COMESA, particularly through funding from Member States and facilities of COMESA as an organisation. Having said this, though, it should be emphasized that some key donors, particularly the EU, have consistently provided much needed funding for COMESA programs and remain solid partners. The challenge is on COMESA Member States to rise to the challenge of appropriately owning and funding the integration program, with donor support assisting to deal with gaps if any.

Inadequate capacity in Member States on regional integration

222. One of the main challenges faced by COMESA Member States is the lack of adequate capacity to effectively implement regional integration programs. This is manifested in a number of ways both at regional and national levels.

223. At the national level, there is generally weak capacity for national coordinating units in Member States to effectively fulfil their mandate in facilitating and implementing regional integration programs. There would seem to be inadequate appreciation and understanding of the regional integration policy and implementation issues by some government officials primarily

involved in policy making and implementation. This is usually attributable to inadequate human resource adequately specialized in regional integration matters.

224. At the regional level, the attitude of some stakeholders especially government officials during negotiations, reflects a lack of appreciation of regional interests as well. By and large, they tend to demonstrate predominantly a national rather than a regional approach to regional integration. Arguably, this has the potential to produce programs that are merely a reflection of the interests of a few Member States and not the entire region, or said differently, predominantly national programs that get regionalised. The challenge is therefore to ensure that Member States balance regional interests with their national priorities in a way that promotes development through the regional integration process. It should be a national interest to have vibrant regional programs, in that the regional approach should be good for each Member State in the areas covered by the regional programs.

225. The key strategy for a way forward therefore must be in sustainable capacity building on trade and regional integration at both national and regional levels. This will assist in ensuring that Member States develop a wholistic regional outlook towards regional integration rather than a national outlook, and promote a regional collective approach to addressing key regional and global challenges.

226. There is need for COMESA to initiate an institutional capacity building program that promotes a more inclusive integration agenda and facilitates knowledge development for the region. This should be undertaken in a sustainable manner through mainstreaming education and training on regional integration in Member States. These programs should provide, among other things, requisite training not only for current and future negotiators and government officials dealing with regional integration but for implementers in government, private sector, and civil society organizations as well.

Political will

227. Political will poses another critical challenge for deeper regional integration. Political will is a complex matter, but to assess whether a Member State has adequate political will to implement COMESA integration programs can be easily worked out, by looking at the human and financial resources committed to implementation of key COMESA programs. A Member State that commits minimal financial resources in its budget programming to key COMESA programs and to the COMESA coordinating ministry can safely be considered to thereby evidently manifest inadequate political will in proactively supporting and implementing key COMESA integration programs, including the programs on trade and investment, agriculture, infrastructure, services, and science and technology. On agriculture, for example, it has been agreed at the continental level, at the highest political level, since the 2003 African Union Maputo Declaration, to commit not less than 10% of the financial resources of the country, to the agriculture sector, and to approach the sector within the overall framework provided by the Africa's Comprehensive Agriculture Development Program. Regrettably, not all Member States have lived up to this commitment.

228. On this basis, then, the view that generally there is inadequate political will among Member States to effectively take the integration agenda forward, can be quite credible, of course amounting to a terrible indictment on COMESA Member States, for this should be unheard of. The fact of this, however, can be demonstrated by the inadequate commitment and enthusiasm on the part of government officers that attend key COMESA meetings to adhere to Council Decisions, in some cases seeming to be unaware of pertinent Council Decisions, as well as the fact that on the part of Member States some always fail to fulfil their budgetary contributions to the COMESA budget, when in fact the COMESA regional market should be considered to assist the effective implementation of national export-oriented strategies for poverty reduction and attainment of other development objectives. Many Member States have not sufficiently developed the necessary national frameworks, such as inter-ministerial committees chaired at an appropriately high level of government, to facilitate implementation of regional integration programs, which could assist enlightened stakeholders to proactively promote export-led and regional integration strategies that are consistent with the trade and investment priorities of the Member State.

229. On this basis, it could be worth considering strategies, adopted and implemented at the level of every Member State, of encouraging the Member States to include regional integration as a priority in their national development policy and framework, and in long term human resource planning. This will form the basis for implementation of the programs since the strategies would then be incorporated in the national work plans and budgets, and in the institutional set up of government and the lead ministries on key national priorities.

Foreign policy and relations with other third parties

230. The level at which Member States put regional integration as a priority in foreign policy determines the extent to which implementation of regional integration programs are defined and implemented as national priorities. Member States tend to prioritise trade, economic and security relations with some third parties over the COMESA regional integration agenda. Often times, this translates into inadequate implementation of regional integration programs. The idea here, should be to assist a process of establishing a sustainable institutional arrangement, for instance a standing forum, for opinion leaders, researchers and think tank institutions, and all key players and stakeholders, to regularly meet to deliberate and guide the process and priorities for the COMESA and Tripartite regional integration agenda. A radical and permanent conversion from a belief, particularly on the part of some government officials that formulate the COMESA regional integration agenda through the recommendations and the decisions that key meetings of the COMESA policy organs make all the time, to the effect that foreign rather than the regional COMESA and Tripartite market can greatly assist the attainment of the national Visions for social economic development, within a generation, is greatly and urgently desirable, and if COMESA Member States decide to do this, they would be better advised to announce it with a bang, through decisions and regulations that announce this approach.

Private sector

231. Despite the private sector being one of the key beneficiaries of the regional integration process, its important role and voice in the integration agenda has not been adequate. The

private sector's lobbying ability has been weak. The key strategy is therefore to strengthen national working groups in Member States as they are the private sector's platform for making input into government policy formulation and to strengthen COMESA-wide private sector institutions both the overarching such as the COMESA Business Council and the Sectoral covering specific product and service industries.

Opinion leaders

232. Opinion leaders such as, eminent personalities with charisma arising from proven leadership in relevant areas, academic institutions and researchers, and national and regional influence peddlers, have an important role to play in policy making and formulation since they may contribute to the body of knowledge on regional integration through solid, forward looking policy oriented research on issues of regional integration, and through directing government and regional policy.

233. However, the region has not adequately utilized this important source of valuable knowledge. There is inadequate or un-mobilised research backstopping in the Member States and the region at large. The Strategy is therefore for the Secretariat to provide a framework for mobilisation of policy research through establishing a Research Network and a standing forum on regional integration. This will facilitate building of more capacity on regional integration and provide a platform for informed debate on regional integration and related issues for policy makers and other stakeholders.

234. Further, the Research Network will strengthen the human and institutional capacities of universities to support governments in the formulation and implementation of regional integration programs. It will create a framework for mainstreaming regional integration training in universities and research institutions in the region.

The impact of global emerging powers

235. The increasing role of large developing countries, such as China, Brazil and India, to mention but three of them, in global trade, finance, investment and governance coupled with their rapid growth has rekindled interest in south-south cooperation and stimulated debate on its implications for the development of Africa. South-south cooperation is seen as having potential to open up many opportunities for Africa including the ability to create economic cooperation between African countries and other developing countries, creating a mechanism for enhancing growth, poverty reduction and integration into the global economy, the potential to increase and diversify sources of development finance available to the region, and a vehicle for increasing Africa's bargaining power in influencing the agenda, pace and decisions made in international systems.

236. Notwithstanding the potential benefits of south-south cooperation, it presents challenges as well. There are concerns that it could result in deterioration of governance and environmental quality and hamper efforts to achieve debt sustainability in the region.

237. The ultimate impact of south-south cooperation in Africa will therefore depend on the extent to which African countries are able to maximize the benefits, while minimizing any potential risks.[27] The critical aspect however is that most African countries including the COMESA region do not have strategies on relations with third parties. In this regard, it can be considered a glaring gap that COMESA does not have a concrete actionable strategy for dealing with the emerging powers such as China, that have all of a sudden turned Africa into a territory from where they fetch raw materials and into markets for their exports. On this though, various programs aim to generate the self enlightenment and good governance, and basic pride on the part of key stakeholders particularly the youth, to claim, assert, and maintain the deserved and rightful place of COMESA and Africa in the world and before God himself who daily cheers Africa on and must look forward to hearing the solemn and mightily moving Africa Freedom Anthem of *Nkosi sikelela Africa* (God bless Africa) – a rally call to all far and wide to the cause of our Africa.

238. For Africa and in particular the COMESA region to make better use of key partnerships, there is need to develop elaborate strategies and policies on the region's relations with third countries, especially the emerging powers, particularly those that have attained a universal critical level of national self pride and confidence as the next world leaders, such as China, India and Brazil. This will assist in determining the main elements of the strategic partnerships which would have to be developed so as to further the region's long term development objectives. In addition, this will create the framework to ensure that south-south cooperation in Africa does not replicate the current pattern of economic relations with the rest of the world in which Africa is predominantly an exporter of basic commodities without the value addition that would otherwise assist in getting an appreciable share of returns on the products, that is, producers and ordinary hard working men, and women in the COMESA region making slightly more money on things they labour to produce in the hot sun daily, working from cock crow to dark in the night.

Governance

239. Despite the efforts recorded in some Member States and the increased domestic and international attention, corruption still remains one of the serious problems in Africa. Many African countries including COMESA Member States continue to score poorly according to Transparency International's Corruption Perception Index. High-profile corruption cases and scandals risk undermining political stability as well as the governments' capacity to provide effective basic services. In addition, this adversely affects the huge potential for generating domestic resources resulting in poor economic growth, poverty and inequality in Member States.

<u>Specific challenges relating to COMESA Programs</u>

Services

[27] UNDP Economic Development in Africa Report 2010, "South-South Cooperation: Africa and the New Forms of Development Partnership" p.3

240. Regarding the services liberalization program, the major challenge relates to low adherence to the agreed road maps and implementation of key relevant Council Decisions which may derail progress in the liberalization programme. This is specifically in respect to delays in submission of lists and information on priority sectors, GATS templates, services regulatory bodies and MFN exemptions, and more particularly, the draft offers or schedules of proposed commitments.

241. Regarding the World Trade Organisation, the slow progress in the Doha Round Negotiations could potentially have a negative impact on the COMESA services liberalization program in. Recent negotiating sessions have seen the scaling up of both bilateral and multilateral engagements as opposed to pursuing predominantly the multilateral route. This change raises the risk of WTO members making trade-offs in the bilateral meetings, which when multilateralised might not encompass other Members' interests particularly small Member States such as of those of COMESA. This risk is particularly relevant to African countries including COMESA that lack capacity to be engaged in parallel bilateral sessions on critical areas of their interest. It is therefore crucial that the on-going negotiations under the Doha Round do not undermine and derail the pursuit of progressive liberalization for the region.

242. In addition, the lack of information and statistics on services in the region poses another key challenge. Member States seem to have inadequate knowledge on the appropriate sequencing of negotiation and liberalisation of the services sectors. This may pose challenges in promoting meaningful engagement in the negotiations due to the fact that Member States may not have a full understanding of the importance of services liberalization and the required regulatory and institutional frameworks that should be in place at the Member State level and at the regional level to assist ensure a services liberalisation process that is beneficial particularly for the ordinary people that have the services they can offer as their only and sole assets in life, their sole hope for getting a life.

Customs union

243. Regarding the customs union, the major challenge relates to the reluctance of some Member States to share or pool their sovereignty into a regional body in developing a common external trade policy including the common external tariff. There would appear to be an inherent suspicion or reluctance to work closely with the Secretariat, on apparently contentious national priorities such as adjustment to the COMESA CET where there can be a possibility of some loss of revenue resulting from reduction of tariff rates on some product lines. Obviously, a Member State taking such a view is way wrong, because the most important priority of the Secretariat is to assist each and every Member State be in the Customs Union but in a manner that fully assists the achievement of national and regional medium and long term development visions, particularly in the aspects relating to prosperity for the ordinary people through key programs in the areas of trade, investment, agriculture, infrastructure, services, science and technology, and value addition and utilisation of the unique endowments of the local areas in COMESA.

244. The essence of a Customs Union entails coordination and harmonisation of standards and procedures relating to a broad range of areas including the treatment of products entering the territory of COMESA. However, the region has diversity in Member States' national

standards on customs rules and procedures. The challenge is therefore how to create a seamless economic space through harmonization as some Member States may be reluctant to conform to regionally agreed standards and programs contained in clear Decisions and Regulations.

245. The fear of revenue loss creates another key challenge for regional integration. Since most Member States generally rely on import taxes for government revenue, deeper regional integration has the impact of particularly short term revenue loss. Even though a mechanism has been set up under the COMESA Adjustment Facility to address revenue shortfalls in the short term, the challenge relates to ensuring that Member States undertake domestic reforms in tax systems in order to raise revenue in the long term on a sustainable basis.

246. Another challenge is in respect of the practical realities in regional integration and multilateral trade negotiations. In meetings, some important Member States tend to be represented by delegates who seem unfamiliar with previous work and some key Council Decisions, resulting in lack of progress when issues that were resolved long ago are brought up afresh and new studies are requested in many cases as pre-conditions for any progress on core COMESA programs, including the implementation of the of the three-year Customs Union transition period.

247. And, there is little information on and appreciation of the practical modalities and the feasibility of implementation of key Council Decisions which may affect their implementation by Member States. In this regard, there is need for the Secretariat to actively engage in improving awareness in Member States, and assist the utilization of particularly the trade and investment opportunities arising from the Customs Union. This will assist in taking forward the integration program through deepening and widening the level of integration, in particular by consolidating the Internal Market and the Customs Union.

Intellectual Property and the knowledge based economy

248. The COMESA Regional Policy on Intellectual Property and Cultural Rights (COMESA IP Policy) sets outs to transform the region from a “resource based” to a “knowledge-based and innovation driven” economy. A knowledge-based economy is one in which the production, distribution and utilization of knowledge, creativity and innovation play an important role as sources of economic growth and development.

249. The challenge for the region, just as is the case in other parts of the world, is that intellectual property (IP) matters appear to be remote and complex for many stakeholders, and critical issues arising from IP laws and policies are not adequately appreciated. Yet, in the era of globalization and the knowledge society, IP is a necessary ingredient of any major initiatives for development.

250. Accordingly, there is need to encourage Member States to develop pragmatic approaches to promoting and crafting working policies and strategies suited to them and ensuring that they are streamlined and consistent with their long term development programs. These initiatives need to be skilfully designed and integrated with all national and regional on-

going or planned policy reforms. Moreover they have to be widely disseminated in order to generate awareness and garner support from all the key stakeholders, including opinion leaders and users in the private sector, and policy formulators and implementers in the public sector.

251. In addition, there is need for the region to focus on key emerging trends that are relevant to knowledge-based economies, namely, moving up the value addition chain at both the pre-production (such as product design and research and development) and post-production stages (such as marketing, distribution and branding), increasing the relevance of supply chain management, and harnessing science and technology for development – the theme for COMESA for this year. Further, there is need to develop action plans by first conducting situational analysis and benchmarking within the context of the COMESA Medium Term Strategic Plan. Emphasis should be placed on the key pillars for a knowledge-based economy, namely, developing an educated and skilled population which can effectively utilize knowledge including quickly learning and beneficially applying practical skills available in a range of areas such as imported products or the data bases of national, regional (ARIPO), or international (WIPO) intellectual property offices, developing innovation systems which can tap into global knowledge so as to assimilate and adapt it and create new knowledge and products for the regional and global markets, developing information structures which would facilitate the effective communication, processing and dissemination of information; and encouraging economic and institutional regimes which provides incentives for the efficient creation, dissemination and use of knowledge.

Macro-economic stability

252. The recent global financial crisis has highlighted the vulnerability of African countries to external shocks. The region experienced reduced demand for commodities which affected exports. In addition, there was scarcity in international trade financing and a sharp fall in foreign investment in Africa's stock and bond markets.

253. Despite current reports of global economic recovery picking up, several challenges remain for the region, such as, lack of diversification of the export products a majority of which are commodities and were all hit hard by the economic crisis. This has had a ripple effect on main export sectors, such as mining, manufacturing and tourism.

254. Another key challenge relates to the lack of diversification of key export destinations which have traditionally been the European Union markets. This has had a huge negative impact on the region's exports and contributed towards the strong effect of the crisis through the trade channel. The case to promote intra-regional trade, and consolidate the COMESA and Tripartite regional market, is ever stronger as such markets will of course provide sustainable markets for exports from Member States.

255. Another challenge relates to weak domestic resource mobilization in the region due to a multiplicity of factors, such as, low saving rates, weak institutional capacities to mobilise domestic resources, and heavy dependence on foreign aid. This makes the region vulnerable as foreign aid comes with conditionalities or policy strings and it tends to be pro-cyclical and volatile, and over the decades since the 1970s has been on the decline rather than on the rise,

except for a few developed countries especially in Europe. Moreover, studies have shown that governments that are heavily reliant on foreign aid have less incentive to raise taxes, and may even adopt policies that limit the amount of aid inflows on the basis of fighting inflation that could result from too much money in the economy from aid. A COMESA strategy could therefore be to create sustainable and effective pathways to enhanced revenue mobilisation in Member States. Over the long term, this will reduce the region's dependence on foreign aid and unpredictable external finance flows and will increase Member States' ownership of the region's development agenda.

256. Member States generally have limited capacity to put in place targeted programs to protect the poor in times of recession as has been experienced from the recent economic downturn. There is need to encourage Member States to re-examine their economic strategies and vulnerability to external shocks, with a view to putting in place credible and sustainable policies, laws and immediately actionable strategies for directly assisting the marginalised and the poor through effective national and regional safety nets and other flexibilities that promote social justice and equity in the national and regional society.

Peace and security

257. Terrorism has increasingly become a challenge for peace and security in the region resulting mainly from the on-going crisis in Somalia even though it is not a COMESA Member State. Recent Kampala bombings by the extremist Islamic groups from Somalia which killed over 80 people has demonstrated that the region is immensely vulnerable and this will continue to have a negative impact on the region. Nairobi, Dar-es-Salaam and Mombasa have been hit by major terrorist attacks in the recent past.

258. The response to this needs to be developed in a holistic and coordinated manner that involves all Member States rather than being left to the victim Member State. The ultimate goal is to find long term solutions that will create peace and security for the region.

PERFORMANCE IN IMPLEMENTING COMESA PROGRAMS

259. The tables 13 and 14 give some indication of how Member States have performed in implementing COMESA programs.

Table 13: Implementation of Core COMESA programs - July 2010

	FTA		Customs Union				Services			Agriculture	score	% Performance
State	Membership	Restrictions	Domestication of CTN	List of sensitive products	Schedule of tariff alignment	Gazetting of schedules	Priority sectors	Updated GATS Templates	National institutions	CAADP Compact Signature	Out of 10	
1. Burundi	*			*			*			*	**4**	**40%**
2. Comoros	*						*				**2**	**20%**
3. D.R. Congo				*			*	*			**3**	**30%**
4. Djibouti	*						*	*			**3**	**30%**
5. Egypt	*						*	*	*		**4**	**40%**
6. Eritrea				*				*			**2**	**20%**
7. Ethiopia										*	**1**	**10%**
8. Kenya	*	*		*			*			*	**3**	**30%**
9 Libya	*										**1**	**10%**
10. Madagascar	*			*	*		*				**4**	**40%**
11. Malawi	*			*			*		*	*	**5**	**50%**

12. Mauritius	*			*			*	*	*		**5**	**50%**
13. Rwanda	*			*						*	**3**	**30%**
14. Seychelles	*	*					*		*		**2**	**20%**
15. Sudan	*			*							**2**	**20%**
16. Swaziland				*			*			*	**3**	**30%**
17. Uganda				*			*	*		*	**4**	**40%**
18. Zambia	*						*				**2**	**20%**
19. Zimbabwe	*						*	*	*		**4**	**40%**
No of Member States Implementing	**14**	**2**	**0**	**11**	**1**	**0**	**14**	**7**	**5**	**7**		
Percentage implementation	**74**	**N/A**	**0**	**58**	**5**	**0**	**74**	**36**	**26**	**36**		

Table 14: Performance in Implementing COMESA Programs

Member State	Implementation of Core COMESA programs (out of 10)	Implementation Of Protocol On The Gradual Relaxation Of Visa Requirements (out of 10)	Signature and Ratification of Instruments (out of 26)	Score (out of 46)	Percentage performance
1. Burundi	4	5	20	29	63
2. Comoros	2	2	13	17	37
3. D.R. Congo	3	2	5	10	22
4. Djibouti	3	1	9	13	28
5. Egypt	4	5	6	15	31
6. Eritrea	2	1	7	10	22
7. Ethiopia	1	2	16	19	41
8. Kenya	3	8	20	31	67
9 Libya	1	0	3	4	9
10. Madagascar	4	3	7	14	30
11. Malawi	5	5	18	28	61
12. Mauritius	5	3	12	20	43
13. Rwanda	3	8	20	31	67
14. Seychelles	2	2	4	8	17
15. Sudan	2	1	18	21	46
16. Swaziland	3	3.5	10	16.5	36
17. Uganda	4	6	19	29	63
18. Zambia	2	4.5	18	24.5	53
19. Zimbabwe	4	7.5	17	28.5	62

260. In order of best to lowest performance, the results show, that Kenya and Rwanda lead in implementing the COMESA programs, followed by Burundi and Uganda, then, Zimbabwe, Malawi, Zambia, Sudan, Ethiopia, Comoros, Djibouti, Madagascar, Swaziland, Eritrea and RD Congo, Seychelles, and Libya – in that order. With the highest score at 67%, there is room for much better performance by all Member States through implementing more COMESA programs and meeting the obligations.

FINAL REMARK

261. It is fittingly important to note that deeper integration requires serious commitment from Member States. Developing appropriate and elaborate strategies in meeting the challenges highlighted in this paper will assist in ensuring that the integration agenda is taken forward at an accelerated and effective pace that timely delivers tangible benefits to Member States and stakeholders at large. This will, as may be appropriate and taking into account the key priorities of Member States, enhance the achievement of the region's vision of being a fully integrated region that is internationally competitive and prosperous with high living standards particularly for the ordinary people, and assisting the wider continental integration process.

262. The report has highlighted the state of regional integration in COMESA through the various initiatives and programs. It has analyzed the key challenges for deeper regional integration as well. These challenges are both internal and external to the regional integration process. These include: inadequate capacity and policy coherence to promote and implement regional integration programs; inadequate political will; and the impact of the new global players. What is required is for COMESA to take hold of its regional integration destiny with more vigour and clarity.

Annex 1: Sanctions in COMESA

ARTICLE 171

Sanctions

1. The Member States agree that for the attainment of the objectives of the Common Market, full commitment of each Member State to the fulfillment of the obligations contained in this Treaty shall be required. To this end, the Member States agree that specific sanctions may be imposed by the Authority to secure fulfillment by the Member States of their obligations under this Treaty.

2. For the purposes of paragraph 1 of this Article, the Authority may impose sanctions on a Member State:

(a) which defaults in performing an obligation under this Treaty; or

(b) whose conduct, in the opinion of the Authority, is prejudicial to the existence or the attainment of the objectives of the Common Market.

3. The Authority may in any of the events stipulated in paragraph 2 of this Article, impose any one or more of the sanctions set out below:

(a) suspend the exercise by such a Member State of any of the rights and privileges of membership to the Common Market;

(b) impose a financial penalty on such Member State;

(c) suspend from the Common Market a Member State on such conditions and for such period as the Authority may consider appropriate; or

(d) expel a Member State.

4. The Authority may expel a Member State:

(a) whose rights and privileges have been suspended under sub-paragraph (a) of paragraph 3 of this Article who fails to remedy the default leading to such suspension within the period specified therefor; or

(b) which fails to pay the financial penalty imposed under sub-paragraph (b) of paragraph 3 of this Article.

5. A Member State suspended under sub-paragraph (c) of paragraph 3 of this Article and which fails to meet the conditions imposed within the period specified shall automatically cease to be a Member State of the Common Market.

6. Where a Member State is in arrears for more than two years in the payment of its contributions for reasons other than those caused by public or natural calamity or exceptional circumstance that gravely affects its economy, such Member State may, by a resolution of the Authority, be suspended from taking part in the activities of the Common Market and shall cease to enjoy the benefits provided for under this Treaty.

ARTICLE 172

Continuation of Obligations and Re-admission

1. A Member State suspended under Articles 171 (3)(a) and 171 (3)(c) of this Treaty shall continue to perform its outstanding obligations under this Treaty during the period of suspension.

2. A Member State expelled under Article 171 (3)(d) of this Treaty may apply for re-admission to the Common Market. The Authority may impose such conditions as it may consider necessary for re-admission.

Annex 2: About the author

Francis Mangeni, PhD

Francis Mangeni is the Director of Trade, Customs and Monetary Affairs at the Secretariat of the Common Market for Eastern and Southern Africa, a regional economic community of 19 member states with headquarters in Lusaka, Zambia. His main responsibility as director is to assist the formulation of policy and the implementation of programs on regional integration through trade and investment and on trade and economic relations with the rest of the world.

Over the last sixteen years, Dr Mangeni has been involved in development work. He has worked with various international organizations and advised Governments in Africa in the area of international trade policy and regional integration. His last posting before joining COMESA was with the Commission of the African Union, where, as Senior Economist he covered the World Trade Organisation and the United Nations Agencies based in Geneva and Amsterdam. He advised Africa's diplomats particularly on, intellectual property rights including the promotion of access to life-saving medicine and regulation of access to biological resources, special and differential treatment, dispute settlement, and regional trade agreements. As Regional Trade Policy Advisor, based at the headquarters of the Commission in Addis Ababa, he advised on negotiations for the Economic Partnership Agreements between Africa and the European Union.

Dr Mangeni has consulted for the United Nations Economic Commission for Africa, the United Nations Conference on Trade and Development, the United Nations International Labour Organisation, the Commonwealth Secretariat and the South Centre, as well as COMESA, the East African Community and the Southern Africa Development Community. He closely assisted the East African Community in its negotiations leading to the establishment of its Common Market. Also, he has consulted for Non-State Actors such as the East African Parliamentary Trade Liaison Committee, the Southern and Eastern Africa Trade Negotiations Institute, International Lawyers and Economists against Poverty, and the International Centre on Trade and Sustainable Development.

Dr Mangeni has led an active academic life as a lecturer and researcher. He has taught law courses at Uganda Martyrs' University Nkozi, Makerere University, the Law Development Centre and the Uganda Management Institute in Uganda, and at the London School of Economics and Political Science in the United Kingdom. He has published various articles and books. His publications in 2011 included Key Issues for Economic Integration in COMESA and AGOA at 10, both of them COMESA publications, and he is a contributing author to Professor Calestous Juma's The Harvest – Agricultural Innovation in Africa, a 2011 publication by Oxford University Press. In addition, Dr Mangeni has poems and inspiration literature from his writing hobby, posted on his web site at www.mangeni.org

Dr Mangeni holds a doctorate in African integration, from the London School of Economics and Political Science.