COMESA

Common Market for Eastern and Southern Africa

Annual**Report** 2007

COMESA member States are:

Burundi, Comoros, Democratic Republic of Congo (DR Congo), Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

COMESA was initially established in 1981 as the Preferential Trade Area for Eastern and Southern Africa (PTA), within the framework of the then Organisation of African Unity's Lagos Plan of Action and the Final Act of Lagos. The PTA was transformed into COMESA in 1994 to take advantage of a larger market size, to share the region's common heritage and destiny and to allow greater social and economic co-operation, with the ultimate objective being the creation of an Economic Community.

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The Vision of *COMESA*

"The vision of COMESA is to be a fully integrated, internationally competitive and prosperous economic community ready to merge into the African Union."

Letter of Transmittal from the Secretary General

His Excellency Mwai Kibaki
President of the Republic of Kenya and Chairman of the COMESA Authority
State House
Nairobi, Kenya.

Your Excellency,

In accordance with the provisions of article 17, paragraph 8 of the COMESA Treaty, I have the honor and privilege to submit to you, Sir, the Annual Report for the year ending 31st December, 2008.

The Report covers the general performance of the world economy, Africa, and COMESA economies and how they relate and influence our regional integration agenda. It also covers the activities of COMESA organs, the Secretariat and COMESA institutions in support of Member States in their pursuit of regional economic integration.

Your Excellency, the year 2008, saw integration in our region move to an even higher level when the COMESA-EAC-SADC Tripartite Summit, in which you personally attended your Excellency, decided among other things, to start a process of a common Free Trade Area (FTA) and work towards a merger of the three regional economic communities. The activities of Tripartite Task Force are also reported in this Annual Report.

You will note, Your Excellency, as indicated by the audited report for the year 2007, that like in previous years, COMESA countries continue to unreservedly pay their budgetary contribution to the Secretariat. The year 2008 continued to experience a very healthy contribution from both the Member States and cooperating partners. An audited report for 2008 will be presented at next Summit scheduled for mid 2009.

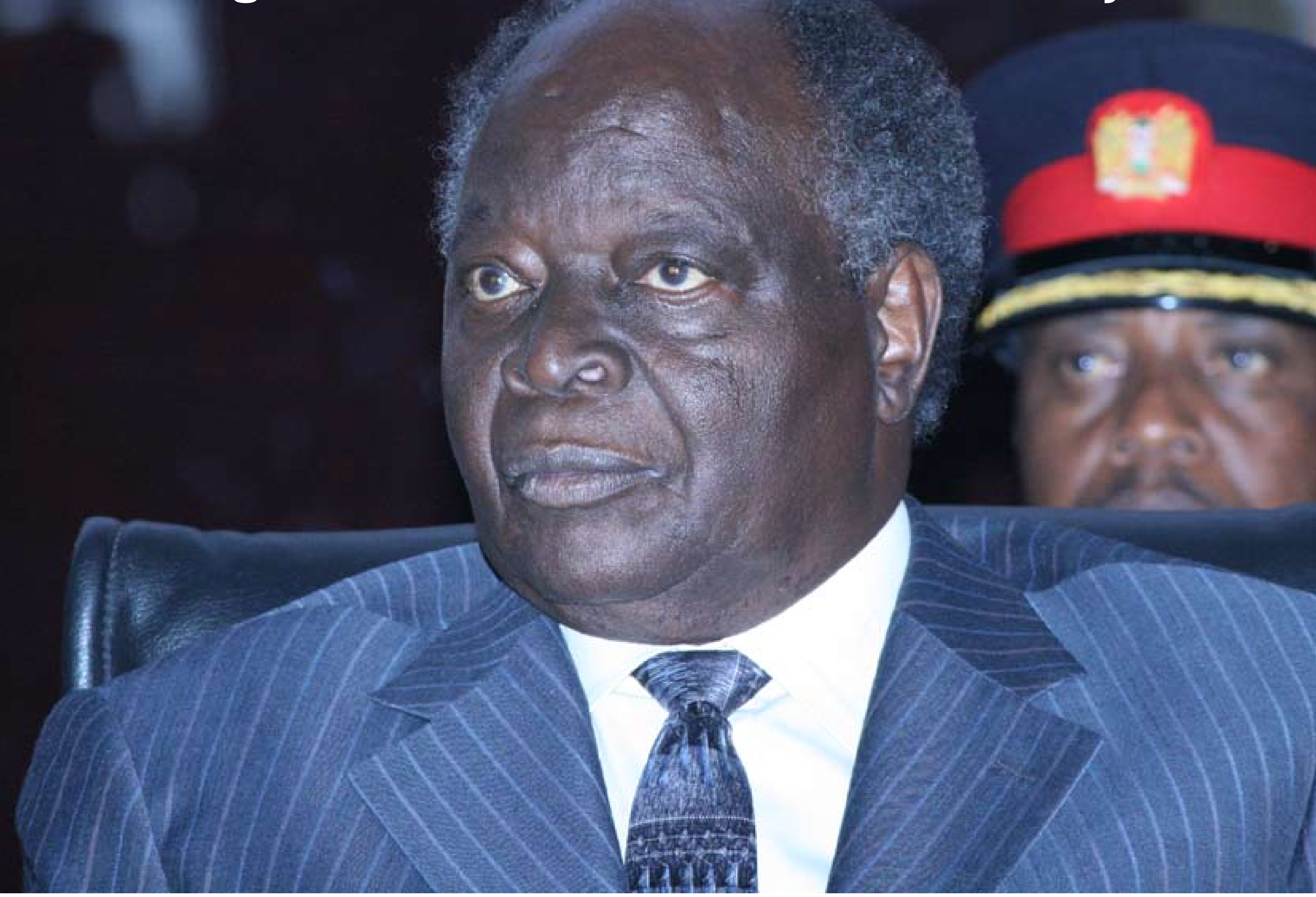
FRESH PICTURE TO BE TAKEN

Your Excellency, your Secretariat continues to receive substantial technical and financial support from a number of cooperating partners as described in the report. The high level support that we have continued to enjoy is a manifestation of confidence that the region and the international community have in COMESA.

We have every confidence that this level of commitment and the spirit of cooperation will continue as we enhance the region's single market and move towards levels of integration.

Sindiso Ngwenya
SECRETARY GENERAL

Message from the Chairman of the Authority



On behalf of the COMESA Authority and indeed on my own behalf, I am pleased to introduce the Annual Report for the Common Market for Eastern and Southern Africa (COMESA) for the year 2008. As this report shows, 2008 was a historical year for COMESA and the Eastern and Southern Africa region in general. At COMESA level we completed the process towards the COMESA Customs Union, scheduled to be launched at the next Summit of heads of State and Government.

At Eastern and Southern Africa level, in October 2008, we held the first Tripartite Summit of COMESA-SADC-EAC Heads of State that made landmark decisions, among them, that the three Regional Economic Communities (RECs) should immediately start working towards a single Free Trade Area (FTA) from the Cape to Cairo - Matadi to Madagascar and an eventual merger into a single REC with the objective of fast tracking the attainment of the African Economic Community.

Let me thank my colleagues, President Yoweri. K Museveni, President of the Republic of Uganda, for hosting this historical event, Paul Kagame, President of the Republic of Rwanda and Chairman of the East African Community (EAC), President Kgalema Motlanthe, President of the Republic of South Africa and Chairman of the Southern African Development Community (SADC), who, with me in my capacity as Chairman of the COMESA Authority, co-chaired this historical Summit. Tribute goes to all the Heads of States and Government who either personally attended the event or sent their plenipotentiaries to represent their countries.

Accolades go to our taskforce made of our very able Chief Executives of our Secretariats namely, Mr Sindiso Ngwenya, Secretary General, COMESA, Ambassador Juma Mwapachu, EAC Secretary General and Dr. Tomaz Salomao, Executive Secretary of SADC, and their excellent technical teams, who worked tirelessly to ensure that the joint Council of Ministers, and finally the tripartite Summit have all the supporting working documents and information, that facilitated our landmark decision.

In 2007, the 26 countries that comprise the three

RECs had a combined population of 548 million, and a combined Gross Domestic Product (GDP) of US$726 billion which is 50% of African Union (AU) Member States, 56% and 57% of Africa's population and GDP respectively. The COMESA-EAC-SADC regions' total land mass is 14.8 square kilometers or 49% of Africa's Continent total land mass. This unity of purpose therefore goes to fulfill the African Economic Community dream.

In the words of one of the prime movers of this bold initiative, His Excellency Jakaya Kikwete, President of the United Republic of Tanzania and then Chairperson of the African Union, the replication of the Kampala decision to Central and West Africa would hasten the realization of the African Economic Community.

The Kampala historic Summit, among others instructed the tripitite task force to develop a roadmap within six months, for the establishment of a single FTA and the legal and institutional structures to underpin the FTA. The work to be undertaken on the establishment of a single FTA encompassing the three RECs will inform the roadmap on the merger of the three organizations.

The Summit also directed that the study report on the Roadmap be presented to a specially convened Tripartite Council of Ministers for consideration within twelve months to, among other things; determine the timeframe for the establishment of a single FTA. By the end of the year, the work on the roadmap had started.

The decisions of the Tripartite Summit will have far reaching implications on the operations of the RECs in Eastern and Southern Africa. There will be need for development partners to engage the Tripartite Task Force to rationalize and harmonize their support in order to expedite the realization of the vision of the Heads of States and Government. Indeed, the joint planning, programming and ultimately implementation of the common programs will contribute to the realization of the Paris Declaration on aid effectiveness and efficiency. As the Chairman of the COMESA Authority, I wish to assure everyone that within the year 2009, COMESA shall play its part to give impetus to this important development.

As we seek to attain full integration across the continent, we should take into account that other regions that comprise both developed and developing countries have established free trade areas and in some cases establish full funtioning customs union and economic communities. These include the Pacific region where the Asian Pacific Economic Co-operation (APEC) is being consolidated, the Americas under the North American Free Trade Area (NAFTA), the MERCOSUR group, Europe under the European Union which has expanded to 27 members and is likely to receive new members in the near future, and free trade between Europe and the Mediterranean region. These worldwide integration efforts should send us a clear message. If large economies in America and Europe are seeking bigger markets by fostering regional integration, the smaller economies of Africa have an even greater need to come together in a regional, and subsequently, continental common market.

On the international arena, as this annual report indicates, in the year 2008, the world suffered economic hardship unprecedented since the great depression. This will obviously have an impact on our economies, particularly our exports and tourism sector, not to mention the possible flight of Foreign Direct Investment (FDI). But this too has a lesson for us. The aftershocks of the world economic crisis' will rumble on beyond the year 2009, and probably beyond the year 2010. We shall be affected by problems that we had no role in creating. This means that we have to resolve more than ever before, to be in charge of our own destiny. We also saw unprecedented governments' involvement in rescue plans, and that not a single Bretton Woods institutions raised a finger! This should teach us to stand on our feet when it comes to genuine cases where our region might need to take measures even if these are against traditional economic beliefs. Such steps could be policy measures such as providing subsidies on agricultural inputs, industrial production, water or electricity.

Last but not least, as the year 2008, came to an end, Kenyans and the whole of Africa h celebrated the election of Barack Obama, as President of the United States of America. On behalf of the COMESA Authority of the Heads of State and Government , and on own behalf, I extend our message of best wishes on his election as the 44th president of the United States of America.

On this special occasion we recall the remarkable journey he has traveled to become the leader of this great Nation. Through that journey, President Obama has inspired many young and old people, not only in America but around the world with a strong message of hope.

We, in COMESA cherish the many years of bilateral ties with the USA. and look forward to even stronger relations in areas that are mutually beneficial to all of us.

His Excellency Mwai Kibaki,

President of the Republic of Kenya and Chairman, COMESA Authority

Part 1 Performance of the world Economy in 2008

1.1 The rich nations, led by the United States of America faced a recession, and debt burden

After an extraordinary boom, in which the world GDP rose between 4% - 5% for over five years, 2008 was indeed a bad year. Economic terminologies that were only commonly known to economic scholars and financial circles started filling our TV screens, radio waves and the print media. These were: Global recession, economic meltdown, credit crunch, sub-primes and foreclosures to mention but a few.

Although in the COMESA Annual Report 2007, we had projected that real GDP growth for the year 2008 to be slightly below that of 2007,where we had expected real GDP to drop from 5.2 % in 2007, to 4.8% in 2008, down from 5.4 % rate registered in 2006, we had not foreseen the crises of the 2008 magnitude. Global economic growth in 2008, slowed to a mere 2.5%. This was mainly caused by a serious recession that affected advanced economies in the last two quarters of 2008, triggered by the turbulence in financial markets of these economies.

In our 2007 Annual Report, we had projected that growth in the US economy would remain at 1.9 % in 2008, the same rate as in 2007 and a markdown of almost 1% point compared to the previous projections. We had also anticipated the slow growth to arise out of difficulties in the mortgage market that would lead to a decline in residential investment and weaker house prices were likely to dampen consumption spending. Our projection was an understatement. The rich nations, led by the United States of America faced a recession, and debt burden. The US had its housing market crushing, the motor industry looking for bail out, and financial systems suffered serious turbulences. The continued war in Iraq and Afghanistan did not make things any better. By the end of 2008, America's national debt was more than US $ 10 trillion!, and 2009 federal budget was expected to run more than US$ 1 trillion deficit, taking into account the cost of bail outs in the last quarter of 2008.

Emerging economies such as Brazil, Russia, India and China (the BRICs) continued to drive global growth in 2008. However even in these economies there was significant slow down as a result of global crisis. As the old adage goes "When America sneezes the world catches the cold".

Despite the loud calls heard in the year 2008, the genesis of the US financial problem that was to infect the world dates back to 2004/2005when American financial systems started providing housing loans known as **subprimes:** Subprimes meant that one could walk into the bank (or rather brokers could come to the potential borrower) and with little or no down payment, individual with very low income, and some of them with bad debt records, were simply provided with homes. In a lay person's language, people who under normal conditions would not have met the criteria for borrowing even under the highest possible interest rates were allowed to borrow. The house itself, so the financiers silently argued, was security that could be disposed off once the borrower defaulted. The assumption was that real estate always gains in value, and the financier could repossess the property, this is what is called **foreclosure.**

What the financiers did not take into account is the basic economic laws of "scarcity, supply and demand". The easy subprime borrowing increased supply, reduced scarcity and therefore, fall in value. So when in 2006/2007 house prices begun to decline, mortgage defaulting also increased, and securities held by financial firms, backed by subprime, lost more and more value especially taking into account the fact that foreclosure was no more a financial solution, since the reposed assets could not be sold at the owed value. A vicious circle developed, with fall of prices, interest rates were increased to cover for the loss, and with increased interests, defaulting became even more pronounced. Come 2008, US and world financial systems that were pegged to them crushed. Defaulting led to more foreclosures and this would have gone on and on should had there not been federal bail out that came at the end of 2008.

The international crisis connected to the US meltdown can be traced to two major issues, globalization and speculation. The world financial products known as mortgage backed securities (MBS), which derive their value from mortgage payment and housing prices, have always been US linked. They allow financial institutions and investors particularly in the developed economies to speculate and invest in the US housing market. As a result major bank and financial institutions around the globe had invested heavily in the US housing market. By July 2008, the losses to these investors were above $ 400 billion. This led to shrinkage of loanable funds to domestic customers. Confidence in free market system that had governed economic decisions in the West was questioned.

The rise and fall of oil prices since 2003, did not help the already bad situation created by the US credit crunch, and MBSs that were linked to them. The rapid increase in prices during the last half of 2007 and the first half of 2008, imposed huge pressures on the already fragile world economy. The high prices weakened consumers' purchasing power, increased inflation, and worsened the trade deficits of oil-importing nations. Some experts think the price surge indeed helped exacerbate the international financial crisis in the latter half of the year.

Although the economic meltdown may not have been felt immediately, in developing and Least Developed Countries (LDCs) it is bound to have serious medium and long term impact. For example, it is true, that the root of the subprime crisis originates in US's excessive credit extended against insufficient security to people who had very little capacity to pay or at minimum service their debts. However it is also true that credit liberalization in the US had had impact on credit availability in the developing and Least Developed Countries. All families aspire to have a roof over their heads. Influenced by this model, as well as the ability by banks to access funds from their international parent banks, the housing loan was increasingly becoming one of the most accessible in these countries including sub-Saharan Africa, uplifting the population and creating a stable middle class. The 2008 credit crunch in the US as well as the MBSs related losses in other developed countries, will not only deprive source of funds to banks in developing and LDCs, but also lead to over-cautiousness by the bankers.

1.2 Great Britain is now in recession for the first time since 1991

Great Britain one of the strongest economies in Europe also suffered a recession. Gross domestic product fell by 1.5% in the last three months of 2008 after a 0.6% drop in the previous quarter.
This means that the widely accepted definition of a recession - two consecutive quarters of falling economic growth - has been met.

It represents the biggest quarter-on-quarter decline since 1980, and a 1.8% fall on the same quarter in the year 2007. The worse-than-expected contraction sent the British pound fall to a 24-year low against the dollar, with one pound buying an average $1.4 by the end of the year, down from close to $ 1.9 by the end of 2007! Official figures from the Office for National Statistics (ONS) showed that manufacturing made the largest contribution to the slowdown, contracting by 4.6% despite hopes that the weak pound would help exporters. With the exception of agriculture, all elements of the economy shrunk from the previous three months, of the last quarter of 2008

1.3: Global Oil shocks and counter shocks

Beginning the second half of 2007, the international oil market went wild, with prices surging at an unprecedented rate, the world watched as oil prices easily broke the $80 and $90 U.S. dollars per barrel thresholds on the New York Mercantile Exchange (NYMEX), and on the first trading day of 2008, hit the historical US$ 100 ceiling. This was faster than we had anticipated. In the COMESA 2007, Annual Report, we had anticipated that oil wouldl reach the US $ 100 per barrel ceiling in 2009, what we were not able to predict is that that it could happen so soon. We had also predicted that the oil crisis would not reach the level of the 1970s and 80s. The first half of 2008, however threatened to prove us totally wrong. Oil prices broke loose in the first half of 2008, climbing across US$ 110, $120, and $ 140 per barrel on the NYMEX. On July 11, oil hit an all-time high of US $147.27.

However, after mid-2008, the consumers were pleasantly surprised, prices began to collapse at a similar speed. They fell to around US $100 dollars a barrel in September and dropped below US$ 50 dollars in November, declining by more than two-thirds since their mid-July peak. By end of the year the oil cartel OPEC had to call a meeting and work out strategies to stabilize that price.

1.4 Global oil prices: losers and beneficiaries

1.3.1 According to the 2008 World Energy Outlook, a variety of factors have contributed to price increases since 2003. These include strong demand growth, no increase in OPEC member production between 2005 and 2007, rising costs for exploration and development, and a weaker US dollar. Analysts also believe that speculation was behind the recent hike in oil prices. As demand increased, while production remained unchanged, this created a delicate balance in the oil market, arousing speculators' anticipation that prices would rise further. This anticipation caused speculators to pour money into the oil market for big profits. The large amounts of money pushed oil prices to record levels. However, prices collapsed as the dollar appreciated against major currencies and the global economic crisis ravaged demand for energy.
Market pessimism for weaker demand led to the withdrawal of speculative funds from the oil market. Institutional investors withdrew billions of dollars from the oil market as prices collapsed. This created a spiral, the exodus of funds helped hasten the collapse of oil prices further, leading to almost two thirds in the last quarter of the year.

The rise and fall of oil prices give different parties different feelings. As indicated earlier, the rapid increase in prices during the 2007 and first half of the year 2008 imposed huge pressures on the world economy. The high prices weakened consumers' purchasing power, increased inflation, and worsened the trade deficits of oil-importing nations, exacerbating the international financial crisis that was already suffering from credit crunch and the collapse of housing markets in the US and linked MBSs.

Ironically, the only good news from the financial crisis, is that it lead to the slump in oil prices. The oil simply couldn't continue rising in such situation. The drop relieved spending pressures on nations, companies and consumers all over the world, and gave central banks more room for interest-rate cuts in a bid to stimulate the economy without having to worry about inflation. "In the very short term, because we are in a recession, we could all use a low oil price," said Mike Wittner, global head of oil research at French Bank Societe Generale. "It is like a tax break, putting money back into pockets for a short time."

1.3.2 OPEC looks at the ups and downs of prices with mixed feelings

OPEC the world's largest oil-producing cartel, looks at the price ups and downs with mixed feelings. To maintain a relatively high price accepted by both producing and consuming nation's best suits OPEC's interests. Expensive oil weakens consumers' buying ability and increases importing nations' trade deficit, thus dampening consumption. That in turn leads to weaker demand and a drop in prices. Low prices, on the other hand, squeeze investment in the oil industry, reducing future supplies. They discourage energy saving and destabilize countries dependent on oil exports, likely making oil in the future more expensive and even more volatile. Turbulent oil prices also rattle the world political arena. An increase in prices not only promotes oil exporting nations' economic power, but also to some extent their political strength. A price drop, meanwhile, weakens their voice on the international stage, it is not surprising therefore that by December 2008, the OPEC cartel countries were meeting with the view to cut supplies and avoid further fall in oil prices.
Consumers however should not over celebrate. While Oil prices are not likely to reach the $100 in 2009 it is likely to average about $75 a barrel. On the positive side US president Barack Obama seems serious about the country's commitment to climate change. The United States is about to get serious about greenhouse gas emissions, and that means that US oil use is going to fall. A lot of other countries are already on that track, and more will follow. If they all get it right, then oil will be neither be scarce nor expensive, and indeed its demand will also fall.

1.4 Projection for 2009 and beyond : World economy in big trouble?

Battling the worst financial crisis in nearly 70 years, the world economy is expected to brake sharply in 2009, with the United States, Western Europe and Japan in recession. Developing economies in Asia, Africa and the Middle East will experience curtailed growth due to plunging commodity prices and a world trade contraction, but developing countries will to some extent escape the red ink.

As already indicated, by the end of 2008, United States, Japan and Europe had fallen into recession after a crisis in the US housing market spread to the financial sectors. Manufacturers around the world were under severe strain and laying off hundreds or thousands of workers; banks especially in developed economies led by the USA were failing, triggering a severe credit crunch; foreclosures were skyrocketing; and auto sales plummeting. Carmakers were heading into bankruptcy, a huge decline in wholesale inventories of durable and non-durable goods, as well as retail sale, provided further evidence that the world economy is in a steep recession. In November, American shoppers handed retail stores their worst results almost 40 years. In December, in Japan for the first time in 70 years Toyota, the world leading motor vehicle manufacturer reported a loss! As a result, consumer confidence and spending slumped, and business investment was drying up.
The speed at which economic outlooks changed in a very short time, the disparities by different international financial institutions and organizations on what to expect in 2009, suggested big trouble. IMF's semi-annual World Economic Outlook released in October, 2008, indicated increased economic slowdown, and an update issued in November put 2009 forecast for developed countries' economies to a drop of 0.3%, from 0.5% growth in the previous estimate. Within a month, by November, 2008, the IMF had changed its October projection and expected the world economy to grow by a mere 2.2% in 2009, down from its October projection of 3%! This level of decline had never been experienced in such a short time in any one year since World War II. Worse still in the last 4 years, growth had continuously shown a decelerating growth, considering that the 2008, growth had been projected at 4.8% down, 5.2% in 2007, and 5.4% in 2006.

Although international financial analysts could not agree on figures of how bad the situation would be in the coming year, they all left no doubt that the world was heading to serious trouble. In its latest economic outlook released in November 2008, the Organization for Economic Cooperation and Development (OECD) said economic output will shrink by 0.3% in 2009 for the 30 market democracies that make up its membership, against the 1.4% growth predicted by the same institution in 2008. The Paris-based organization said the United States was expected to contract by 0.9% (well above the 0.3% world average) in 2009 following a 1.4% percent expansion in 2008. Japanese output on the other hand, projected a contraction of 1% next year, following 0.5% growth this year, while the 15-nation Euro-zone is expected to shrink by 0.6% in 2009, after 1.0% growth this year. Looked at on their face value, a shrinkage of less than 1% may look small. But when this follows 10 years of continuous growth, then there is serious reason to worry. Moreover a 0.3 to 0.9% of the world's biggest economies shrinking means billions and billions of dollars loss and millions and millions of job cut.

"Many OECD economies are in, or are on the verge of, a protracted recession of a magnitude not experienced since the early 1980s," OECD Chief Economist Klaus Schmidt-Hebbel warned on November 25th, 2008, "As a result, the number of the unemployed in the OECD area could rise by 8 million over the next two years."

1.4.1 How long will the global recession last?

Many analysts believe the current recession, which started in late 2007 and lasted the whole of 2008, will drag until at least the middle of 2009, and no proper recovery is expected until 2010. If it lasts past April, it will become the longest recession in the post World War II period, surpassing recessions in the mid-1970s and early 1980s that each lasted 16 months.
As the US sinks deeper into economic despair, analysts predict more grim in the months ahead. Employers cut payrolls in November, 2008, at the fastest pace in 34 years as the unemployment rate rose to 6.7 percent, the highest level since 1993.

According to the US Labor Department, cumulative job losses in the US in 2008 reached nearly 2 million, and the total number of unemployed Americans increased to 10.3 million. Some analysts predict that 3 million more jobs will be lost before spring 2010.

The US unemployment rate, at 6.7%, by end 2008, was forecast to rise even higher, and likely to rise above 8% - or even higher. The US automakers were particularly hard hit, with sales dropping to the lowest level in 26 years. On top of the housing markets problem, the banking sector and the US Auto industry were among the biggest employers. Its drop in sales or worse still bankruptcy will mean a lot of job losses. By the end of November, the top executives of General Motors Corp., Ford Motor Co. and Chrysler LLC appealed to Congress for as much as $34 billion in government assistance, saying the alternative was bankruptcy that could lead to the loss of about 3 million jobs.

1.4.2 Most countries should start to recover by mid-2010

To battle the worst financial crisis since the 1930s, by the end of the year 2008, US President Barack Obama was working on a fiscal stimulus package of at least $1 trillion. Obama had promised to make the "single largest new investment" in big public works projects as part of his plan to save or create 2.5 million jobs. America is a big market for emerging markets, saving America's economy is therefore indirectly in their interests.
As uncertainties on bank solvency and credit supply persist, the US federal government has committed more than $7 trillion in its efforts to contain the deepening financial crisis, although there was widespread agreement it won't really spend anything close to that figure.

The good news, however was that the G8 economies were not shrinking faster now than they had done into the last three recessions (early 80s, early 90s, early 2000s), which suggests that what is coming will not be much worse than those were despite the severity of the banking crisis. If that is the case, then most countries should be seeing an upturn by mid-2010, and even the United States (where recessions tend to be worse), should show a reasonable recovery by the end of 2010. Among the risks ahead, however, is that more financial institutions may suffer further failures and emerging market economies could be hit harder by the downturn in global trade. Positive developments would include central banks shoring up their finances and governments adopting more substantial fiscal stimulus measures, such as higher spending and lower taxes, analysts point out.

On the other hand a big question remains unanswered. The western economies and Breton Woods institutions have in the past continuously expressed concern over government interferences in developing economies. One major target of the Western Economists has been the Chinese monetary policies that have continued to give its Central Bank power to control the value of the Yüan The revaluation of the Yüan would mean making Chinese exports more expensive, and imports cheaper, therefore reducing trade gaps with Western economies. What moral authority will the international financial systems have in future over exchange rate systems or even export subsidies if the US can no more let the laws of supply and demand do their traditional capitalist work?

1.4.2 World bank predicts a fall in investment in the emerging market :

Four of the Asia-Pacific region's emerging market economies namely: Hong Kong, Singapore, South Korea, and Taiwan are classified by the International Monetary Fund's World Economic Outlook (WEO) as "advanced economies". The combined GDP of these four economies amounts to about US $1.7 trillion, with South Korea accounting for more than half of that total, on the other hand, based on GDP, some countries that are among the most growing such as China and India still insist on being classified as developing.
According to the World Bank, Developing countries' growth is expected to decline from 7.9% in 2008, to 4.5% in 2009 (IMF puts it slightly higher at 5%). It said the global economy is shifting from "a long period of strong growth" led by developing countries to a time of "great uncertainty."

World Bank reports predicted a fall in investment. "The slowdown in developing countries is very significant because the credit squeeze directly hits investments, which were a key pillar supporting the strong performance of the developing world during the past five years," said Hans Timmer, a senior World Bank economist in the December forecast.
Nevertheless Asian economy where some of the strongest developing economies such as China, and India are located, will continue to show moderate growth and lower inflation. True Asia's export led growth

economy had benefited from America's consumer culture than any other region, and as America suffers slump, exports to America will weaken in 2009. America's demand however should not be exaggerated. Indeed America and Western Europe combined, buy less than 30% of the emerging Asia's total exports.

Some of the smaller economies such as Singapore and Hong Kong are more vulnerable, because their exports to America were as high as 20% - 30% of their GDP (as compared to China's 8%). Singapore's economy is likely to worsen in 2009 after growing just 1.5 percent in 2008, Prime Minister Lee Hsien Loong said on 31st December, 2008, urging Singaporeans to "prepare for a difficult year ahead."

"Our economy will probably contract further. More companies will be forced to downsize. So far we have not seen many job losses, but I expect more retrenchments in the next few months. We must be psychologically prepared," Lee said in his end of the year message to the nation. Singapore's key markets such as the United States, Japan and Europe have fallen into recession after a crisis in the US housing market spread to the financial sector and the larger economy, More job losses are expected in the next few months as companies are forced to shed employees, Lee said. The city-state, one of Asia's wealthiest economies, went into a recession this year, although full-year growth came in at 1.5 %, well below the official forecast of 2.5% and the 7.5 % expansion in 2007.

Although China's growth will not be as spectacular as has been in the last few years, she will continue to be the fastest growing economy in the world. The World Bank forecasts China's economy will expand by 7.5%in 2009, while the government is targeting 8%growth. Economic growth in China is expected to be stronger in the second half of 2009. Over half of China's export goes to other emerging economies, and China herself has a huge internal market. Moreover these countries unlike the US have budget surpluses. This means that if external demand falters, countries such as China, Hong Kong and Singapore, could support their economies with higher spending or lower taxes stimuli. India however will be in a trickier situation due to the budget deficit that was around 8% of GDP by the last quarter of 2008.

1.6 Performance of African Economies

1.6.1 Africa's economy grew by less than expected in 2008,

Speaking at the European development days in Strasbourg, France, in November 2008, The Africa Development Bank President Dr. Donald Kaberuka, noted that what saved Africa, at least temporarily from being part of the world financial crisis was that "our financial systems are still very loosely linked to the international ones". Lending procedures are still rigorous in most African countries and very few banks and financial institutions in Africa lend to undeserving customers.

AfDB's economic outlook was that Africa's economy was expected to grow by less than expected in 2008 as the global financial crisis hits demand for commodities. Africans working abroad who have come to be a significant source to their national GDP were likely to send less money back home than had been projected. "We see an effect on the growth of African economies, which this year is expected to be not more than 5% whereas before we had predicted around 6.5%,". Dr Kaberuka announced from the bank's headquarters in Tunis, ahead of the Meeting of Africa Ministers of Finance and central Bank Governors that took place in December 2008.This was lower down from 5.7% growth of 2007.

Kaberuka said the impact of the financial crisis on African banks was quite small given their limited integration into global markets and a general absence of derivative products on their balance sheets. "However, the economic impact is beginning to be felt. In the short term it will be felt in terms of a drying up of credit finance, and we're already seeing falling demand for products such as oil and minerals, even coffee and cocoa," he said. "Clearly there is already a decline in remittances from migrants, which plays a very big role in some economies," he added. Kaberuka urged the richer industrialized countries of OECD to enact economic stimulus plans, saying it would help the world emerge quicker from recession. He called for a rapid deal to free up global trade and said the global financial regime needed to change to be more inclusive of the world's emerging economies.

Africa represents a small share of global markets, with 1.3% of world stock market value, 0.2% of debt securities and 0.8% of bank assets. The drying up of credit markets comes just as several African countries reach a stage of economic maturity where they can tap global credit markets to finance key projects.
Never the less, due to less connection to the world stock exchange, and limited investment in mortgage backed securities (MBS) Africa was expected at least in the short run, not to be affected by the wall street problems and house mortgage as was happening in developed economies.

1.6.2 Sub-Saharan Africa posted robust growth than developed economies:

Sub-Saharan Africa (where most COMESA countries are located) limited integration in the global financial systems saw the continent recording robust growth compared to advanced economies, growth from 2008, was projected at 5.4% compared with 1.3% recorded in advanced economies. This was however 1.1% less than the consistent growth of an average of 6.5% per annum between 2003 and 2007. This consistent growth over the last 5 years has not been accidental. In recent years, we have witnessed encouraging better economic management and accountability in most countries, higher commodity prices, less debt burden and increased capital inflows. With the exception of a few countries, the continent has witnessed a general improvement in the way it governs itself in accordance with its NEPAD vision and Peer Review mechanism. Conflicts have also reduced, and there has been a clear commitment to regional cooperation to tackle continental challenges.

It is clear however that despite these encouraging signs, there is need to scale up efforts to enable Africa achieve the MDGs by the target date. In addition, great uncertainty in the global financial systems, coupled with the impact of high food and fuel prices may be compounded by the world financial crisis. Indeed, by the last quarter of 2008, we were already witnessing falls in commodity prices, which hurt exporting countries, while investment, official development assistance, remittances by the Diaspora, trade finance and other financial flows to the continent were expected to run down. Thus, this crisis could ultimately hamper on-going efforts to reduce poverty and accelerate progress towards achieving the other MDGs.

1.6.3 Africa's Economic Prospects for 2009.

According to the World Bank's Global Economic Prospects (GEP) for 2009 study, oil-importing economies, outside of South Africa, grew 5.2% in 2008, down from 5.8% in 2007, while oil-exporting countries grew by more than 7.5% for a second consecutive year. However, the World Bank adds that growths are being undermined by capacity constraints stemming from inadequate investment in energy, roads, railways, and ports over the past decades. "This constraint along with high food and fuel prices has contributed to the upturn inflation witnessed across the subcontinent during the year."

South Africa, African's largest economy suffered a battering slowing markedly to an estimated 3.4% from 5.1% in 2007. Power outages plagued output growth in the mining sector, and household consumption slowed sharply, undercut by slower growth of credit, falling asset prices, and higher food and fuel prices among others. 2009, according to the report, is expected to be more gruesome for the continent.
The GEP report explains that for Africa, weaker external demand and lower commodity prices will be the major mechanisms through which the financial crisis will be transmitted. Declines in demand in key external markets will take a toll on exports, and the contribution of trade to GDP growth is likely to be negative in 2009. Overall, aggregate GDP growth in Sub-Saharan Africa is projected to decline to 4.6% in 2009, from about 5.4% in 2008, on the back of weaker investment outlays, faltering export performance, and softer private consumption. As external demand gradually recovers over the second half of 2009 and into 2010, growth should firm to 5.8 % the latter year.

The outlook in 2009, for African economies in the face of the sudden downturn in commodity prices and within the broader context of the ongoing global economic crisis, has to be looked at in a global perspective namely, the continued fall off commodity prices, the purchasing power, Africa's continued reliance on primary products and on traditional markets. Sub-Saharan Africa's share of global trade has fallen to 1.5% over the past three decades from a high of 6%. To add injustice to injury, commodity prices have continued to fall and in some cases, this fall was as much as 30%. The fall effect has had adverse effect on development capacities of most African countries. Development has also been impeded by a serious electricity shortage. At least 30 out of 47 Sub-Saharan Africa have suffered severe energy problems in the recent years. Even strong economies like South Africa have suffered fuel problems. The year 2009, will still experience electricity shortages.

The common problem is that most African countries rely on the export of primary commodities for around 70% percent of their external earnings. The developed countries that provide market for commodities and at the same time being the ones that fix the offer prices will be in a weaker position to import in 2009, therefore leading to a further fall in earnings.

If Africa is to survive in future, it has no choice but diversify its products in the short and medium run as well as add value in the long run. The policy preferences in the region will probably continue towards diversification of non-traditional exports such as seafood, fish, fruits and vegetables, which have seen about a 15% percent increase over the last decade.

Both imports and exports as a share of GDP have fallen, but exports more dramatically. In the last two decades, Africa has been losing market share to other regions, especially Asia and Latin America, in the export of non-fuel commodities at a drastic pace, for a very long time, with both prices and volumes under pressure.

In 2009 and beyond, the continued downward spiral in commodity prices will have non-uniform effects across Africa depending on the major importers. The countries that rely more on soft commodities such cocoa, coffee, and sugar will feel the disruption least, the consumers of these products are habitual and therefore not likely to seriously reduce consumption. Those exporting hard commodities: Industrial minerals and fuel commodities could be hit very badly. Zambia, for instance, has in the course of this decade doubled its external earnings due primarily good copper prices, the recent 20% or so fall was very alarming for Zambia, and copper may see further fall in 2009. The slowdown in China should also exacerbate the collapse of hard commodity prices, with some harsh impacts on countries like Angola, Nigeria, Zimbabwe, Congo and Gabon, because China has in recent years been their major export market.

As already indicated, both prices and volumes of Africa's primary commodity exports have been under historic pressure (with growth in real prices down 10% over the past three decades and 50% relative to manufactures), looking at the above, non-dependence on commodities should be the future guiding principle of African economic reform. Value addition cannot be over emphasized, the unfortunate part however is that "value addition" has been sung for the last decades but little has been done in practical terms. Manufacturing remains an illusion for most sub-Saharan African countries, Despite the incentives provided by AGOA for example, that should have encouraged the dynamic manufacturing sector of clothing and apparel, not many countries have taken the advantage of this offer. In under garment - Swaziland and Mauritius alone account for 85% of Africa's total output.

Calculations of the World Bank and the UN suggest that $700 billion in overseas development Assistance (ODA) will be required over the course of the next few years to fund the MDGs on the continent, but only $440 billion thereabouts are anticipated to be delivered, leading to a shortfall of about $260 billion.

The global downturn means unfortunately however that raising credit on the international markets in the short term will be much more difficult than in the recent past where countries like Ghana and Gabon raised $750 million and $1 billion respectively in 2007.

In addition, despite the fact that Africa did not feel the immediate impact of the US economic meltdown and its effect on European MBSs, in the near future, these will weaken capital markets in general and even more so in Africa's infantile capital markets as overseas investors relapse into a phobia for risky emergent markets, leading to even lower market liquidity, worse intermediation spreads (efficiency of operations measured by gap between borrowing and lending rates) for the banking sector, and downward pressures on African currencies in the wake of dollar- or euro-denominated capital flight.

Africa growth in 2009 is expected to be as low as between 3% - 4%. This will be the slowest growth in the last 5 years.

1.6.3.2 Food self sufficiency important for economic sustainability:

Less restrictive movement of goods and services, the flow of capital, diffusion of technology and knowledge, migration and the global value chain all define the globalized world we live in today. What has emerged from the recent food, fuel and financial crises is the important role of coordinated international responses. Between 2005 and 2008 several developing and least developed countries (LDCs) were shaken by skyrocketing food prices and sometimes violent street protest that accompanied them.
According to FAO, overall price index for basic foods, increased by 8% during 2005-06, ands rose by 24% in 2007, and by a staggering 53% increase in the first quarter of 2008. Such an increase as argued above cannot be sustained by an average income earner, except those who grow their own food. Food pricehikes have fallen hardest on the poor 82 nations designated by United nations as low-income food deficit, 42 of them in Africa. This was further compounded by the fact that a good number of these countries, particularly in Africa, are dependent on rain fall. But even with good rains, there are other factors at play that hinder food production, particularly the almost monoculture practice in staple food production in some African countries coupled by IMF's advocacy on supplying fertilizers at market prices. A good number of African countries particularly influenced by the IMF structural adjustment programs, abandoned support programs to small scale farmers. Countries that cut down support and those that encouraged export crops versus food staples by small scale producers were been the most hit by food crisis.

1.6.4 Support to small scale farmers a must

As already indicated, between 2005 and 2008, protests against food prices swept dozens of countries around the world, including Africa. In Africa, Senegal, Niger, Burkina Faso, Morocco, Mauritania, Guinea, Mozambique, Cote d'Ivoire, Tunisia, Gabon, Cameroon to mention but a few, experienced riots related to food shortage and increased cost of living. Observers point at the abandonment of small scale farming (where the population has been encouraged to depend on wages and food purchase) as the major cause of the crisis. Countries like Uganda, where majority of the population has continued to grow and eat traditional food are less likely to be hit by food crisis. "Unless the world reverses decades of neglect of small- scale farming in Africa and other developing countries and transforms the way food is grown, harvested and sold", FAO cautions, "the current crisis could become permanent and future generations will be hungrier and angrier – than those of the past"

Price rises were most pronounced with cereal crops:- maize, wheat, rice, sorghum and millet. Countries that are therefore exclusively dependent on cereal crops, rice and wheat for West and North Africa, maize for much of eastern and southern Africa are at serious risk. Especially the urban dwellers. In addition, it is these same cereal that are fed to protein producing animal such as cattle and chicken. Besides the competition between human and domestic animals, there is some vicious circle of shortages. Since food cost in most cases absorbs half or more of the family incomes, in such countries, many urban dwellers have little choice but to switch to cheaper less nourishing food, reduce quantities on the table or skip meals altogether.
According to FAO, overall price index for basic foods, increased 8% during 2005-06, and rose by 24% in 2007, and by a staggering 53% increase in the first quarter of 2008. Such an increase as argued above cannot be sustained by an average income earner, except those who grow their own food.Therefore the need for African countries to come up with a strategic approach to support food production.

The African union (AU) Summit held in Maputo, Mozambique, in 2003, pledged among other things to devote at least 10% of their national budget to agriculture, and rural development by end of 2008.
In view of the above, COMESA's agricultural sector interventions have been aligned to the overall AU vision of the COMESA Comprehensive Africa Agricultural Development Program (CAADP). Accordingly, at the 2005 COMESA Ministers of Agriculture Meeting in Cairo, food security, the main subject of Pillar 3 of the CAADP agenda, was made the highest goal of the COMESA Agricultural Sector Strategic Framework.

According to AU report (June 2008) domestic investment in agriculture had increased in most countries over the past five years and over 10 countries had exceeded the agreed 10% investment in agriculture target. The Comprehensive Africa Agricultural Development Program (CAADP) has provided an Africa vision and strategic framework to support and guide national Governments in planning and implementing their agricultural development plans so as to bring about accelerated development of agriculture in Africa in order to achieve poverty reduction, food security, economic growth, and the Millennium Development Goal 1 (MDG 1). In order to ensure that the agricultural development programs of member states are CAADP compliant, and to target the agreed objectives of 6% sustained annual agricultural sector growth, the allocation of 10% of national budget to agricultural sector, as well as, achievement of MDG 1, COMESA has embarked on a Program to assist member states plan and implement the CAADP agenda.

CAADP has set an agenda to increase agricultural growth rate to 6% annually by 2010. Through the CAADP implementation, COMESA has engaged member states, development partners, the private sectors, NGOs, Community Based Organizations and farmer organizations in an evidence-based planning process called "The CAADP Round Table" to design their economic development programs that will help them realize the Goal of achieving household food security by cutting hunger and poverty by half by the year 2015.

Experience has shown that where the traditional small house hold farming survived, the food crisis has tended to be reduced, this why countries in the eastern Africa, with the exception of the horn of Africa, were less hit.

1.6.5 Political good will and bold Policy change may be essentials

As indicated above, the AU and Regional groupings such as COMESA have put up policy guidelines that are appropriate for food security, one major one being the decision to use at least 10% of the national budget to support agriculture particularly small scale food producers. This however requires bold political goodwill. According to AU report (June 2008, domestic investment in agriculture had increased in most countries over the past 5 years, and about 10 countries had met or exceeded the 10% budget proposal. The COMESA CAADP report by end 2007 indicated that only Rwanda had signed the CAADP compact, and Malawi, Uganda and Zambia had completed the process and were awaiting the signature. Africa needs to move faster if it is to solve its food problem and achieve self sufficiency.

Experience has shown that change in government policies, with particular emphasis to the support of small-scale farming, have produced some encouraging increase in food production. The most dramatic example was in Malawi, a COMESA Member State, where the government disregarded donor's pressures and advise and doubled the country's maize harvest with a $ 60 Million fertilizer and seed subsidy program for smallholders in 2006. The government also erected 600 improved locally manufactured maize storage silos to reduce losses to rot and pest.

Observers quote Malawi's success as "a sort that can be repeated in other parts of Africa", that has the potential to produce big benefits in a short time at a relatively modest expenses. A number of countries in sub Saharan Africa including Zambia, Kenya, Ghana and Senegal have announced plans for similar subsidies and more governments in Africa are expected to follow suits. In Kenya, a $ 5 million international loan guarantee program has secured some $ 50 million in private-sector loans to small scale farmers to allow them to purchase improved seeds, fertilizers and other inputs.

The Africa development bank (AfDB), often a critic of state interventions in economic affairs, announced in May 2008, that it has established a special fund to mobilize financial resources for greater fertilizer production and use, including subsidized sales to small scale family holdings. The move was part of a $ 1billion increase in the AfDB farm lending portfolio. Other international financiers and donors should follow suit. One major aspect that African countries should seriously target is Intra-states facilitation in food trade. COMESA has put a Food and Agriculture Marketing Information System (FAMIS), which needs to be strengthened so that it gets to the grassroots population. African countries should also lobby the international food aid agencies such as FAO/WFP to buy food from surplus countries and give the same food to deficit ones. This has a particular effect in that it encourages those that have the potentials to produce more have a guaranteed market and therefore incentives to continue in investing in food production, increasing both food security as well as creating employment in this vital sector. At the same time, the deficit countries get food that is more or less similar to the one they are used to. In addition, the private sector, particularly cross border traders are able to cover the deficits with minimum bureaucracies and within the shortest possible timeline.

Part 2: COMESA in the Regional, Continental and Global Economy

2.1 COMESA preparing itself to face new economic challenges

In his address to the COMESA Council of Ministers that took place in December 2008, the COMESA Secretary General Mr. Sindiso Ngwenya pointed out that the world was in an unprecedented period of social, economic and political turbulence in the global economy as a result of the global financial convulsions. He noted that "all economic indicators point to a global economic recession that may be more severe than the 1929 Great Depression". Of immediate concern and challenge to COMESA was what can be done about it.

Secretary General Ngwenya outlined how the region was preparing itself to face new economic challenges, his starting point was the historic COMESA, EAC and SADC Tripartite Summit that took place on 22nd October, 2008, in Kampala, Uganda, that took unprecedented decisions defining a new social, political and economic geography of the Eastern, Northern, Southern and Indian Ocean regions. The Summit decided to immediately begin the merger of COMESA, EAC and SADC and to establish, within twelve months, a timetable for a pan-regional Free Trade Area (FTA) from Cape to Cairo, and ultimately, in the medium term, a Customs Union, renewing hope to millions of citizens in the region in the following area:-

- First, the COMESA-EAC-SADC Free Trade Area will constitute the largest political and economic block in Africa with a GDP of US$739 billion and a total population of 533 million citizens. This constitutes 60% of Africa's GDP and 57% of Africa's population.

- Secondly, this is a region that has immense and diverse natural resources and people who are resilient and enterprising bearing in mind the fact that majority of people are self supporting.
- Thirdly, Secretary General Ngwenya noted "the new region has poles and pockets of industrialization and modernization which, if properly harnessed, have the potential of unleashing the African tiger".

- Fourthly, notwithstanding the tragic military and political conflicts in some of the states in the region, thanks to the African Union with the support of the international community, political pluralism and good political and economic governance is now by and large the norm rather than the exception.

"It is against this background that COMESA brings to the party of the Tripartite Summit the following achievements, which when blended with the achievements of EAC and SADC, has the potential of unleashing a regional economy that can withstand the gale force of the winds of globalization that is accentuating asymmetrical political, social and economic relationships between the North and South" noted Mr. Ngwenya. He outlined them as follows:. COMESA was established in 1994, as a successor to the PTA, it launched a Free Trade Area (FTA) in October 2000. It has 19 member States, 14 of whom are part of the Free Trade Area while the remaining five are working towards joining the FTA. COMESA had intended to deepen its integration by launching a Customs Union in December, 2008, with a broader objective of establishing a Common Market in 2014. These progresses and plans however cannot progress in isolation of regional, continental and global perspectives. It is in this regard, that COMESA opted to temporarily suspend the launch of the Customs Union that had been scheduled for December, 2008, so as to first harmonize its CET with EAC, in the spirit of the COMESA-SADC-EAC tripartite summit that had taken place a few months earlier.

2.1.1 Secretary General Ngwenya on COMESA's track record

Secretary General Ngwenya praised COMESA's solid track record of programs, project implementation and institution building as evidenced by the COMESA independent and semi-autonomous institutions such as: the PTA Bank; the COMESA Re-Insurance Company; African Trade Insurance Agency; the COMESA Clearing

House; the COMESA Regional Investment Agency; the COMESA Leather and Leather Product Institute and the COMESA Council of Bureau of Insurance Associations and the newly created COMESA Competition Commission. These institutions have the potential to become commonly owned institutions for the three regional organizations. Indeed, some of these institutions are already providing services to the private sector not only in Africa, but also in South East Asia. "Over the years, COMESA has successfully and effectively implemented a market integration Agenda through its trade and investment strategy. The high water mark of this program was on 31st October, 2000, when COMESA launched its Free Trade Area. Since then, COMESA countries have experienced dramatic growth in intra-COMESA trade from US$3.2 billion in 2000 to US$9 billion in 2007" he pointed out.
Never the less, COMESA's trade with the rest of the world is still below the desired performance level. The total volume of COMESA imports and exports in the year 2007, was US$203 billion which is 58% of its US$350 billion GDP. The volume of COMESA trade as proportion of global trade demonstrates a high degree of openness of the COMESA economy. Intra-COMESA trade is 4% of global trade. This is a small percentage when compared to other regions in Asia and Latin America. For example, the intra regional trade for MERCUSOR, ASEAN and ASEAN plus 3 are 22%, 28% and 39% respectively. "A characteristic feature of this intra-trade among these regional blocks is that, a substantial proportion is composed of manufactured products and intra-industry trade as opposed to Intra-COMESA Trade" pointed out Mr. Ngwenya. On the contrary "The defining feature of COMESA trade for both intra-regional and trade with the rest of the world is the dominance of primary commodities. In most cases, our countries depend on one or two primary commodities for export earnings. This is because COMESA countries have hardly modified the structures of their exports. The main primary commodities exported in the year 2000, still accounted for half of all exports, as was the case in 1960. Manufactured exports constitute only five percent of total exports. In contrast, the region imports capital and finished goods from the rest of the world" he pointed out.

COMESA Secretary General's analysis of the region's trade trend clearly indicated the need for a new approach to the nature of productivity within the context of today's global economic challenges as indicated below:

2.2 Need for industrialization and value addition:

According to Secretary General Ngwenya, the analysis by Walter Rodney in 1972, is as valid today as it was then. As he put it, "In order to understand the present economic conditions in Africa, one needs to know why so much of its present wealth goes to non-Africans, who reside for the most part, outside the continent". He noted that "A few illustrative examples would suffice to provide an answer to Walter Rodney's thesis. "It is not the North that has made Africa poor, but rather we owe it to ourselves, like other people to create a zone of prosperity". It is in this regard that the region should embrace the plan of action for the accelerated industrial development by the African Union with the support of UNIDO whose Clarion call **"It is Africa's turn"** and **"The Time is Now"**. He pointed out.

There is a need to move away from factor-driven economies to technology and innovation driven economic development which provides the answer to the problems facing Africa in general, and the COMESA region in particular. A metric ton of coffee beans is exported at US$3,230, compared to the price, after value addition as instant coffee, of US$412,000 per metric ton. In the case of pineapples, the price per metric ton is US$1,470 and after value addition, it is $29,300 per ton.

Consequently, the current export income for COMESA countries for raw coffee beans stands at US$ 949 million. If value addition were done to the coffee beans, for the same tonnage of current coffee bean exports, COMESA countries would generate export revenues of US$ 121 billion (which is 33% of COMESA's 2007 GDP). By moving up the value chain, farmers would get higher prices and increased income would create a virtuous circle of growth and, within a generation, our countries can consign poverty to the dustbin of history.
In view of the above, the current global economic and financial crisis should galvanize COMESA and regional partners to be more pro-active and creative.
The economic recession in countries that import from Sub Saharan Africa in which almost all COMESA

countries are, are also likely to experience dramatic falls in the prices of their primary commodities in 2009.

2.3 Intra-COMESA Trade continues to grow over the Years

Provisional estimates by 31st December 2008, were that trade between COMESA countries would reach US $10 billion, up from 9 billion in 2008

Intra COMESA Trade grew by 35% in 2007 over 2006 levels, a dramatic increase compared to 8% recorded in 2006 over 2005 levels.

This high percentage growth is partly due to increased demand for intra regional products that has come about as a result of benefits of the COMESA Free Trade, and other trade facilitation instruments. According to COMESA Statistics, in 2007, some countries such as Zimbabwe had their _COMESA import growth reaching 522%, Burundi, had COMESA imports increased by 157%, DR Congo 90% and Kenya 76%.

On the supply side, major growth in intra-COMESA exports for 2007 were seen in Zimbabwe 210% intra-COMESA exports, DR Congo 174%, (Intra-COMESA export growth) Malawi 141% and Zambia 121% growth overall COMESA has become the leading export market for Burundi, Djibouti, Kenya, Rwanda, Uganda and Zambia. (For Swaziland, COMESA is second after South Africa.)

It is important to note that most COMESA countries have not documented the contribution by informal small cross border traders. Their contribution is in millions of dollars.

Source: COMSTAT Database

Table 1 Intra-COMESA Trade 1997-2007, value in US$ Million

Flow	Year										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Exports	1,505	1,571	1,380	1,497	1,319	1,882	1,670	1,804	2,583	2,702	3,950
Re-Exports	128	97	21	200	400	267	475	531	625	268	570
Total Exports	**1,632**	**1,669**	**1,401**	**1,697**	**1,719**	**2,149**	**2,145**	**2,335**	**3,208**	**2,970**	**4,520**
Imports	1,434	1,437	1,192	1,419	1,718	2,218	2,173	2,223	3,046	3,757	4,553
Total Trade	**3,066**	**3,106**	**2,593**	**3,116**	**3,437**	**4,368**	**4,318**	**4,558**	**6,254**	**6,728**	**9,074**

As indicated below Intra-COMESA Trade, has continued to grow over the years having tripled within the last 10 years, it is estimated that total intra-COMESA trade shall exceed 10 billion US $.

Table 2: Intra-COMESA Trade by Country, 2006-2007, Values in US $ Millions

Year	2006	2007				
Country	Exports	Re-Exports	Imports	Exports	Re-Exports	Imports
Burundi	23.4	26.9	68.3	36.6	32.6	175.4
Comoros	0.7		15.2	0.2		2.8
Congo DR	68.8		350.2	188.1		665.8
Djibouti	7.8		8.4	31.7		108.0
Egypt	505.7		266.4	494.3		312.2
Eritrea	2.6		26.6	6.3		4.9
Ethiopia	100.0	0.1	391.1	123.8	0.9	213.7
Kenya	911.2	130.4	243.3	1,114.3	189.2	428.3
Libya	105.3		211.9	153.5		278.5
Madagascar	22.1	1.7	71.7	31.7	23.7	122.8
Malawi	76.3	0.7	180.9	183.7	0.0	140.0
Mauritius	57.1	47.4	99.1	75.4	69.1	120.8
Rwanda	36.2	5.0	336.9	50.7	5.6	264.9
Seychelles	0.5	0.2	23.7	0.7	0.4	26.0
Sudan	87.7	3.1	651.0	29.7	36.9	441.1
Swaziland	102.3	0.6	1.2	191.1		25.5
Uganda	234.2	24.9	450.4	367.2	89.1	515.9
Zambia	276.7	20.3	310.7	612.2	55.5	394.6
Zimbabwe	83.3	7.2	50.2	258.6	67.5	312.2
Total	2,701.9	268.5	3,757.4	3,949.9	570.4	4,553.5

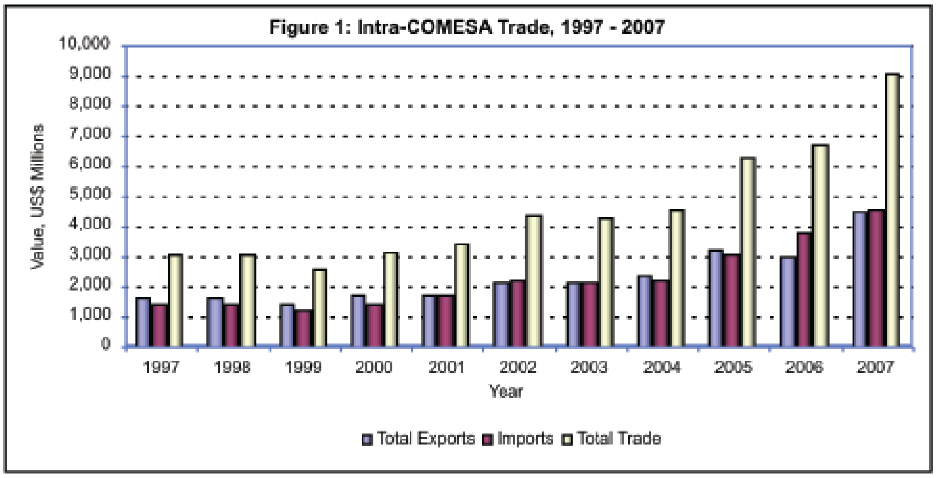
Source: COMSTAT Database

The export market share for intra COMESA trade in 2007 was dominated by Kenya with a split of 28%, albeit a decline from 34 percent the previous year followed by Zambia, Egypt and Uganda with shares of 16%, 13% and 9% respectively (See Table 3 below). Kenya's major intra- COMESA export products were tea to Egypt and Sudan (Kenya, Egypt and Sudan are all members of the COMESA FTA) and cement and oil to Uganda (Uganda has a tariff reduction of 80% for COMESA originating goods).

On the import side, the Democratic Republic of Congo registered the biggest import share of COMESA products 15% followed by Uganda and Sudan with intra-COMESA import shares of 11 and 10% respectively (see Table 3). D R Congo's major intra-import products were tobacco and sugar from Zimbabwe and Zambia respectively.

Table 3: Intra-COMESA Trade, 2007 Value US $ Millions and % Share

Rank	Exporter	Value	% Share	Rank	Importer	Value	% Share
1	Kenya	1,114.3	28.2	1	Congo DR	665.8	14.6
2	Zambia	612.2	15.5	2	Uganda	515.9	11.3
3	Egypt	494.3	12.5	3	Sudan	441.1	9.7
4	Uganda	367.2	9.3	4	Kenya	428.3	9.4
5	Zimbabwe	258.6	6.5	5	Zambia	394.6	8.7
6	Swaziland	191.1	4.8	6	Egypt	312.2	6.9
7	Congo DR	188.1	4.8	7	Zimbabwe	312.2	6.9
8	Malawi	183.7	4.7	8	Libya	278.5	6.1
9	Libya	153.5	3.9	9	Rwanda	264.9	5.8
10	Ethiopia	123.8	3.1	10	Ethiopia	213.7	4.7
11	Mauritius	75.4	1.9	11	Burundi	175.4	3.9
12	Rwanda	50.7	1.3	12	Malawi	140.0	3.1
13	Burundi	36.6	0.9	13	Madagascar	122.8	2.7
14	Madagascar	31.7	0.8	14	Mauritius	120.8	2.7
15	Djibouti	31.7	0.8	15	Djibouti	108.0	2.4
16	Sudan	29.7	0.8	16	Seychelles	26.0	0.6
17	Eritrea	6.3	0.2	17	Swaziland	25.5	0.6
18	Seychelles	0.7	0.0	18	Eritrea	4.9	0.1
19	Comoros	0.2	0.0	19	Comoros	2.8	0.1
	Total	3,949.9	100.0		Total	4,553.5	100



Source: COMESA Statistics

2.4 Total COMESA Trade continues to grow

Total COMESA Trade has continued to grow since the launch of the COMESA FTA in the year 200. Over the years both imports and exports have shown a general upward trend. According to COMESA Statistics, in 2007, total COMESA trade rose to a tune of US$ 203 billion, up from US $ 179 billion in the previous year (or 14% increase), although this increase was lower than that experienced in 2006 over the year 2005, where the region experienced total trade increase of 23%.

Table 4: Total COMESA Trade, 2000 - 2007, Values, US$ Million

Flow	Year							
	2000	2001	2002	2003	2004	2005	2006	2007
Exports	13,964	12,977	34,659	46,185	57,004	75,355	99,023	105,041
Re-Exports	650	876	702	1,152	1,436	2,093	1,816	2,100
Total Exports	14,613	13,853	35,361	47,337	58,440	77,448	100,839	107,141
Imports	29,881	28,704	45,650	43,906	49,599	67,891	77,677	95,938
Total Trade	44,494	42,557	81,011	91,243	108,039	145,339	178,516	203,079

Source: COMSTAT Database and UN COMTRADE Database

2.5 EU Continues to be the major export destination to COMESA Countries

EU has continued to be a major export destination to COMESA countries. On average, a number of COMESA countries exported a big proportion of their products to the EU as evidenced in the Table 5 and Fig 3 below, with the exception of Swaziland, Zambia, Sudan and Djibouti. In 2007, of COMESA's total exports, (including re-exports), 63% were destined to the EU, making EU the major export market for the region, principally petroleum oils from Libya. A big chunk of Swaziland's exports were destined to South Africa (75%) while 56% of Sudan's exports in 2007 were destined to China, mostly petroleum oils. Djibouti and Zambia's key export markets were Rest of the World (ROW) (74% and 63%), mainly live sheep, goats and copper exported to Saudi Arabia and Switzerland, respectively. It is clear therefore that despite increased intra-COMESA trade, the regional market still needs to be enhanced.

Table 5: Key Export Markets for COMESA Countries, 2007 (%)

Country	China	COMESA	EU	India	Japan	South Africa	USA	ROW	Total
Burundi	0.1	21.6	13.9	0.0	2.7	2.1	0.7	59.0	100.0
Comoros	-	9.5	66.5	5.0	-	-	0.0	19.1	100.0
Congo DR	15.6	7.1	62.4	-	0.1	0.3	7.0	7.5	100.0
Djibouti	0.8	17.9	6.8	-	0.0	0.0	0.6	73.8	100.0
Egypt	0.7	3.1	24.0	10.0	2.7	0.1	5.4	54.0	100.0
Eritrea	3.1	8.8	83.5	-	0.0	0.2	0.3	4.0	100.0
Ethiopia	5.4	9.8	28.6	1.3	6.0	0.3	8.4	40.1	100.0
Kenya	0.4	26.4	26.6	1.8	0.4	1.3	6.1	36.9	100.0
Libya	2.1	0.2	86.8	-	0.0	0.1	4.8	5.9	100.0
Madagascar	1.9	4.4	58.4	1.3	0.6	0.6	18.2	14.6	100.0
Malawi	0.7	21.2	35.4	1.1	0.1	14.8	4.2	22.5	100.0
Mauritius	0.2	7.7	60.4	0.6	0.5	3.4	8.1	19.0	100.0
Rwanda	0.3	35.0	36.8	0.2	0.0	1.8	4.2	21.8	100.0
Seychelles	0.0	0.4	49.2	1.1	0.0	0.7	0.3	48.4	100.0
Sudan	56.0	5.0	6.0	2.0	4.2	0.0	0.4	26.4	100.0
Swaziland	0.6	15.2	0.6	0.1	0.1	74.7	2.4	6.2	100.0
Uganda	1.1	37.2	21.7	0.3	0.3	0.8	1.4	37.2	100.0
Zambia	4.0	14.2	4.3	1.1	0.8	11.9	0.6	63.1	100.0
Zimbabwe	1.9	9.9	11.9	0.1	0.6	37.5	2.4	35.7	100.0
Total	2.9	4.2	62.8	1.7	0.6	2.9	4.9	20.0	100.0

Source: COMSTAT Database and UN COMTRADE Database

In absolute numbers, COMESA exports to the EU reached almost a US $ 70 billion mark in 2007. Compared to 2006, this implied a 5%. Exports to the EU were mainly petroleum oils, natural oils and gas from Libya and Egypt. Following the EU export market was the USA with exports from COMESA worth US $ 5.2 billion in 2007, registering a 6% increase from the previous year. Exports to the US market were also topped by petroleum oils and natural gas from Libya and Egypt, and also non-industrial diamonds exported from the D.R Congo.

Ranked fourth in the export market was Switzerland, after COMESA, with exports from COMESA worth US $ 3.7 billion in 2007, mainly copper (US $ 1.5 billion) and petroleum oils (US $ 1.2 billion) from Zambia and Libya respectively. Exports to South Africa amounting to US $ 3.1 billion in 2007 were mainly Mixtures of odoriferous substances from Swaziland , Nickel and gold from Zimbabwe and copper from Zambia. Exports to China were topped by petroleum oils worth US $ 2 billion from Libya and Sudan followed by cobalt and copper from Congo DR worth US $ 350 million.

Table 6: COMESA's Major Export Trade Markets: Values in US$ millions

2007 rank	Destination	2003	2004	2005	2006	2007
1	European Union	29,855	38,871	51,453	66,080	69,362
2	U.S.A.	1,516	2,071	3,548	4,865	5,201
3	COMESA	2,145	2,335	3,208	2,970	4,520
4	Switzerland	948	1,266	1,823	3,214	3,714
5	South Africa	2,926	2,506	1,785	2,483	3,105
6	China	2,116	1,932	3,462	7,000	3,079
7	India	635	548	693	1,948	1,854
8	Brazil	49	71	55	435	1,078
9	Saudi Arabia	408	524	764	754	903
10	Tunisia	147	409	505	47	687

On the import side, the key import source market for most COMESA countries was again the EU, with the exception of Swaziland, Zambia and Zimbabwe which had South Africa as their key import source market with proportions of 95%, 45% and 43% respectively. In the COMESA region, Rwanda sourced the biggest proportion of her imports from the region, with a proportion of 39%, mainly petroleum oils and cement from Kenya and Uganda respectively. On the overall, 24% of COMESA's total imports originated from the EU hence making it the most import source market for COMESA imports.

COMESA's imports from the rest of the world (ROW) accounted for 42% of total imports in 2007. Remarkably these were Saudi Arabia, United Arab Emirates and South Korea as indicated below.

Table 7: Key Import Markets for COMESA Countries, 2007 (%)

Country	China	COMESA	EU	India	Japan	South Africa	USA	ROW	Total
Burundi	5.0	29.0	33.0	4.8	6.2	3.6	1.5	16.7	100.0
Comoros	5.0	3.2	15.3	1.5	0.4	3.1	0.0	71.4	100.0
Congo DR	3.6	23.5	28.2	-	0.7	24.1	4.0	16.0	100.0
Djibouti	11.0	6.7	13.3	-	4.9	0.7	3.7	59.8	100.0
Egypt	5.4	1.2	19.5	1.8	1.8	0.1	8.6	61.6	100.0
Eritrea	12.2	2.9	46.7	-	2.2	4.2	3.5	28.4	100.0
Ethiopia	19.6	3.7	21.0	7.4	7.4	0.7	4.8	35.5	100.0
Kenya	6.8	4.1	28.1	8.2	6.0	5.2	6.3	35.3	100.0
Libya	8.5	2.5	49.6	-	2.5	0.1	4.8	32.2	100.0
Madagascar	19.5	5.2	21.6	3.0	2.6	5.0	3.5	39.6	100.0
Malawi	3.0	10.4	14.5	5.1	0.9	28.3	3.7	34.2	100.0
Mauritius	11.4	3.2	26.2	21.2	3.6	7.3	2.3	24.7	100.0
Rwanda	6.0	38.5	19.7	3.6	2.0	3.7	3.6	23.1	100.0
Seychelles	1.3	3.6	36.9	2.9	1.7	5.8	1.1	46.7	100.0
Sudan	18.9	5.2	19.3	3.0	8.7	0.5	0.7	43.8	100.0
Swaziland	0.6	2.2	0.5	0.1	0.4	94.7	0.1	1.3	100.0
Uganda	7.9	15.7	19.2	9.7	6.6	6.0	3.1	31.9	100.0
Zambia	6.3	10.3	15.1	4.2	1.5	45.3	1.5	15.9	100.0
Zimbabwe	6.0	9.2	7.3	1.2	0.9	43.1	2.3	30.1	100.0
Total	8.9	5.1	24.2	4.0	3.6	7.6	5.1	41.5	100.0

Source: COMSTAT Database and UN COMTRADE Database

In absolute figures, COMESA's imports from the EU amounted to US $ 30 billion in 2007, registering an increase of 20 percent over the 2006 figures and lucidly the largest import market for the COMESA countries (Table 8). Topping the list of imports from the EU market to the COMESA region were light oils and preparations of petroleum worth US $ 2.4 billion,

Next to the EU as a major import market for COMESA was China, registering exports worth US $ 7.8 billion to COMESA in 2007, a striking increase of 35%t from the 2006 levels. South Africa ranked third with exports to the COMESA market worth US $ 6.7 billion in 2007, followed by Saudi Arabia that exported commodities worth US $ 5.3 billion in 2007.

Table 8: COMESA's Major Import Trade Markets: Values in US$ millions

2007 rank	Origin	Period				
		2003	2004	2005	2006	2007
1	European Union	16,414	19,164	23,053	24,730	30,061
2	China	2,063	2,686	4,344	5,850	7,873
3	South Africa	3,888	4,979	5,024	4,970	6,727
4	Saudi Arabia	1,534	1,534	3,573	4,352	5,320
5	COMESA	2,173	2,223	3,046	3,757	4,554
6	U.S.A.	2,375	2,173	3,150	3,409	4,514
7	India	1,192	1,612	2,131	2,877	3,565
8	United Arab Emirates	932	1,156	2,170	3,089	3,225
9	Japan	1,371	1,614	1,949	2,620	3,223
10	Korea, Republic Of	593	1,018	1,122	1,373	1,510

2.4 COMESA-EAC-SADC Tripartite Framework

2.4 1 The COMESA-EAC-SADC Tripartite framework was established out of the realization that the 3 RECs were implementing similar programs in the areas of trade, customs and infrastructure development. There was, therefore, the need to harmonize and co-ordinate these programs in terms of joint planning and implementation, exchange of information and experiences, and capacity building.

2.4 1.1 While the arrangement was mandated by the Chairmen of the RECs, this tripartite framework of co-operation and harmonization up to October, 2008, had been mostly among the Secretariats of COMESA and SADC since 2001, and later the EAC joined the arrangement in 2005, in Kigali, Rwanda.

2.4 1.2 The process of co-operation and harmonization among the 3 RECs has been going on in earnest since 2005, during which time the Chief Executives of the Secretariats met not less than six (6) times. They identified common programs, shared information on the on-going integration programs and agreed on areas for co-operation and harmonization.

2.4. 1 .3 The tripartite framework finds its basis from the Lagos Plan of Action and the Abuja Treaty establishing the African Economic Community (AEC). Specifically, it is a strategic response to the objective of the AEC to strengthen, rationalize and consolidate existing regional economic communities (RECs) with a view to achieve a common market covering the continent. The framework can be viewed as a strategy to facilitate and enhance intra-regional trade, attract investment and accelerate growth and development.

Group Photo 1st Tripartite Summit

2.5 The First COMESA-EAC-SADC Tripartite Summit of Heads of State and Government.

2.5.1 In pursuit of the broader objectives of the African Union to accelerate economic integration of the continent, with the aim of achieving economic growth, reduce poverty and attain sustainable economic development, the Tripartite Summit of the Heads of State and Government of the Common Market for East and Southern Africa (COMESA), East African Community (EAC) and the Southern Africa Development Community (SADC) met in Kampala, Uganda on 22nd October, 2008.

2.5.1.2 This was extremely significant taking into account the needed political will if real integration is to take place. The Summit deliberated on strategies to deepen regional integration in Eastern and Southern Africa in pursuit of the broader objectives of the African Union (AU) to accelerate economic integration of the continent. The Tripartite Summit agreed on a program of harmonization of trading arrangements amongst the three regional economic communities (RECs), free movement of business persons, and joint implementation of inter-regional infrastructure programs as well as institutional arrangements on the basis of which the three RECs would foster cooperation.

2.5.1.3 This summit had an enormous weight, taking into account the political significance as well as the role that these RECs play continentally. These RECs have the responsibility of spearheading continental integration and the elimination of poverty from the African continent. Among them, the three RECs comprise 26 countries which account for 50% of the country membership of the African Union, nearly 60% of the total Gross Domestic Product of the continent and about 58% of the total population of Africa, covering the continent from Cape to Cairo, Matati to Moroni.

2..5.1 The Tripartite Summit was attended by the following Heads of State and Government:

His Excellency, **Mr. Yoweri Kaguta Museveni**, President of the Republic of Uganda.
His Excellency, **Mr. Mwai Kibaki,** President of the Republic of Kenya, Chairman COMESA.
His Excellency, **Mr. Kgalema Motlanthe**, President of the Republic of South Africa, Chairman SADC.
His Excellency, **Mr. Jakaya Mrisho Kikwete**, President of the United Republic of Tanzania, Chairman African Union.
His Excellency, **Mr. Paul Kagame**, President of the Republic of Rwanda, Chairman EAC.
His Excellency, **Mr. Robert Gabriel Mugabe**, President of the Republic of Zimbabwe.
Right Honorable, **Pakalitha Mosisili**, Prime Minister of the Kingdom of Lesotho.
His Excellency, **Gabriel Ntisezerana**, Second Vice President of the Republic of Burundi.

2.5.2 . The following Plenipotentiaries represented the Heads of State and Government of the following countries:

Honorable **Olivier Kamitatu Etshou**, Minister of Planning, Democratic Republic of Congo.
Honorable **Rifki Abdoulkader Bamakhrama**, Minister of Trade and Industry, Republic of Djibouti.
Honorable **Dr. Osman Mohamed**, Minister of Economic Development, Arab Republic of Egypt.
Honorable **Dr. Ali Abd Alazziz Alsawi**, Secretary General of Economy, Trade and Investment, Great Socialist People's Libyan Arab Jamahiriya.
Honorable **Mrs. Joyce Banda**, Minister of Foreign Affairs, Republic of Malawi.
Honorable **Dr. Arvin Boolell**, Minister of Foreign Affairs, Regional Integration and International Trade, Republic of Mauritius.
Honorable **Antonio Fernando**, Minister of Trade and Industry, Republic of Mozambique.
Honorable **Bradford Machila**, Minister of Lands and Special Representative of His Honor the Vice President and Acting President of the Republic of Zambia.

Honorable **Joaquim Duarte da Costa David**, Minister of Industry Republic of Angola.
Honorable **Neo D. Moroka**, Minister of Trade and Industry of the Republic of Botswana.
Honorable **Patrick Pillay,** Minister of Foreign Affairs of the Republic of Seychelles.
His Excellency **Hassan Ibrahim Gadkarim**, Ambassador of the Republic of Sudan to Republic of Uganda, Republic of Rwanda and Republic of Burundi.
His Excellency **Wilfried I. Emvula**, Ambassador and Permanent Delegate to the African Union and the Economic Commission of Africa, Republic of Namibia.
His Excellency **Salih Omar Abdu**, Ambassador of the State of Eritrea to Republic of Kenya, Republic of Uganda and United Republic of Tanzania.
His Excellency **Dr. Denis Andriamandroso**, Ambassador of the Republic of Madagascar to the Republic of South Africa.
His Excellency Ambassador **Clifford Sibusiso Mamba,** Permanent Secretary, Ministry of Foreign Affairs and Trade, Kingdom of Swaziland.

2.5.3 The following represented their Organizations at the Tripartite Summit:

H.E. Erastus J.O. Mwencha, MBS, Vice Chairperson, African Union Commission; Mrs. Lalla Ben Barka, Deputy Executive Secretary, UNECA; Mr. Philbert Afrika, Director, NEPAD, Regional Integration and Trade, African Development Bank; Dr. Kasaija Apuuli, IGAD and Ambassador Liberata Mulamula, Executive Secretary, International Conference on the Great Lakes Region.

2.5.4 His Excellency the President of the Republic of Uganda, in his official opening remarks, welcomed all the Heads of States and Government, all dignitaries and delegates to the Tripartite Summit.

2.5.5 The Executive Secretary of SADC, on behalf of the COMESA, EAC and SADC Secretariat,s in his opening remarks provided the background to the technical work and cooperation amongst the three RECs that led to Tripartite Summit.

2.5.6 Their Excellencies, President of the Republic of Kenya, President of the Republic of Rwanda and President of the Republic of South Africa, the Chairpersons of COMESA, EAC and SADC respectively, addressed the Tripartite Summit outlining the commitment of the three Regional Economic Communities to the tripartite cooperation process.

2.5.7Their Excellencies, President of the United Republic of Tanzania and Chairman of the African Union and Deputy Chairperson of the African Union Commission also made opening remarks appreciating and giving support to the COMESA, EAC and SADC tripartite cooperation within the framework of establishing the African Economic Community.

2.5.8 The Tripartite Summit was chaired by the Chairperson of the East African Community, President Paul Kagame, assisted by the Chairpersons of the Common Market for Eastern and Southern Africa President Mwai Kibaki and the Southern Africa Development Community President Kgalema Motlanthe and the Tripartite Task Force of the three Secretariats was the Rapporteur.

2.5.9 The Tripartite Summit agreed on a program of harmonization of trading arrangements amongst the three RECs, free movement of business persons, joint implementation of inter-regional infrastructure program as well as institutional arrangements on the basis of which the three RECs would foster cooperation, including an eventual merger.

2.5.10 The Tripartite Summit underscored the fact that the tripartite arrangement is a crucial building block towards achieving the African Economic Community as outlined by the Treaty of Abuja.

2.5.11 The Tripartite Summit reviewed the progress on the implementation of joint programs in trade, customs and economic liberalization amongst the three RECs.

2.5.12 The Tripartite Summit RESOLVED that the three RECs should immediately start working towards a merger into a single REC with the objective of fast tracking the attainment of the African Economic Community. The Tripartite Summit directed the Tripartite

Task Force of the three Secretariats to develop a roadmap for the implementation of this merger for consideration at its next meeting.

2.5.13 In the area of trade, customs and economic integration, the Tripartite Summit:

a.i) approved the expeditious establishment of a Free Trade Area (FTA) encompassing the member/partner States of the 3 RECs with the ultimate goal of establishing a single Customs Union;

b.ii) directed the three RECs to undertake a study incorporating, among other things, the following elements:

a) development of the roadmap, within 6 months, for the establishment of the FTA which would take into account the principle of variable geometry;

b) the legal and institutional framework to underpin the FTA;

c) measures to facilitate the movement of business persons across the RECs;

d) Prepare for an eventual merger of the 3 RECs

iii) directed that the study report from (ii) above be presented to a specially convened Tripartite Council of Ministers for consideration within 12 months to among other things, determine the time frame for the establishment of a single FTA encompassing the three RECs;

iv) directed the Chairpersons of the Councils of Ministers of the three RECs to ensure that the three RECs speed up the development of joint programs that enhance co-operation and deepening of co-ordination in industrial and competition policies, financial and payments systems, development of capital markets and Commodity Exchanges; and

v) directed the Chairpersons of the Councils of Ministers of the three RECs to ensure that the Secretariats participate, co-ordinate and harmonize positions on the EPA negotiations and other multilateral negotiations including the WTO Doha Development Round Negotiations.

2.5.14 The Tripartite Summit reviewed the progress on the implementation of joint infrastructure programs by the three RECs.

2.5.15 In the area of infrastructure development, the Tripartite Summit:

(a)(ii) launched the Joint Competition Authority (JCA) on Air Transport Liberalisation which will oversee the full implementation of the Yamoussoukro Decision on Air Transport in the three RECs commencing January 2009. The JCA comprises seven members, two members each from EAC, COMESA and SADC plus a chairperson on a rotational basis;

(b)(iii) directed the three RECs to put in place, within one year:

a.(a) a joint program for the implementation of a single seamless upper airspace;

b.(b) a joint program for the implementation of an accelerated, seamless inter-regional ICT Broadband Infrastructure network;

c.(c) a joint program for implementation of a harmonized policy and regulatory framework that will govern ICT and infrastructural development in the three RECs,

(iii) directed the three RECs to effectively coordinate and harmonize within one year:

(a) the Regional Transport Master Plans of the three RECs; and

(b) the Regional Energy Priority Investment Plans and the Energy Master Plans of the three RECS.

(iv) directed the three RECs to develop joint financing and implementation mechanisms for infrastructure development within one year.

2.5.16 With regard to the Legal and Institutional

Framework, the Tripartite Summit:

(a)(i) directed the Council of Ministers of each of the three RECs to, within six months, consider and approve the Memorandum of Understanding on inter regional cooperation and integration which should also provide for the powers of each decision making level;

(b)(ii) directed that the approved Memorandum of Understanding be signed by the Chairpersons of the three RECs, within one month of its approval;

(c)(iii) established a Tripartite Summit of Heads of State and/or Government which shall sit once every two years;

(d)(iv) in the interim, pending the signing of the MOU:

(a) established a Tripartite Council of Ministers which will meet at least once every two years;

(b) established a Tripartite Sectoral Ministerial Committee on Trade, Finance, Customs, Economic Matters and Home/Internal Affairs; a Tripartite Sectoral Ministerial Committee on Infrastructure; a Tripartite Sectoral Ministerial Committee on Legal Affairs and any other Ministerial committees, as established by the Tripartite Council of Ministers, which shall meet at least once a year;

(c) approved extra ordinary meetings of the Tripartite Summit and Tripartite Council of Ministers to be held as and when necessary;

(d) established a Tripartite Committee of Senior Officials and of Experts which shall meet at least once a year; and

(e) established a Tripartite Task Force of the Secretariats of the three RECs to meet at least twice a year.

2.5.17 The Tripartite Summit noted with great concern, the current global financial crisis undermining the economic stability of the world and posing a serious threat to the growth of African economies particularly in terms of demand for African exports of goods and services including tourism, foreign direct investment, remittances of the African Diaspora, employment, development cooperation, achievement of the Millennium Development Goals and the willingness of the donor community to meet aid commitments.

2.5.18 The Tripartite Summit called for collective action to help African and other developing and least developed countries to address the adverse impact of the financial crisis and the global economic meltdown and urged international financial institutions to adopt effective remedial measures to mitigate the risks.

2.5.19 The Tripartite Summit further noted the continued world food crisis and agreed to make strategic interventions to exploit the potential of African economies in the production of food and enhance accessibility to markets.

2.5.20 The Tripartite Summit congratulated His Excellency, Yoweri Museveni, Government and People of Uganda, for Uganda's admission as a non Permanent Member of the UN Security Council.

2.5.21 The Tripartite Summit congratulated His Excellency Kgalema Motlanthe, President of the Republic of South Africa, for his accession to the high office of the Republic of South Africa and wished him well.

2.5.22 The Tripartite Summit congratulated His Excellency Festus Mogae, former President of the Republic of Botswana, on being awarded the Mo Ibrahim Award on good governance.

2.5.23. The Tripartite Summit expressed its appreciation to the COMESA-EAC-SADC Tripartite Task Force of the Secretariats for the preparatory work undertaken leading to the Tripartite Summit.

2.5.24 The Tripartite Summit expressed appreciation to the Government and people of Uganda for the warm and fraternal hospitality extended to all the delegates.

2.5.25. His Excellency Yoweri Museveni, President of the Republic of Uganda, in his closing statement congratulated all his colleagues for the landmark Tripartite Summit which was ushering in a new era in the integration of Africa. He thanked them for their attendance and looked forward to the continuation of the rationalization and integration process in Africa.

Part 3: COMESA Decision making Process and 2008 activities.

3.1 Introduction

Although many factors have contributed to COMESA's success over the years, there is no doubt that one of the most important ones is the efficiency of its decision-making process. Below is an outline of the structure and functions of each of the major COMESA organs, how each fits into the policy-making process, ways in which they relate to one another and to the member States as well as other stakeholders.

3.2 COMESA Authority of Heads of State and Government (The Authority)

The COMESA Authority comprises the Heads of State and Government of the different COMESA Countries; the Authority is COMESA's supreme policy-making organ. It is responsible for the general policy direction and control of the performance of the executive functions of COMESA. It is headed by a Chairman elected for an agreed period. Within the year, Kenya maintained the Chairmanship carried over from the year 2007.

Under normal conditions, the Authority meets once a year, and may hold an Extraordinary Summit at the request of any member of the Authority, provided that one third members of the Authority support such a request.

3. 2..1 Decision-making process:

Under normal circumstances, the Authority takes decisions by consensus. Although its meetings are in closed session, at the end of each meeting, the leaders issue a communiqué recording their decisions. The Authority sometimes issues declarations or statements on matters of particular concern. The directives and decisions taken by the Authority are binding on all member States and the other organs to which they are addressed.

3.2.2 Second extra-ordinary Summit of the COMESA Heads of State and Government

The Second extra-ordinary Summit of the COMESA Heads of State and Government that took place at Sharm El Sheikh in the Arab Republic of Egypt, on 30th June, 2008, was attended by heads of States of COMESA Countires, and was chaired by His Excellency Mwai Kibaki, president of Republic of Kenya and Chairman of the COMESA Authority.
The Summit appointed Mr. Sindiso Ngwenya of the Republic of Zimbabwe, as the COMESA Secretary General, and Mr. Stephen Karangizi of the Republic of Uganda, as the Assistant Secretary General in charge of Programmes.

Mr Ngwenya become the third Secretary-General of the Common Market for Eastern and Southern Africa (COMESA) since it was transformed from the PTA in 1994. He had been the Interim Secretary General since May, 2008, following the departure of Mr. Erastus Mwencha, who has been elected as the Deputy Chairperson of the African Union.

The Second extra-ordinary Summit appointed Mr Sindiso Ngwenya as Secretary General, he replaced Mr Erastus Mwencha, who was elected Deputy Chairperson of the African Union.

Prior to his appointment, the new Assistant Secretary General (programs) Mr. Stephen Karangizi, was COMESA director of Legal Division. He becomes the 2nd Assistant Secretary General (programs) since the creation of COMESA.

Mr Stephen Karangizi was appointed Assistant Secretary General (programs)

3..2.3 In the year 2008, the Authority did not hold its regular Summit. Following consultations with the Bureau, COMESA postponed the 13th COMESA Summit of Heads of State and Government which had been scheduled to be held in Victoria Falls, Zimbabwe, from 7th - 8th December, 2008.

The postponement of the Summit took into account the need to begin the process of implementing the task force decisions of the COMESA-EAC-SADC Tripartite Summit held in Kampala, Uganda, on 22nd October, 2008, regarding the harmonization of Free Trade Areas (FTA's) and Common External Tariffs (CET's) among the three Regional Economic Community (REC's). Of immediate priority was the harmonization of the CET's of COMESA and EAC. The consultations between the two Regional Economic Communities went beyond 8th December, 2008, which is when the COMESA Customs Union was scheduled to be launched.

It is against this background that it was deemed prudent to postpone the COMESA Summit to a future date during the first six months of 2009 to enable the harmonization process and consultations to be completed.

3.3 The COMESA Council of Minister

3.3.1 The COMESA Council of Ministers is responsible for overseeing the functioning and development of COMESA and ensuring the implementation of agreed policies. Its responsibilities include making recommendations to the Authority on matters of policy aimed at the efficient and harmonious functioning and development of COMESA; giving direction to all other subordinate organs of the Common Market (other than the COMESA Court of Justice) in the exercise of its jurisdiction; and making regulations, issuing directives and taking decisions. Other responsibilities are making recommendations and providing opinions in accordance with the provisions of the COMESA Treaty; when the need arises, requesting advisory opinions from the COMESA Court of Justice in accordance with the provisions of the Treaty; considering and approving the budgets of the Secretariat and the Court; and endorsing the Staff Rules and Regulations and Financial Regulations of the Secretariat.

3.3.2 The regulations, directives and decisions of the Council are binding on Member States and all COMESA subordinate organs of COMESA to which they are addressed.

3.3.3 The COMESA Council comprises Ministers whose ministries are responsible for the coordination of COMESA activities (so-called Coordinating Ministries); in most cases these are ministers responsible for Trade, although some countries may decide to assign this responsibility to any other ministry.

3.3.4 The Council appoints its bureau comprising The Chairperson, Vice-Chair and Rapporteur – who together form the Bureau of Council

3.3.5 In 2008, The Council held one ordinary and one extraordinary session. The Council takes decisions by consensus, or failure to that, by two-thirds majority of its members. Where a Member State lodges an objection to a proposal submitted for Council decision, that proposal shall, unless such objection is withdrawn, be

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referred to the Authority for decision. This situation did not arise within the year.

3.4. Extra Ordinary Meeting of the COMESA Council

Photo: Kenyan Vice President Kalonzo Musyoka opened 2nd Extra ordinary meeting of the COMESA Council of Ministers

3.4.1 The 2nd Extra ordinary meeting of the COMESA Council of Ministers met in Nairobi, Kenya, on the 15th May, 2008, under the Chairmanship of Honourable Uhuru Kenyatta, Deputy Prime Minister and Minister of Trade of Kenya and Chairman of the COMESA Council of Ministers under the Theme: "Consolidating Regional Economic Intergration through Value Addition, Trade and Food Security

3.4.2 Kenyan Vice President Honorable Kalonzo Musyoka, opened the meeting and called on COMESA member States to rededicate their commitments towards the implementation of integration measures ed at realizing a common Customs Union.

3.4.3 Urged member states to mitigate against the challenges posed by global economic trends such as the rapid increase in oil prices, decline in food production and stagnation in the multilateral trade negotiations.

3.4.4 Called on the COMESA secretariat to work closely with member states to carry out additional work in seeking to raise agricultural productivity and competitiveness under the Comprehensive African Agricultural Development Program.

3.4.5 Noted that the agricultural sector provides up to 80 percent of the region's population hence the need to sustain it particularly through value addition.

3.4.6 Observed that unfolding events at the multilateral levels will continue to affect the region citing the stalled negotiations at the World Trade Organization

(WTO) development round and the critical stage in the talks with European Union for Economic Partnership Agreements.

3.4.7 Underscored the importance of peace and security in economic development of the region, expressing confidence that African countries are able to resolve their own conflicts.

3.4.8 Commended the outgoing Secretary General of COMESA, Mr. Erastus Mwencha, for his able stewardship during his 10 year term at the organization and wished him well in his new appointment as the Deputy Chairperson of the African Union.

3..4.9 The Extra Ordinary Council was chaired by the COMESA Council of Ministers who is also Kenyan Deputy Prime Minister and Minister for Trade, Hon. Uhuru Kenyatta.

3..4.10 The Extra Ordinary Council appointed Mr. Sindiso Ngwenya, Assistant Secretary General (programs) as the interim Secretary General until the appointment of Secretary General (Mr Ngwenya was later confirmed and sworn in as Secretary General in June 2008, by the COMESA Authority)

Uhuru Kenyatta chaired 2008 Council of Ministers Meetings

3.4.10 The meeting exchanged views on the following:

A) Customs Union

I. Regarding the launch of the Customs Union in December, 2008, the Extra Ordinary Council, in line with the declaration on the launch of the Customs Union of the Authority of Heads of State and Government made in May, 2007, in Nairobi, Kenya, decided that the Customs Union be launched at an Extra Ordinary Summit Meeting on 8th December, 2008. The Extra Ordinary Council noted that the Customs Union is a major milestone in the deepening of the integration process of COMESA.

II. The Extra Ordinary Council declared that the launch of the Customs Union in December, 2008, will further facilitate the completion of the single market with free circulation of goods.

III. The Extra Ordinary Council underscored the specific nature of the COMESA Customs Union which allowed the principles of flexibility and policy space in the implementation of the Customs Union.

IV. The Extra Ordinary Council re-affirmed the principle of preserving market access in the Customs Union for countries in the Free Trade Area which may not participate in the Customs Union.

3.4.11: The Extra Ordinary Council noted that the following requirements be fulfilled before the launch in December, 2008.

i. Member States shall submit by October, 2008, their National Tariff Schedules and transitional period towards alignment. With the agreed Common External Tariff/ Common Tariff nomenclature (CET/CTN).

ii. Member States shall complete by October, 2008, the identification of the Sensitive Products list to be accorded differentiated tariff treatment under the CET.

iii. Adopt the Customs Management Regulations for managing customs systems and procedures.

iv. Adopt the Customs Union legislation in preparation for the launch of the Customs union.

The Extra Ordinary Council noted that the Free Trade Area continued to expand with 13 countries participating and the level of intra-COMESA trade continued to grow and reached more than 10 billion US dollars in 2007.

3.4.12 COMESA Fund

i. The Extra Ordinary Council noted that the COMESA Fund Protocol is now in force and arrangements are being made for the disbursement of compensation to eligible countries under its Adjustment Facility which has a fund 78 million Euros.

ii. The Third Meeting of the Ministerial Committee on the COMESA Fund, decided the following, regarding the operationalisation of the COMESA Infrastructure Fund

iii. The COMESA Fund would in principle invest in the COMESA Infrastructure fund (CIF) using the contributions from Member States to the Base Fund;

iv. Each Member State which contributes to the COMESA Fund would have a seat on the Board of the COMESA Infrastructure Facility;

v. The Board of the COMESA Infrastructure Facility would be opened to external investors who contribute a minimum of USD 15 Million to the COMESA Infrastructure Facility;

vi. The Bureau and the Secretariat to request International Financial corporation (IFC) to manage the COMESA Infrastructure Facility on an interim basis and assist in the identification of the Fund Manager;

vii. In case the IFC is unable to accept management of the CIF, the Secretariat in consultation with the Bureau should launch a Request for Proposals (RFP) to procure the services of a Fund Manager; and

viii. The Secretariat shall propose a structure of the COMESA Infrastructure Facility especially with regard to the level of capitalization of the COMESA Infrastructure Facility including the callable capital.

ix. The location of the COMESA Infrastructure Fund be in Mauritius.

x. These decisions were endorsed by the Twenty Fifth Meeting of the Council of Ministers which was held in Lusaka, Zambia from 4-5, December 2008.

3.5 The 25th COMESA Council of Ministers

3.5.1 The 25th COMESA Council of Ministers meeting was held in Lusaka, at the COMESA Secretariat, on 4th December, 2008. It was opened by the Vice President of the Republic of Zambia, His Honor Mr. George Kunda(in picture). It was chaired by the Chairman of the COMESA Council of Ministers who is also the Deputy Prime Minister of the Republic of Kenya, Honorable Uhuru Kenyatta.

3.5.2 The 25th Council of Ministers, appointed a number of professional staff including new directors for Trade Customs and Monetary Affairs, Legal, Gender, Budget and Finance.

3.5.3 The 25th Council of Ministers meeting reviewed the status of implementing COMESA programs, and gave directives on how, to speed up the integration of national economies into one single economic space.

3.5.4. The council deliberated on and approved the budget and work program for the Secretariat for the year 2008. It also approved budgets of different COMESA institutions that are directly financed by Member States.

The Council also received reports by all COMESA institutions and gave inputs into their possible enhancement.

3.5.5 It also received audited financial reports for the year 2007.(see annex audited financial report 2007)

3.6. The Intergovernmental Committee (IC)

i. Besides Ministerial meetings, and other related high level officials such as Attorney General, Chief Immigration Officers and Central Bank Governors, COMESA has different committees that provide input into the regional integration agenda. One of the most important and most regular is the Intergovernmental Committee (IC). The IC comprises the most senior civil servants within the coordinating ministries at the rank of Permanent/Principal Secretaries/Secretary Generals, or officials of equivalent rank, nominated by the respective COMESA member States.

ii The IC's responsibilities include analyzing programs and action plans in all sectors of regional integration (except in the Finance and Monetary Sector); monitoring and ensuring proper functioning and development of COMESA in accordance with the provisions of the Treaty and overseeing the implementation of those provisions.

iii. Although the Intergovernmental Committee does not make final decisions, their debates and final recommendations are the major basis on which the Council of Ministers does its work. Except under special circumstances, IC meets twice a year and submits its reports and recommendations to the Council of Ministers. The Council of ministers then makes a final decision. In rare cases the Council may table specific issues to the COMESA Authority for final decision

iv. In 2008, the IC met once in November, 2009, in Lusaka, Zambia. The committee discussed the progress made in implementation of COMESA programs, budget and financial matters, as well as recruitment of professional staff, and made recommendations to the 25th Meetings of the Council of Ministers that met in December, 2008.

3.7 The COMESA Secretariat

3.7.1 The COMESA Secretariat is the technical arm of COMESA. The Secretariat's function is to provide a wide range of services, such as co-ordination of technical studies and follow-up of implementation of the COMESA integration agenda. It is headed by the Secretary General, assisted by two Assistant Secretary Generals, Divisional Directors, Heads of Units, Projects Managers; professional staff specialized in various fields and General Staff that support these functions. Within the year 2008, the COMESA Secretariat continued to provide this support to Member States.

3.7.2 The year 2008, was particularly significant for the COMESA Secretariat, the two terms of Service for Mr. Erastus Mwencha, the second COMESA Secretary General appointed in June, 1998, came to an end, and he took a new appointment as the deputy Chairman, African Union Commission. The Assistant Secretary General (Programs) Mr. Sindiso Ngwenya's term also appointed in June, 1998, equally came to an end. He was appointed Secretary General in June, 2008. He becomes the third COMESA Secretary General, after Mr. Erastus Mwencha who replaced Dr. Bingu wa Mutharika, current President of the Republic of Malawi.

3.7.3 The former Director of Legal Affairs Mr. Stephen Karangizi was appointed Assistant Secretary General. This appointment meant that COMESA sustained continuity taking into account the fact that a number of key senior staff were also going into retirement, these included the Director of Trade Customs and Monetary Affairs, who had taken an early retirement in 2007; the acting Director in the same division also retired at the end of 2008; the Director of Budget and Finance whose retirement came exactly with the closing of the year 2008, and the Director of Legal Affairs who has become the new Assistant Secretary General (Programs). All the above divisions therefore will have new directors come the year 2009. Also to join the secretariat will be the Director of Gender and Social Affairs, a newly created division.

3.7.4 The year 2009, therefore will have quite a number of people taking new responsibilities.

Part 4 : Other Ministerial Meetings

4.1 EPAs and CU: Special Ministerial Sub-Committee Meeting on EPAs and CU.

4.1.1 The Ministerial Task Forces on Economic Partnership Agreements (EPAs) and the Customs Union (CU) met in Lusaka, Zambia, from 10th - 11th February, 2008, following its establishment by the Twenty Fourth Meeting of the COMESA Council of Ministers on 26th November 2007. The objective of the Meetings was to review progress and provide necessary political guidance on EPAs and the launch of the Customs Union. Zambia's Commerce Minister Honourable Felix Mutati chaired the ESA meeting.

Zambia's Commerce Minister Honourable Felix Mutati chaired the ESA meeting.

4.1.2 The sub-committee on Customs Union has been on since early 2007, whereas that on EPAs was established in November, 2007, by the COMESA Council of Ministers with the main objective of providing necessary political guidance to the ESA Ministers in view of the emerging challenges regarding negotiation and conclusion of the interim and comprehensive EPAs with a view to maintain the unity and cohesion of the ESA group.

4.1.3 The committee comprises Djibouti, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Zambia and Zimbabwe.
4.1.4 At the same meeting, a representative of the Regional Trade Facilitation Program made a presentation on the overview of the ESA - EPA process and the interim agreements signed by ESA countries. Following the meetings the following were arrived at:-

4. 1.5 .On Implementation and Review of the Interim EPA Agreement

(i) mandated the Secretariat to prepare and circulate to Member States within a week, terms of reference, rules of procedure and composition of the EPA Committee for review and implementation of the Interim Agreement;

(ii) called for the early convening of the EPA Committee to support the implementation of the interim agreement in order to avoid trade disruption. The Secretariat to write urgently to the EC requesting the operationalisation of commitments on sugar and tuna derogation in particular; and

(iii) agreed on the need to identify areas of concern in the interim agreement for improvement and/or negotiations with the EC in particular the EU interpretation of substantially all trade (SAT), transitional period, Most Favored Nation (MFN) Clause and National treatment taking into account the outcome of the December 2007 EU-Africa Summit declaration on EPAs.

4.1.6 On Coordination between ESA, EAC, SADC, and AU

The Ministers agreed as follows:

1.(i) to expedite arrangements for convening a joint COMESA-EAC-SADC Meeting of Ministers responsible for EPAs to review, among other issues, the status of EPA negotiations and implication on regional integration and to enhance coordination of their positions in the negotiation of a comprehensive EPA; and

2.(ii) the need for all the regional negotiating groups:

namely ESA, EAC and SADC to harmonize negotiating positions taking into relevant AU decisions on EPAs.

4.1.7 On Continuation of Negotiations

4.1.7.1 The Ministers agreed as follows:

(i) the need to focus on attaining a full EPA with the EU that addresses two key objectives relating to fostering the structural transformation of the ESA Economies and their diversification; and support to regional integration initiatives in the ESA region;

(ii) the need for ESA states to start preparing positions on the built in agenda as contained in Article 53 of the ESA – EC Interim Agreement ;

(iii) the need to intensify efforts to mobilize additional resources to support EPA implementation; and

(iv) to put on the above issues on the agenda of the joint ESA - EC Ministerial scheduled for 3 March, 2008.

4.1.7.2 On Strengthening the ESA Structure

The Ministers agreed as follows:

i. A revised ESA negotiations structure comprising;

ii. Ministers, ambassadors and senior officials to provide policy guidance on ESA negotiating positions;

iii. a team of technical negotiators chosen on the basis of merit to advance the negotiating positions with the EC on behalf of the group;

iv. technical experts to initiate technical analysis and evolve negotiating positions; and

v. the Secretariat to facilitate technical analysis and consultations at all levels.

4.2: ESA and EU: ESA Ministers Meet European Commissioner for Trade

4.2.1 Commerce and Trade Ministers from the Eastern and Southern Africa (ESA) met the European Union Commissioner for Trade Mr. Peter Mandelson at the COMESA Secretariat in Lusaka, on 3rd March, 2008. The ESA delegation was led by Zambia's Minister of Commerce, Trade and Industry Honourable Felix Mutati. Other Ministers from ESA attended the meeting.

ESA -EU meeting with Peter Mandelson

The main objectives of the meeting was to take stock of the EPA negotiating process and to check on progress of the work undertaken since the last ESA-EU Ministerial meeting held in November 2007.

The two parties also addressed the implementation issues arising from the Interim Agreement and agreed on the next steps leading to the signature and ratification of the Agreement. The parties noted that the current state of play on the EPA negotiations while acknowledging that challenges remain for regional integration and development. They agreed that the Interim EPA, initialed in 2007, is a step towards a comprehensive EPA which will replace the Interim Agreement.

The Interim Agreement provides a trade framework compatible with WTO rules and cooperation provisions aimed at fostering sustained growth and promoting regional integration while addressing effectively EPA development needs and adjustment costs. With regard to the issue of rules of origin, ESA countries highlighted that they were facing some trade disruption due to automatic derogation for some products such as tuna and new provisions on cumulation. In this regard, both parties agreed to take necessary measures to quickly solve these problems.

4..3 Special Ministerial Task Force on the Customs Union:

The Third Meeting of the Special Ministerial Task Force on the Customs Union held in Lusaka, Zambia, on the 11 February, 2008, to discuss progress and arrangements towards the launch of the COMESA Customs Union by 8th December, 2008, at an extra ordinary Summit of Heads of State and Government. The then Rwandan Minister of Commerce, Industry, Investment Promotion, Tourism and Cooperatives, Honourable Protais Mitali chaired the Sub- Committee on Customs Union. Following this meeting, the Ministers:

Photo Special Ministerial task force meeting

4..3.1 Agreed on the work program to be fulfilled for the launch of the Customs Union which includes alignment of National Tariff Schedules with the agreed COMESA Common External Tariff and finalization of the products to be accorded differential tariff treatment under the CET

4..3.2 Emphasized that the objective of the Customs Union is to establish a single economic space leading to reduction of costs of doing business and improving competitiveness

4..3.3 Appreciated the underlying benefits of establishing a Customs Union particularly with respect to the creation of a larger market that would enhance competitiveness of producers in the COMESA region, induce economies of scale as well as enhanced welfare implications arising from reduced consumer prices.
4.3.4 Underscored the involvement of all stakeholders, particularly the private sector in the implementation of Customs Union work program.

4.3.5 Reiterated the importance of the work of the Tripartite Task Force involving COMESA, EAC and SADC in harmonizing their trade regimes specifically with respect to the Common External Tariff and related trade policy areas as well as overlapping membership.

4.3.6 Recalled the Authority decision on sovereignty and policy space and flexibility for the implementation of the Customs Union, including the possibility to conclude trade agreements with third countries or trading blocs.

4.4: Agriculture - Ministers of Agriculture Meeting
The Fifth Meeting of Ministers of Agriculture from the COMESA region met in Seychelles from 14th - 15th March, 2008. The Meeting was graced by the Vice President of Seychelles, His Honor Joseph Belmont, The Seychelles Minister of Environment, Natural Resources and Transport Honorable Joel Morgan officially opened the meeting. Ministers of Agriculture from Egypt, Libya, Malawi, Mauritius, Sudan, Uganda, Zambia and Zimbabwe attended the meeting. Others included

representatives of Ministries of agriculture from Burundi and Djibouti.

4.4.1 At the meeting the ministers:

4.4.1.1 Agreed that member States should commit themselves to integrating policies and measures that address issues of climate change into their development planning in order to mitigate the effect on food production.

4.4.1.2 Committed themselves to harmonize seed trade regulations in the region and to finalize a regional protocol for the protection of new varieties of plants within two years.

4.4.1.3 Called upon member States to work closely with the COMESA Secretariat and development partners in the implementation of the Climate Change initiatives within the framework and mandate of the Working Group on climate change and, in particular, the development of the COMESA Carbon Fund to benefit the smallholder land users.

4.4.1.4 Expressed appreciation for the support of NORAD and other partners including NEPAD-TerrAfrica, WWF, FANRPAN and CIFOR in the implementation of climate change mitigation and adaptation initiatives such as forest and afforestation management and sustainable land and water management.

4.4.1.5 Urged member States to pay particular attention to the escalating costs of farm inputs such as seeds, fertilizer and energy; the impending reduced access to food for the vulnerable population as a result of the rising fuel and food prices, increased use of food crops for bio-fuels, as well as the effect of climate change, with a view to finding sustainable solutions.

4.4.1.6 Called upon member States to implement a comprehensive fertilizer strategy embracing both chemical and organic fertilizer sources.

6.4.1.7 Directed the COMESA Secretariat to investigate and provide member States, within six months, a compendium detailing the region's existing as well as unexploited capacity in organic and inorganic fertilizer production.

4.4.1.8 Reiterated the commitment for member States to allocate more resources to the implementation of the key areas of the Comprehensive African Agriculture Development Program (CAADP) with special reference to crop, livestock, fisheries and forestry development, as well as, to the CAADP National Focal points.

4.4.1.9 Requested COMESA Secretariat to establish sustainable regional Sub – Committees on each of the four Pillars of the CAADP (i.e. Land and Water Management, Trade and Infrastructure, Food and Nutrition Security and Science and Technology) to ensure sustained and quality technical input and review of agricultural programs in the region.

4.5 Joint Meeting of Ministers responsible for Agriculture and Environment

4.5.1 The First joint Meeting of Ministers responsible for Agriculture and Environment was held in Nairobi, Kenya, on 7th November, 2008. The purpose of the meeting was to agree on a roadmap for the Climate Change agenda in the region in the face of the on going global negotiations on climate change and the need to ensure full integration of climate adaptation and mitigation measures in the region's development agenda.

4.5.2 The meeting was attended by Ministers and Heads of Delegations from 14 COMESA member States. Also present were representatives of the East African Community Secretariat, USAID/East Africa, Norway, African Development Bank, World Wildlife Fund (WWF), The Global Mechanism, Action Aid International, World Agroforestry Centre, Food, Agriculture Natural Resources and Policy Analysis Network (FANRPAN), McKinsey and Company, Covington and Burling and Sustainable Forest Management participated in the meeting.

4.5.3 The meeting was officially opened by Honourable Uhuru Kenyatta, Deputy Prime Minister and Minister for Trade in the Republic of Kenya who is also the chairman of the COMESA Council of Ministers. In his speech, Honourable Kenyatta noted that Climate Change is increasingly becoming a threat to the attainment of the Millennium Development Goals. However, he noted that under the Climate Change regime, there was a window for carbon trading and that the region should actively get involved in this sector. He called on the region to come up with a common position on Climate Change which will advocate for inclusion of Agriculture, Forestry and Land use in the international climate change protocols.

4.5.4 Mr. Sindiso Ngwenya, the Secretary General of COMESA, reminded the delegates of the historic event of October 22, 2008, when the Tripartite Summit of COMESA, EAC and SADC took place in Kampala Uganda, noting that at this Summit, a decision was taken by the Heads of State to merge three Regional Economic Communities. Accordingly, all the decisions of the Ministers would have to be in the context of the Summit directives.

4.5.5.Honourable Noah Wekesa, the Kenyan Minister for Forestry and Wildlife in his welcome speech to the Ministers and Heads of delegations, emphasized that it was important for the region to address the impacts of Climate Change. In that regard, he called on the region to explore the use of new and improved technologies aimed at enhancing the region's resilience to Climate Change.

4.5.6 The Ministers approved the Nairobi Declaration, which emphasized the need for the region to have a common position on Climate Change and specifically an expansion of eligible categories to benefit from carbon credits and other international incentives in the post-2012 treaty, to include sustainable land management, including sustainable agriculture, sustainable forest management, afforestation and reforestation, reduced emissions from deforestation and forest degradation.

4.6 Meeting of COMESA Ministers Responsible for Immigration Matters:

The Third Meeting of COMESA Ministers Responsible for Immigration Matters was held on 4th April, 2008 in Lusaka, Zambia.

The meeting was attended by delegates from Burundi, Democratic Republic of Congo (DRC), Egypt, Kenya, Libya, Malawi, Mauritius, Rwanda, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

The Meeting was opened by the then Minister of Home Affairs of the Republic of Zambia, Honorable Ronnie Shikapwasha.(in picture)

4.6.1 Implementation of the Protocols and Council Decisions on the Movement of Persons and Labor

4.6.1.1The Meeting noted that COMESA has adopted two Protocols on facilitating free movement of persons as follows:

(a)I. The Protocol on the Gradual Relaxation and Eventual Elimination of Visas was adopted in 1984; and

(b)II. The Protocol on the Free Movement of Persons, Labor, Services, Right of Establishment and Residence was adopted at the Sixth Summit of the COMESA Authority held in Cairo, Egypt in 2001;

46.2 Protocol on Free Movement of Persons, Labor, Services and the Right of Establishment and Residence

4.6.2.1 The Minister recalled that the Protocol on Free

Movement of Persons, Labor, Services and the Right of Establishment and Residence was adopted by the Sixth Summit of the Authority held in Cairo, Egypt in May, 2001. The Protocol is to be implemented in five stages.

4.6.2.2 The implementation of Stage I of the Protocol on Free Movement of Persons should be responsibility of the Chief Immigration Officers. In addition Council agreed that the Chief Immigration Officers would also in future advise on the implementation of Stage IV of the Protocol relating to the Right of Establishment and that the details on the implementation of this Stage be discussed at the Second Meeting of the Chief Immigration Officers held in 1999.

4.6.2.3 Progress: The Meeting noted that, four States had signed the Protocol on the Free Movement of Persons, Labour, Services, Right of Establishment and Residence. Those four are Kenya, Rwanda, Burundi and Zimbabwe. In addition Burundi had deposited her instrument of ratification.

4.6.3. On going activities

4.8.3.1 The Meeting noted that, as of April, 2008, the following activities were being carried out by the COMESA member states:

(a) Annual meetings for Ministers responsible for Immigration are convened by COMESA to assist in accelerating the implementation of the program;

(b) Member states were carrying out audit of their national laws to ensure that they are consistent with the COMESA Protocols;

(c) A model law on immigration was being prepared for adoption by the policy organs to assist member states to harmonize their laws with the COMESA Protocol and decisions; and

(d) A COMESA database is to be established to monitor the movement of persons in COMESA particularly the movement of undesirable persons;

(a)(e) The Secretariat was developing a detailed policy on the removal of restrictions to the movement of labor within COMESA in accordance with the Protocol on Free Movement of Persons, Labor, Services, Rights of Establishment and Residence;

(f)(e) COMESA was also developing a policy on the treatment of asylum seekers, national registration of citizens and use of a common travel certificate; and

(g) National monitoring committees were to be established by member States to monitor the implementation of the COMESA program on movement of persons, labor and services.

4.7 Meeting of the COMESA Ministers of Justice and Attorneys General

4.7.1 The Twelfth Meeting of the COMESA Ministers of Justice and Attorneys General was held on 10th April 2008 in Djibouti, in the Republic of Djibouti.

4.7.2 The meeting was attended by Ministers, Attorneys General and delegates from the following COMESA Member States: Djibouti, Egypt, Ethiopia, Libya, Kenya, Malawi, Mauritius, Rwanda, Sudan, Uganda, Zambia and Zimbabwe. The meeting was also attended by representatives from the COMESA Court of Justice.

4.7.3 The Meeting was opened by His Excellency Deleita Mohamed Deleita, Prime Minister of the Republic of Djibouti.

Photo Deleita Mohamed Deleita, Prime Minister of the Republic of Djibouti opened

4.7.4 The Assistant Secretary General (Administration and Finance) of COMESA, Ambassador Nagla El

4.7.5 The Minister of Justice received the Report of the COMESA Court of Justice and appointed or renewed appointment of judges as shown below

4.7.5.1 Renewal of the Terms of Office for the Judges of the COMESA Court of Justice

The Meeting considered the renewal of the term of office for some of the judges of the COMESA Court of Justice whose tenure was about to expire on 3 June, 2008.

4.7.5.2 In consideration of the matter, the Meeting noted the following:

(a) The Court of Justice at the Common Market for Eastern and Southern Africa (COMESA) is established under Article 7 of the COMESA Treaty as one of the organs of COMESA;

(b) The COMESA Treaty (as amended in 2004) provides as follows in paragraph 1 of Article 20:

"The Court shall be composed of twelve Judges appointed by the Authority of whom seven shall be appointed to the First Instance Division and five shall be appointed to the Appellate Division."

(c) The Meeting recalled that the Tenth Summit of the COMESA Authority of Heads of State and Government held in Kigali, Rwanda on 3rd June 2006 appointed all the twelve Judges of the COMESA Court of Justice as follows:

4.7.5.3 Judges of the Appellate Division

i) Honourable Justice Nzamba Kitonga (SC), Kenya for an initial term of five years;
ii) Honourable Justice Ernest Linesi Sakala (Zambia) for an initial term of five years;
iii) Honourable Justice Borhan Mohamed Tawhid Amrallah, (Egypt) for an initial term of five years;
iv) Honourable Justice Kheshoe P. Matadeen, (Mauritius) for an initial term of three years; and
v) Honourable Justice Duncan G. Tambala, (Malawi) for an initial term of three years.

4.7.5.4 Judges of the First Instance Division

vi) Honourable Justice Samuel Rugege (Rwanda) for an initial term of five years;
vii) Honourable Justice Adrien Nyankiye (Burundi) for an initial term of five years;
viii) Honourable Justice Menberetsehal Tadesse (Ethiopia) for an initial term of five years;
ix) Honourable Justice Stanley B. Maphalala (Swaziland) for an initial term of five years;
x) Honourable Justice Luke Malaba (Zimbabwe) for an initial term of three years;
xi) Honorable Justice James Munange Ogoola (Uganda) for an initial term of three years.
xii) Honourable Justice Hortense Rabenjarivelo neé Rakotomena (Madagascar) for an initial term of three years.

4.7.5.5 List of Judges whose Tenure was to expire on 3 June 2008

The Meeting noted that the term of office for the following five Judges would therefore expire on 3June 2008:

xiii) Honorable Justice Kheshoe P. Matadeen, (Mauritius);
xiv) Honorable Justice Duncan G. Tambala, (Malawi);
xv) Honorable Justice Luke Malaba (Zimbabwe);

xvi) Honorable Justice James Munange Ogoola (Uganda); and

xvii) Honorable Justice Hortense Rabenjarivelo neé Rakotomena (Madagascar).

4.7.6 PROCEDURE OF APPOINTMENT OF JUDGES

4.7.6.1 On the procedure for appointment of Judges, the Meeting noted the following;

(a) Following a directive of the Second Summit of the Authority held in Lusaka, Zambia, on 10th April, 1997, on the setting up of the COMESA Court of Justice, the Fourth Meeting of the Council of Ministers, held on 24 – 25 November 1997, adopted the procedure for appointment of the Judges;

(b) The Council of Ministers and Authority further mandated the meeting of the Ministers of Justice and Attorneys-General sitting as an Electoral College to elect the Judges and President of the Court for subsequent appointment by the Authority through the Council of Ministers;

(c) That decision was modified at the Sixth Meeting of the Ministers of Justice and Attorneys-General held on 12th April, 2002, in Swaziland. At that meeting, the Ministers decided that for renewal or re-appointment all Member States should be invited to nominate candidates for subsequent consideration and election by the Meeting before onward Decision to the Council and Authority;

(d) That the above decision does not apply in this case since the Judges have not served their full five year tenure as was envisaged under paragraph 1 of Article 21 which provides that:

"The President and Judges shall hold office for a period of five years and shall be eligible for re-appointment for a further period of five years."

(e) This was as a result of the fact that the terms were shortened to three years to stagger the Court composition and ensure continuity. This was intended to avoid the situation in 2003 – 2004 when the Court spent a one year period without Judges.

4.7.6.2 Re-appointment of Judges

4.7.6.3 The Meeting decided that the following Judges be re-appointed for a second term of five years by the COMESA Authority:

V.(i) Honorable Justice Kheshoe P. Matadeen, (Mauritius);

a.(ii) Honorable Justice Duncan G. Tambala, (Malawi);

b.(iii) Honorable Justice Luke Malaba (Zimbabwe);

c.(iv) Honorable Justice James Munange Ogoola (Uganda); and

d.(v) Honorable Justice Hortense Rabenjarivelo neé Rakotomena (Madagascar).

4.7.6.4 The meeting Considered the Protocol of Trade in-Services

4.6.5.1 The Meeting recalled the decision of the COMESA Council of Ministers directing, that a meeting of COMESA Experts on Trade in Services should be convened to consider and finalize the Draft Regulations on Trade in Services for the Meeting of Legal Experts and Ministers of Justice and Attorneys General in 2008 and noted the following:

(a)(c) Pursuant to the above decision, COMESA Experts on Trade in Services met twice in Lusaka, Zambia, in September 2007 and February, 2008, to finalize the Draft Regulations on Trade in Services for consideration by the Meeting of Legal Experts and the Ministers of Justice and Attorneys General;

(b)(d) COMESA Experts on Trade in Services have agreed on most outstanding clauses except for a few bracketed provisions;

(c)(e) The Meeting of Ministers of Trade and Finance which met on 4th April, 2008, in Addis Ababa, Ethiopia had recommended that the bracketed clauses should be replaced by similar clauses from GATS and also recommended that the negotiations should end by October, 2008 ; and (d)(f) The Joint Meeting of the Ministers of Trade and Finance who met on 4th April, 2008, in Addis Ababa, also decided that the draft Protocol should be referred back to the joint meeting of Experts on Trade in Services and legal experts to resolve the outstanding issues that were bracketed in the text.

4.6.4.2 The meeting noted the following:

(a) There is need to establish a drafting Committee to improve on the language and style of the draft text;

(b) Regarding the interpretation of having the document as a Protocol or Regulations, the meeting noted that although the Regulations would be binding on the Member States, they would require local legislation. On the other hand a Protocol needs to be signed and ratified by Member States before it becomes binding and hence agreed to defer final determination of the form of the legal instrument until the next meeting;

(c) Consideration of Article 8 on MFN in the draft Protocol be deferred for discussion by the Trade and Legal Experts; and

(d) There is need for a meeting of legal experts to consider the document before the policy organs meeting.

4.6.4.3 The Meeting decided as follows:

8.(a) since the Ministers of Trade have decided that the Draft Regulations should be referred back to the Experts in Trade and Services, the consideration of the draft Protocol should be deferred until a joint meeting between the experts in trade and services and legal experts meet after the policy organs meeting;

9.(b) in light of the observations in paragraphs 22 (b) and (c) above, the meeting agreed to establish a joint legal and trade experts Committee to finalise the document ; and

10.(c) A drafting team should be established to look at the language of the document to ensure that the text is well drafted. The drafting team should be composed of five Member States to be constituted by the Secretariat taking account of the need for different legal systems.

4.6.4.4 Justice Ministers and Attorney Generals Considered Draft Customs Management Code

Having looked at the draft code , the Meeting agreed that the draft Code should be submitted to Member States for consideration. The Meeting further agreed on the need for Member States to submit their comments to the Secretariat before a joint meeting of the Trade and Customs Committee and Legal Experts is convened for the consideration of the draft.

4.6.4.5 The Meeting decided as follows:

2.(a) Consideration of the draft code be deferred until it has been considered by a joint meeting of Trade and Customs Committee and Legal Experts; and

3.(b) Member States should be given time to consider the draft code and submit comments to the Secretariat before a joint meeting of the Trade and Customs Committee and Legal Experts is convened.

4.6.5 Draft Regulations on Compilation and Reporting of Foreign Direct Investment (FDI) Statistics

4.6.6 The Meeting noted the discussions on the Draft Regulations and Reporting of Foreign Direct Investment (FDI) Statistics. The Meeting noted that the draft regulations prepared in fulfilment of implementation of Article 140 of the COMESA Treaty which provides for cooperation in statistical development. The Article provides for an undertaking by COMESA Member States to cooperate in the field of statistics in order to create an enabling environment for the regular flow of up-to-date, reliable harmonized and comparable statistical data on various sectors of economic activity, required for an efficient implementation of the objectives of the Common Market.

4.6.7 In implementing Article 140 of the Treaty, COMESA established a Task Force that has compiled these draft regulations for consideration by the Meeting which provides, among other things the following:

(a)(b) objective of the Regulations;
(b)(c) submission of data
(c)(d) variables to be collected;
(d)(e) timeframe for submissions of data
(e)(f) meter data and quality of data
(f)(g) failure of submission of data by a Member State;
(g)(h) dissemination of data;
(h)(i) establishment of a COMESA Working Group on FDI/TNC statistics;
(i)(j) COMESA Meetings;
(j)(k) Cooperation and relationship with UNCTAD;
(k)(l) Implementation of activities related statistics during the transitional period; and
(l)(m) Entry into force.

4.6.8 The Meeting decided as follows:

(a) A Drafting Committee should be convened to consider the draft before consideration of the text by the Committee on Legal Affairs; and

(b) Member States should consult on the draft at national level and submit their comments on the draft to the Secretariat for submission to the Drafting Committee.

4.7 Meeting of the COMESA Committee of Governors of Central Banks

4.7.1 The 13th Meeting of the COMESA Committee of Governors of Central Banks was held in Cairo, Egypt, from October 23 to 24, 2008. The meeting looked at the report on the progress made by Member Countries towards achieving Macro-Economic Convergence in 2007, in which the following salient issues surfaced:

(i) In 2007, the fiscal criterion was missed by Burundi, Comoros, Egypt, Eritrea, Ethiopia, Madagascar, Malawi, Rwanda, Seychelles, Uganda and Zimbabwe;

(ii) The weighted average inflation for COMESA increased from 11.3% in 2006, to 11.6% for 2007. Twelve countries namely: Burundi, Comoros, Djibouti, Egypt, Malawi, Mauritius, Libya, Rwanda, Seychelles, Sudan, Swaziland and Uganda experienced single digit inflation rates. This can be attributed to prudent monetary policies and improved food supply due to generally favorable weather conditions. However, high oil prices raised production costs for oil importing countries. The potential adverse impact of high oil and food prices made macroeconomic management increasingly difficult and costly for oil importing countries;

(iii) The average level of reserves in COMESA member countries was sufficient to cover 4.3 months of imports of goods and services in 2007. This was due to the higher levels of capital flows in the form of official development assistance and debt relief in a number of countries;

(iv) All countries use indirect monetary policy instruments;

(v) Interest rates are liberalized in all countries. Some countries have exceptionally high real lending rates and a wide margin between lending and deposit rates;

(vi) All countries have made significant progress in moving towards market determined exchange rates;

(vii) Most countries accepted Article VIII of IMF Agreement and thus fully removed restrictions on their current account;

(viii) The average growth in the COMESA region in the year 2007, was 8%. This is despite the impact of higher oil prices and came as a result of higher demand for commodities at higher prices; a significant increase in official development assistance, driven largely by debt relief and emergency assistance, improved macroeconomic stability and recovery in agricultural production in some countries. Other factors underpinning sustained growth momentum include continued consolidation of macroeconomic stability, increased private capital flows, debt relief and increasing exports.

There was also a decline in political conflicts and wars in the region. Many member countries have implemented macroeconomic as well as microeconomic reforms that have resulted in a generally improved business environment and investment climate. Other factors include increased government investment in infrastructure, policies to encourage private sector development and investment in manufacturing, as well as rising FDI and tourism receipts; and

(xi) The weighted average external debt to official creditors to GDP ratio of the COMESA member countries decreased from 22.9% in 2006, to 14.4% in 2007. This came as a result of reaching HIPC decision and completion point by a number of countries and the decline in the reliance on debt creating flows. Despite these encouraging trends, the MDGs remain underfinanced and most of the member countries are far from making progress on most of the MDGs.

4.7.2 The Governors made the following decisions on the establishment of the COMESA Monetary Institute (CMI) which were endorsed by the Council of Ministers:

I. COMESA Monetary Institute to be set up should comprise a Department for Monetary Policy and Research to be headed by a Director and to focus on macro-economic surveillance, research and compilation of statistics;

II. The Institute would also be composed of two senior economists, one economist and one statistician to be recruited from any COMESA Central Banks;

III. The locally recruited support staff should comprise a secretary, a driver and a receptionist;

IV. Administration and finance services, information and communication technology to be initially provided by the host central bank;

V. The initial cost in the first year of operation to be in the region of US $926,510 to be equally shared amongst all COMESA central banks (amounting to US $48,764 per central bank);

VI. The Institute to be operational on 1st January 2011;

VII. The Bureau of Governors to appoint a panel from amongst its technical officials to assist the COMESA Secretariat in selecting the central bank which will host the Institute; and

VIII. Preliminary contacts be made with cooperating partners with the view to part funding of the proposed Institute.

5.1 Status of Participation in the COMESA Free Trade Area (FTA)

5.1.1 The COMESA Free Trade Area was launched in October 2000 and by the end of 2008 it had 13 member states namely Burundi, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia, Zimbabwe, Comoros and Libya. . Other member States not in the Free Area had reduced their tariffs on intra-COMESA trade to the following levels: Uganda - 80%, Eritrea - 80%, Ethiopia - 10%, DR Congo - Nil,and Swaziland - Nil. (Swaziland is under derogation) Seychelles had completed processes and was expected join the FTA mid 2009.

5.1.2 The member states not in the FTA are in the process of undertaking studies whose outcome will determine the dates for accession. The FTA countries represent more than 80% of COMESA GDP, 75% of its population in addition to more than 85% of intra-COMESA trade.

5.1.3 The FTA has resulted in greater competition among companies, new markets, greater choice for consumers, reduction of transaction costs, increase of cross border trade and harmonization of customs systems and procedures.

5.2 Elimination of Non-Tariff Barriers

5.2.1 The importance of reducing technical barriers to trade and preventing the emergence of new ones is based on the collective desire of member states to facilitate intra-COMESA trade and market access for products, thereby enhancing exports and generating employment.

i. 5.2.2 While the existence of NTBs hinders intra-COMESA trade, their elimination is already enshrined in Article 49 of the COMESA Treaty, which provides for the elimination and non-imposition of new NTBs so as to ensure that free trade occurs amongst COMESA member States. The COMESA Council of Ministers has guided and stayed the process of NTBS elimination on track through a number of decisions. These have resulted in a series of actions aimed at promoting and sustaining a regional trading environment devoid of the constraining effects of Non Tariff Barriers (NTBs).

ii. 5.2.3 The process of NTB elimination will be pursued through the implementation of regional and national matrixes on NTBs, strengthening of the National Monitoring Committees and Focal Points in order to implement work programmes as well as implementing a penalty system to deter imposition of NTBs.

iii.5.2.4 By the end of 2008, COMESA countries had achieved the following in their quest to eliminate NTBs:

i. Implementation of a road map for the Elimination of Non-Tariff Barriers, Obstacles and Restrictions, and actions to be taken on identified NTBs within a specific timeframe.

ii. establishment of a dedicated office on NTB matters at the COMESA Secretariat to follow up and provide advice on the elimination of NTBs;

iii. designation of NTBs Enquiry Points (NEPs) by member States. A number of COMESA Countries established the NEPs;

iv. Launch of an online system of reporting NTBs and monitoring their elimination;

v. Development of a web-based database for the NTB on-line reporting and monitoring system;

vi. Undertaking periodic missions to member States to discuss NTBs related issues and provision of technical assistance and opinions on unresolved NTB cases;

vii. Production of country and regional inventories of the main NTBs within the COMESA region. These inventories were based on the findings of comprehensive surveys undertaken in 2007.

viii. Adoption of the operational modalities for the elimination of NTBs comprising of Institutional structures, national and regional action plans, and monitoring and evaluation mechanisms.

5.3 Progress towards the COMESA Customs Union

5.3.1 The establishment of the COMESA Free Trade Area in October, 2000, was a prelude to the establishment of a Customs Union (CU) in conforming to the agreed programme of trade liberalisation and regional integration. The FTA was planned to operate for a period of four years, during which time all administrative, legal, institutional and logistical preparations for the Customs Union were to be completed.

5.3.2 COMESA member States, could not however implement the CU, at the agreed time due to the extended period for completing all the necessary preparatory activities for the launch. In view of this, the 19th meeting of the Council of Ministers held in Kigali, Rwanda, in May, 2005, adopted a new timeframe and road map leading to the launch of the COMESA Customs Union by December, 2008, which has since been reviewed to mid 2009.

5.3.3 Several activities contained in the Road Map have been successfully implemented and among these are the following:

i. structure of the Common External Tariff- the structure of the Common External Tariff, that is, substantially the same duties to be applied by each of the members to the trade of territories not included in the region is based on a four band tariff structure of 0% for capital goods, 0% for raw materials 10% for intermediate and 25% for final goods.

ii. principles for a Common Trade Policy which would guide the region's trade relations with the rest of the world;

iii. Common Tariff Nomenclature based on the 2007, version of the Harmonized System;

iv. common customs valuation system and Competition Rules.

i.5.3.4 What is now left is the harmonisation of other regulations of commerce, the schedule of national tariff alignments to the Common External Tariff, conclusion of sensitive products lists and implementation modalities for the seven principles of the Customs Union that have already been agreed to by Council.

5.3.55.3.4 The COMESA-EAC-SADC tripartite Summit held in Kampala, Uganda in October, 2008, decided that the three RECS should embark on the harmonization of projects and programmes beginning with Free Trade Areas (FTA's) and culminating in the Common External Tariffs (CET's) and Customs Unions.

5.4 Experts continued to work on Sensitive Products and Tariff Alignment

5.4.1 The 25th Council of Ministers Meeting held in December, 2008, adopted the COMESA Tariff in its allocation of rates to Chapters 1-97 including splits with the exception of Chapter 87.

5.4.1 The allocation of rates have been based on policy guidance in respect to Agriculture and Industry, developed by the COMESA Secretariat as directed by the meeting of Ministers of Trade, Industry and Finance of April, 2008.

5.4.2 The Policy Guidance is premised on promoting industrial development based on value addition, diversification and innovation as directed by the heads of state summit held in Djibouti in 2006, ensuring that producers in the region as far as possible obtain raw materials and intermediate goods competitively while protecting the environment in addition to creating employment and wealth.

5.4.3 The COMESA Secretariat has obtained the assistance of the World Customs Organization in collaboration with regional experts, to further refine the COMESA tariff and conform it to international standards. The refined Tariff will then be provided to the COMESA member states and serve as an input in the production of national sensitive products lists as well as schedules of tariff alignments indicating over what period and how the national tariffs would be aligned to the CET agreed rates, taking into account flexibility and Policy Space due to national specifications and levels of development. The necessary submissions are expected by the end of March, 2009.

i.5.4.4 The regional strategy for the completion of the above outstanding work has involved the formation of national Task Teams in all the COMESA Countries comprising of officials from the COMESA coordinating Ministries, the Ministries of Finance and the Revenue Authorities.

5.5 Measures to cushion possible revenue loss arising from the Customs Union

i.ii. In 2007, COMESA signed the 78 million Euros, five-year programme with the European Union expected to greatly contribute to the economic integration process in the region. The money is meant to assist member States with potential revenue losses due to trade liberalization as the region moves towards a Customs Union.

ii.iii. The Agreement known as the Regional Integration Support Mechanism (RISM) was signed by His Excellency Derek Fee, Head of the EC Delegation to Zambia and by the then COMESA Secretary General Erastus Mwencha. It will cater for both COMESA and the East African Community (EAC). The East African Community (EAC) was represented at the signing ceremony by Mrs Ghaniya Kadu, Director of Finance at EAC Secretariat.

iii.iv. The main objective of this programme is to alleviate poverty in the Eastern and Southern Africa and Indian Ocean region by supporting the economic integration process through the consolidation of the COMESA Free Trade Area (FTA) and the implementation of the COMESA and EAC Customs Unions.

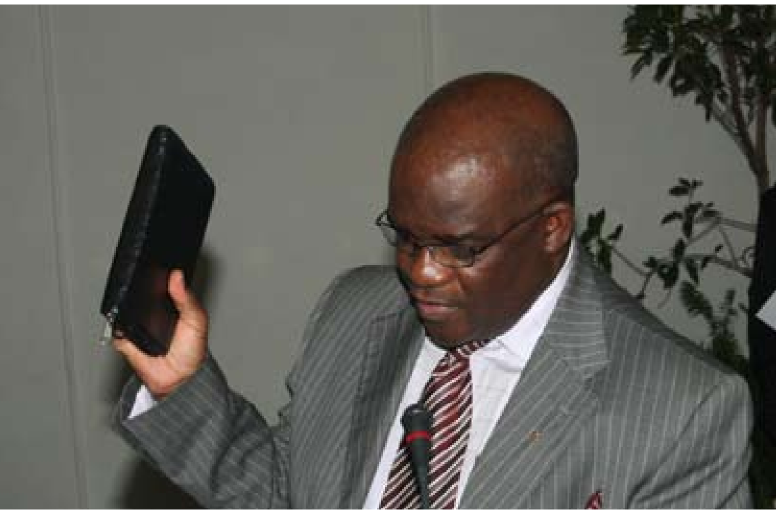
iv.v. This support will be delivered through a Contribution Agreement to the COMESA Fund, thus assuring full ownership of the region towards their regional integration process. The RISM should particularly assist in the fiscal adjustment process of those ESA countries who liberalise their tariffs vis-à-vis other member countries joining the COMESA and EAC free trade areas and custom Union, adopt or move towards adopting the CET of a regional Customs Union and are prepared to make commitments to eliminate an agreed list of non-tariff barriers over the course of a defined period.

v.vi. RISM is based on the 9th European Development Fund (EDF) Regional Strategy Paper and the Regional Indicative Programme of the ESA-Indian Ocean region. The major expected results of the project are the reduction of internal tariff barriers among all ESA-Indian Ocean member States, the application of Common External Tariffs and the reduction of non-tariff barriers which will encourage trade within the region and it is expected to increase further. The project is also expected to see the reduction of the list of exemptions and sensitive products of countries within a shorter period than if no support is provided.

5.6 Proper functioning of a Customs Union requires a mechanism for ensuring fair competition

5.6.1 COMESA Competition Commission Launched

i.ii. As COMESA integration in the area of trade deepens, it has become increasingly clear that, a fair, transparent and predictable environment for doing business in the region is promoted and sustained. In 2005/ 2006, COMESA formulated and adopted a regional competition policy for the region. To fully implement the policy, a full competition commission is set to be established. As a result, the Bureau of Council appointed the nine (9) Commissioners from COMESA member States as members of the Board of Commissioners with a view to actualize its operationalization. It is envisaged that the Commission will be fully in place early 2009.



ii.iii. Apart from enhancing COMESA's rules-based character, the COMESA Competition Commission will be responsible for enforcing fair trade practices, eliminating abuse of dominance, eliminating cartel behavior such as price fixing and all forms of collusions, eliminating excessive pricing and promoting consumer welfare.

iii.iv. The commission will also ensure that consumers benefit from regional integration by eliminating false or misleading representation regarding the qualities and/or properties of products or services offered to consumers.

iv.v. In December 2008, the first five out of the nine appointed commissioners of the COMESA Competition Commission were sworn-in and this occasion marked the formal launch of the Competition Commission. The COMESA Competition Commission will be based in Blantyre, in the Republic of Malawi.

v.vi. Those sworn-in in Lusaka, on 4th December, 2008, included Mr. Peter Njoroge, formerly Commissioner of the Monopolies and Prices Commission of Kenya. Mr. Njoroge will serve as Chairperson of the COMESA Competition Commission.

vi.vii. Others were Mr. Lloyd Muhara, currently Chairperson of the Malawi Competition and Fair Trading Commission. Mr. Muhara will serve as Vice-Chairperson. Mr. Alexander Kububa, currently Chief Executive Officer of the Zimbabwe Tariff and Competition Commission, Judge Anderson Zikonda, formerly Chairperson of the Commercial Court of Zambia and Mr. Reshad Hosany, currently Permanent Secretary in the Ministry of Business, Enterprise and Co-operatives of the Republic of Mauritius. The remaining four commissioners, who were not present, would be sworn-in at the next meeting of the Council of Ministers scheduled in June 2009

5.7 Agriculture and Food Security

i. As indicated earlier, during the year 2007/08, the World experienced dramatic price rises in food.. The price of wheat on the international market more than doubled, from US $200 in January, 2007, to US $440 per ton in January, 2008, while the price of maize rose from US $150 to $ 220 per ton during the same period, representing an increase of about 50%. The price of rice also rose from US$ 220 to about US$390 ton, a rise of 78%. Other agricultural commodities showed similar increments in prices. Though the rate in price increases slowed down towards the close of 2008, the global food price situation remained of serious concern.

ii. The COMESA region recognizes the importance of putting in place urgent measures to address the challenges posed by rising food prices, which seriously threaten to erode the gains the region has made towards attainment of regional food security and the Millennium Development Goals. In this regard within the year, COMESA convened its Agricultural Ministers Meeting at which important decisions and commitments to address the food price crisis were made. The meeting reviewed various causes of the food crisis, among them low food production and productivity resulting from high prices of agricultural inputs, high fuel prices, poor farming practices and climate change (more frequent and severe droughts, floods and cyclones, unresolved marketing challenges and unresolved trade barriers that de-motivate farmers). Various measures have been taken, including the increase in Member States' budgetary allocation to agriculture, which has generally increased from an average of 4% to about 6% between 2006 and 2008. The target within the Comprehensive African Agricultural Development Program (CAADP) is to allocate 10% of the national budgets to agriculture.

iii. Since its authorization by the African Union in July, 2003, in Maputo, the Comprehensive Africa Agriculture Development Program (CAADP) has become the highest policy level framework for the development of agriculture in Africa. COMESA has the mandate to implement the CAADP agenda in Eastern and Southern Africa; it has made significant progress in implementing the CAADP agenda.

iv. Collaborative work with the European Commission on implementation of the EC Food Facility with a focus on support to provision of agricultural inputs- fertilizers, seeds and veterinary drugs- reached advanced stages and a full regional program on agro-inputs was expected to be implemented in 2009.

5.7.1 CAADP Key Achievements in 2008

During the year, COMESA launched the CAADP Roundtable Process in Sudan and in Ethiopia bringing the total number of countries implementing the Roundtable Analytical Process to identify key growth drivers to 17. These are Rwanda, Malawi, Zambia, Kenya, Uganda, Ethiopia, Burundi, Seychelles, Djibouti, Malagasy, Zimbabwe, Sudan, Comoros, Egypt, Mauritius, Swaziland and Democratic Republic of the Congo (DRC).

5.7.2 Concrete CAADP programs initiated in 2008:

During 2008, under the CAADP agenda, COMESA initiated major programs as follows:

a) The Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), was launched in September, 2008, and is designed to become an independent institution of COMESA and be the region's key thrust in attaining objectives of CAADP Pillar II (agro trade related capacities) and CAADP Pillar III (food/nutrition security).

b) The program, which is supported by various development partners including USAID, WFP, AGRA and DfID, has an operational budget of US$35 million over 5 years and will work:

(i) To improve competitiveness and integration of staple foods markets in COMESA member states through improved micro and macro economic policies as the drivers of staple food markets

(ii) To support the development of agricultural markets in the region by improving and expanding market facilities and services for staple foods commercialization to facilitate growth in staple food markets

(iii) With farmer organizations in the region to increase commercial integration of staple foods producers into national and regional markets to promote growth in food staples and food security.

5.7.2 The African Agricultural Markets Program (AAMP)

5.7.2.1 The African Agricultural Markets Program (AAMP) was launched by COMESA in March, 2008, with the support of DFID and the World Bank and will:

(i) Strengthen the institutional capacity of COMESA to implement regional marketing and trade programs for food staples and inputs in support of the CAADP process.

(ii) enhance knowledge of national decision makers by providing information and analysis concerning issues facing agricultural input and output markets for major food staples and inputs; and

(iii) Create a regional network for dialogue, ideas, and exchange in the area of agricultural input and output markets between concerned government ministries and the private sector. These efforts seek to assure that additional investments in the agricultural sector and associated investments by donors, the private sector and governments may achieve a reasonable rate of return.

5.7.3 The Regional Climate Change Program

i. Also launched in 2008, was the Regional Climate Change Program meant to ensure due consideration of the region's agricultural sector in the post Kyoto negotiations and to establish a regional Carbon Fund. This program was launched with the support of the Norwegian Government.

ii. Collaborative work with the European Commission on implementation of the EC Food Facility with a focus on support to provision of agricultural inputs- fertilizers, seeds and veterinary drugs- reached advanced stages and a full regional program on agro-inputs was expected to be implemented in 2009.

5.7.4 The Carbon Fund

i. As indicated in the ministerial meeting above, COMESA is venturing into a new field of environment, and climate change. Thus, before the above meeting, in June, 2008, the Common Market for Eastern and Southern Africa (COMESA) convened a high level workshop in Johannesburg, South Africa, to prepare for the launch of a Carbon facility for Africa.

ii. The Carbon Facility will be comprised of a commercial Fund and a grant component that will build the capacity of disadvantaged communities to participate in the global carbon economy. According to the United Nations' panel of climate experts, Africa is "highly vulnerable" to the impacts of climate change. Drivers include recurrent drought, degrading lands, decline in agricultural productivity, and widespread poverty.

iii. Addressing the meeting, COMESA Secretary General, Mr. Sindiso Ngwenya, underscored the need to design a Carbon Facility that not only focuses on COMESA countries but brings all other regional economic communities on board. This harmonization of African programs is in line with the decision taken by Executives of SADC, EAC and COMESA at a meeting held recently in Maputo, Mozambique. "The COMESA region and Africa in general should speak with a unified voice and immediately find space to participate fully in the global Carbon market negotiations", noted Mr. Ngwenya. For Africa to benefit from carbon markets, carbon credits should be issued and traded for afforestation, reforestation, agro-forestry, enhanced natural regeneration, re-vegetation of degraded lands, reduced soil tillage, and other agricultural practices.

5.7.5 At the meeting, the PTA Bank pledged its support and readiness to work with the African Development Bank to make a business case to not only protect the environment in Africa, but make a profitable business venture for Africa and in particular, the small holder farmers. The PTA Bank will mobilize seed money to capitalize the Fund, hence creating a viable Fund with attractive returns for investors. Revenue generated from trading in carbon credits will be invested in the development of Africa's natural resources as well as support local communities.

5.7.6 At the meeting, there was a call by delegates for the Carbon Fund to generate tangible economic benefits for local communities in Africa. For this to happen, there was need for the identification of key stakeholders and their role in the carbon value chain. In addition, there is need to ensure that land policies are addressed.

5.7.7 During the workshop, private investors called on COMESA to take a leading role in raising the African voice in the United Nations Framework Convention for Climate Change – Conference of the Parties (UNFCCC-COP) negotiations. This should ensure that all of Africa's carbon stocks are fully credited. The COMESA Climate Initiative will address climate, agriculture, conservation, and livelihoods through building knowledge and capacity and through place-based efforts in Africa, as well as help Africa come up with a common position during negotiations of carbon protocols.

5.7.8 Delegates further urged African countries to demand for the inclusion of the full range of biomass available in Africa, particularly agriculture and land use systems in existing agreements such as the Kyoto, EU and US agreements.

5.7.9 It was also agreed that there is need for Africa to also package available scientific evidence to advocate effectively for space in the global Carbon markets.

5.8 TRANSPORT, COMMUNICATIONS AND ENERGY

i. The attainment of its long-term goals for COMESA is dependent to a large extent, on the state of infrastructure networks covering airports, roads, railways, sea ports, inland waterways, telecommunications, power generation and transmission links

ii. The development of physical infrastructure provides for regional interconnectivity and is important in speeding up development and enhancing competitiveness. Providing adequate infrastructure that can be accessed by the poor is a critical component of the overall poverty reduction strategy.

iii. The strategy for infrastructure development is three-pronged dealing with: Policy and Regulatory harmonisation; facilitation; and development of physical regional infrastructure. This is being done in collaboration with other RECs, the AU/NEPAD and development partners like the African Development Bank, World Bank, the United Nations Economic Commission for Africa (UNECA) and the donor community.

iv. On policy and regulatory framework harmonization, COMESA has developed and adopted various model policies and regulatory guidelines in ICT, postal services, energy as well as regulations for liberalization and competition in air transport. In 2008, the joint COMESA, EAC, SADC Joint Competition Authority (JCA) was established at the Kampala Tripartite Summit.

v. COMESA also adopted and implemented trade and transit transport facilitation instruments whose main objective and impact has been the reduction of transport costs. The application of these instruments by member states is being up-scaled by assisting states where they encounter constraints in implementation.

vi. For physical infrastructure, COMESA priority list of Regional Infrastructure Projects based on submissions by member states. Through a scoping study completed in 2008, the status of projects has been updated and an interactive database established. The updating of the status of projects in the database can now be undertaken by focal points in member states.

vii. The list of priority projects has been submitted to NEPAD for funding within the NEPAD infrastructure development programme. Some of the projects have been adopted in the NEPAD Short Term action Plan (STAP) and the others will be considered within the NEPAD Medium to Long Term Strategic Framework (MTLSF).

viii. In order to speed up implementation, emphasis is on a few selected projects from the list priority projects. Procurement of consultants to undertake the preparation of Priority Investment Plan (TCS/PIP) was completed in 2008.

ix. The TCS/PIP will include a Strategy and a Priority Investment Plan together with a Database for managing information on projects status. It will cover all modes of transport (road, rail, air and water) and will examine future plans such as concessioning of the railways, funding of infrastructure such as fuel levies and road user charges and communication needs of the region to narrow the "digital divide". The TCS/PIP identifies transport corridors and telecommunications backbone links which are a priority for the integration and economic development of the region.

x. The scale of investment requirements for these priority projects can then be determined and decisions made on how best to finance the development of the infrastructure including involving infrastructure funds in operation in the region. It will also involve the packaging projects for development under public-private partnerships with the overall objective of interconnecting the regional transport and communications and energy infrastructure networks.

5.9 INFORMATION AND NETWORKING

5.9.1. COMESA seeks to promote the use and awareness of Information Technology leading to an Information Society that will contribute to socio-economic integration.The period under review saw significant strides made in the implementation of various programs.

5.9.2 The programs that have been pursued and received with a lot of interest in the region have been in:

i. E-Government

An e- Governance Framework for COMESA was recently adopted by the COMESA Council of Ministers and an implementation roadmap has since been prepared. As a means to ensure successful implementation of the framework, collaboration is sought with the other regional bodies that are carrying out e-Government programs.

ii. E-Learning

In 2008, COMESA with the assistance of the University of Mauritius implemented an e-Learning platform - A Course Management System (CMS), called MOODLE at the COMESA Secretariat. The platform will be used to promote all forms of education within the COMESA region and beyond. The system is available 24/7 to ensure availability of service to students. Partnerships with other institutions to help spearhead e-learning and improve e-learning skills in Member States are also being explored.

iii. Customs Modernisation

Within the year, the Secretariat engaged a Consultant to undertake a study which provided modalities for the sustainability of the ASYCUDA software in the Member States. The system was implemented in five project countries during 2008, namely: Comoros, Democratic Republic of Congo(DRC), Eritrea, Seychelles and Swaziland. Of these countries, DRC, Seychelles and Comoros have fully completed the implementation of ASYCUDA++.

iv. RCTG-MIS

A consultant was contracted to re-design, re-develop and finally migrate the Regional Customs Transit Guarantee - Management Information System-(RCTG-MIS) system, to Hypertext Pre-processor (PHP) and My Structured Query Language(MySQL). This work was completed and the new system will go live in 2009.

E-Legislation

Within the year, COMESA Secretariat formulated the E-Legislation, a comprehensive program, in order to effectively address the important subject of e-Legislation in the region. As part of the programme, the Member states are provided with the necessary training and awareness on e-Legislation and also urged to accede to the UN Convention on the Use of Electronic Communications and to incorporate the provisions in their respective national laws.

v. Negotiated Licensing Scheme

A Memorandum of Understanding between COMESA and Microsoft Corporation was signed and the negotiated licensing scheme is now in effect. By the end of 2008, Malawi had already taken advantage of the scheme and had received a significant discount towards the purchase of their Microsoft licences for the coordinating Ministry. Other countries will be brought on board in 2009.

vi. Free and Open Source Software (FOSS)

By the end of 2008, FOSS framework for the region was being developed. The framework will provide a clear way forward for the FOSS program in COMESA.

COMESA Secretariat has adopted the use of Free and Open Source Software (FOSS). The period under review saw a number of web applications that had been developed using vendor-specific software being re-designed, re-developed and migrated to the Open Source platform. Some of the systems that were re-developed included: - the Web portal and the Association of Regulators of Information and Communications for Eastern and Southern Africa (ARICEA) website.

vii. Geographical Information Systems(GIS)

In 2008, a consultant was engaged to explore potential GIS applications that are relevant for the region. The study was a GIS Needs Assessment and implementing a GIS prototype with basic development indicators. The study also looked at how GIS can be used in the COMESA programs, carry out capacity building initiatives in GIS amongst the COMESA Secretariat staff, so that they may in turn realize its potential in the various programs they are managing.

viii. Development and Support of Information Systems that address the needs of the various programs in the Secretariat.

In a bid to ensure a smooth implementation of the Secretariat's programs, the IT division saw the upgrading of various systems aimed at improving the performance of different divisions within the Secretariat.

5.9.3 The following systems were either developed or upgraded:-

i. SUN Systems Version 4 is the accounting package used by the COMESA secretariat and the various projects. This system is an off the shelf application. A new version of the system (SUN Systems 5.3.1) was implemented in the period under review and users will switch to the new system in 2009.

ii. Budgeting System: This system was developed to assist Divisions as they do their budgets. It enables divisions to capture interventions, objectives, outputs, activities and budget items with the ability to print the budget reports. The system was developed using Visual basic.NET and Microsoft Structured Query Language (Microsoft SQL) server. This is being used by all the Divisions.

iii. Intranet: This system was developed to improve communication and sharing of information within the Secretariat. The Intranet application will enhance the communication and collaboration of COMESA employees from editing and managing documents in a group, managing projects in a distributed workgroup and virtual team working, sharing corporate knowledge and support through intranet, online feedback mechanisms (employee surveys, opinions) etc. The Intranet will help users to locate and view information faster and use applications relevant to their roles and responsibilities.

iv. COMESA Project Management System: This system is used for Project Management by the Infrastructure Division. It gives users within the region and beyond, information about the projects taking place. The system was developed using Active Server pages scripting language (ASP) and Microsoft SQL Server. So far the system is only available at COMESA but will be opened up to the public soon.

5.10 Gender and Women in Business Programs

5.10 Establishment of a Gender Division

In 2008, a Gender Division was established within the COMESA Secretariat. This was in response to the 2006 Council decision that a Gender Division be established in line with section 6.1.4 of the COMESA Gender Policy. By end 2008 the Secretariat had completed the recruitment process for the Director for the new Division.

5.10.1 Gender Mainstreaming Strategy and Five Year Strategic Action Plan

i. Within the period under review, the COMESA Gender Mainstreaming strategy and Action Plan were developed, in collaboration with member States, The formulation of the Strategy and Action Plan was preceded by a regional study and gender analysis of COMESA Programs. The data from the study was used in the formulation of the Strategy.

ii. Participatory methods were used in formulating the strategy. All member States were invited to identify gender experts from the National Gender Machineries to participate in the development of the Strategy and Action Plan. The Secretariat worked closely with the consultants at every phase. Consultants participated in a Pre-Study Workshop in October, 2007, to agree on various issues including the study methodology and instruments, framework for the Gender Mainstreaming Strategy and indicators for collecting sex disaggregated.

iii. The national consultants also participated in a Gender Experts' Workshop to review the Draft Gender Mainstreaming Strategy and Action Plan in February, 2008. The purpose of the Workshop was to ensure that the member States had an input in the formulation of the Strategy. The documents were further reviewed by the COMESA Technical Committee on Gender and approved by the Ministers responsible for Gender and Women's Affairs in the COMESA region of Gender, in April, 2008.

5.10.2 Establishment of Trading Houses

i. Within the year 2008, COMESA Secretariat held consultative missions to Djibouti, Sudan, Uganda and Mauritius to assess the readiness of the member States towards the establishment of the Trading Houses.

ii. The consultations established that, in Djibouti, the FEMCOM /Women in Business office was housed within the building owned by the National Organization of Women of Djibouti. Due to the existence of this physical infrastructure and in the light of trading patterns and configurations which had a large import bias, FEMCOM Djibouti proposed to initially start with an electronic Trading House. They requested the Secretariat to provide technical assistance and exposure through training.

iii. In Sudan, the Union of Women in Business which has 500 active members, most of whom are FEMCOM members, proposed to initially establish an electronic trading house and later expand it to a physical trading house within which various economic activities of women would be undertaken. The Union planned to seek technical assistance from COMESA in conceptualizing the trading house and in managing it in the formative years.

iv. In Mauritius, Enterprise Mauritius established an electronic COMESA Trading House following Council decision that trading houses be established in the COMESA region. The meeting of the trade promotion organizations held in Cairo in October, 2007, also motivated Mauritius Enterprise Ltd in its effort to establish the COMESA Trading House in the country. The COMESA Trading House will mainstream gender perspective by incorporating women enterprises through a specific window for FEMCOM.

v. A consultative stakeholders meeting was held in Nairobi, Kenya, in October, 2008. The meeting was attended by representatives from government, the private sector and civil society. The consultations revealed that several stakeholders had plans to establish various types of trading houses. The meeting therefore resolved to constitute a task force to develop a road map for consolidating the existing initiatives, including a plan of activities towards the establishment of trading houses in Kenya.

5.11 The COMESA Public Procurement Reform Program

i. Public procurement is a key economic factor which has various potential benefits to the broader economy and general social welfare of the people. Besides, it is closely linked with governance and is critical to sustainable economic development. In recent past decade, specifically at the setting of the 1980s interest in public procurement assumed critical proportions and became strongly linked with transparency in public and financial management practices. More than anything else, this aspect of procurement significantly contributed to raise its importance in public management affairs.

ii. Moreover, procurement roles traverse almost all public activities of government and take up a large portion of recurrent and capital budget combined together. Data regarding the true size of public procurement is seldom readily available. But available date suggests that the amounts involved are indeed very colossal. According to the OECD reports, the ratio of government procurement markets to the GDP is estimated to be over 15% in developed economies but a lot higher in LDCs and world wide public procurement was estimated to be equivalent to 80% of world merchandise and commercial services exports in 1998. It is now also recognized that among most countries in ESA, between 60-70 percent of national budgets is used up through public procurement functions. As such it attracts proportionate, if not passionate attention, not only because it involves significant resources rather, if poorly managed can undermine the socio-economic programs and undermine poverty reduction efforts. It can also be abused through corruption and fraud and divert public resources for personal use or result in poor or inappropriate utilization public resources.

iii. Typically, government can utilize its public sector procurement strength to promote wide ranging socio-economic objectives not necessarily linked to the object or service being procured. The experience in government policies and operation within the region has shown that public procurement can have far reaching implications on key economic actors especially the potential for the development and sustainability of the Small and Medium Enterprises (SMEs) and interests of special groups like youth and women groups. A government's most direct impact on the private sector and SMEs is through its procurement practices. The way it manages its commercial relationship with the business community has a strong influence on the behavior and dynamism of the private sector. Sound procurement systems promote competition, can reduce prices, minimize incentives for corrupt practices and importantly reduce the cost of doing business. Moreover, public procurement markets are very vital for SMEs and have potential to provide them critical sustainability and growth, especially in the majority of ESA countries, where government is often the biggest purchaser of goods and services. Therefore, strengthening efficiency in public procurement has strong potential to contribute to the improvement of the private sector activities in the ESA region.

iv. There is evidence that utilization of government procurement as an instrument to achieve important specific socio-economic objectives has been widely used by countries with different economic levels and even forms including developing economies and developed economic status.

v. In terms of governance the appropriateness of a country's procurement systems can also indicate, among others the effectiveness or weaknesses in the governance systems of a given jurisdiction. A good governance system, which promotes accountability, transparency, rule of law and participation, is central to creating and sustaining an enabling environment for development. Poor governance, on the other hand, has proved to be particularly harmful to the effective economic and social development. Programs for poverty alleviation in health and education, for example, have been undermined by lack of public accountability and corruption through procurement related maneuverings. In short, poor governance promotes many evils, including wastage and pilferage of public revenue and deters investment flows, and therefore undermines economic growth. By helping to modernize, harmonize and improve procurement systems among the ESA member States, it will contribute to increase accountability and transparency in public procurement and create an enabling legal infrastructure in public procurement in these countries.

vi. As a result of building and strengthening efficient systems and increasing transparency in procurement, member States can generate budgetary savings and lead to a more effective use of public funds. It is also expected to lead to increased confidence and trust of civil society towards governments in the region and internationally, particularly with regard to their credibility and commitment to development. This is particularly important, given that in some countries of the region, perceived lack of transparency in procurement and the existence of corruption have contributed to undermine the credibility of governments. Therefore, initiatives by regional mechanisms such as COMESA which seek to improve their Member State's procurement systems can greatly enhance conditions for economic growth in the region.

5.11.1 COMESA's Contribution to Public Procurement Reforms

i. COMESA's involvement and strategy in the reforms of public procurement systems is conceived within the framework of regional trade development and integration in the ESA region. COMESA strongly believes that regional integration is an effective means of achieving collective economic prosperity, development, peace and security. This view is hardly surprising given the success which has been achieved since COMESA commissioned the first ever FTA in Africa in 2000, in which intra-regional trade is stands at US$ 8.8billion by 2007. Regional integration can also potentially benefit economically less endowed countries in the region. The economic benefits of integration are well documented – it can create larger markets and new trading opportunities, while increasing competition and lowering prices for consumers. There is also evidence that successful integration generates greater levels of domestic and foreign investment, along with improved security and stability.

ii. While it is widely agreed that all public procurement reforms should be comprehensive and follow good governance principles, international efforts often led by donor agencies and Multilateral Financing Institutions (MFIs) often tend to focus much effort on the bidding process. But this is only the tip of the iceberg. Recent corruption scandals have put to the spotlight grey areas throughout the whole public procurement cycle, including in needs assessment and contract management. Reform efforts have also often neglected exceptions to competitive procedures such as emergency contracting and defense related procurement. This is the more reason COMESA has adopted a comprehensive approach to reforms in public procurement spanning the legislative process, regional harmonization, capacity building and

Figure 10 Status of CAADP Compact Implementation in COMESA:

the introduction of IT in public procurement to enhance efficiency.

iii. As COMESA region becomes more integrated and trade more liberalized, the need to ensure fair and open trade among its member States also becomes greater. The potential advantage of a regulatory mechanism is precisely that it would take into account the specific concerns of every Member State and seek to introduce greater flexibility suitable for facilitating and deepening Intra-regional trade. Transparency and non-discrimination would remain the cornerstone of the regulations, just the same way they are the basis and spirit of every Member States' procurement laws and regulations as indeed are in the COMESA Directive. In order to foster best commercial practices in both public and private procurement, it is essential to reform and harmonize regulations and procurement procedures across the Free Trade Area. This is the inspiration and aim of a regional approach to public procurement in COMESA.

iv. One of the key principles to regional integration in COMESA is to maintain an outward oriented approach in full view that most of the member States also belong to the WTO. Therefore, the proposal to reform public procurement in COMESA originates from the member States' commitment to economic liberalization. Member states duly recognized that public procurement practices in some member States left a lot to be desired and posed potential threat to trade growth among the member States and delayed integration. Moreover, there were glaring disparities in standards of public procurement between the Member States.

5.11.2 Some of the characteristic weaknesses which featured in most countries' systems identified the following broad issues, among others;

(i) Lack of a modern and appropriate legal framework that is anchored by a dedicated law. This connotes deficiencies in enabling legislation and regulations, legislative authority and procurement practices;

(ii) weak institutional capacities to develop and implement effective public procurement policies;

(iii) Lack of transparency and accountability in the systems which effectively but abhorrently bore restrictions against fair competition and fostering transparency;

(iv) lack of information on public procurement opportunities

(v) revenue loss through non-transparent practices;

(vi) Absence of appropriate institutional and organizational arrangements including corresponding lack of institutionalized mechanism for dealing with bidder complaints.

5.11.3 Invariably, beside the above overarching weaknesses in the respective country systems, constituent countries of COMESA have varying and different legal backgrounds depending on various historical influences especially associated with their colonial background. Some country legal systems are based on the common law, others use the civil law while some are based on Islamic law and culture. This ecosystem of different legal systems in different countries in the region also contributed to make procurement laws and regulation quite complex, not user friendly or even standard even within an individual country.

5.11.4 As a result, COMESA has to grapple with the issue of ensuring that there is harmonization of different procurement systems in the region to support trade integration and growth. Whereas the Directive creates a treaty obligation on Member States to inscribe in their national legislations the minimum standards set out therein, the regulations are concerned principally with rules that will facilitate entry by extra-jurisdictional bidders into the procurement markets of other Member States. Thus, by adopting the Regulations Member States in effect commit themselves to creating conditions in their national procurement laws that will facilitate access into the procurement market of each Member State to all qualified bidders from other Member States, subject only to some limited restrictions. The Regulations can therefore be regarded as the key that will unlock the procurement door that has hitherto been shut to outsiders.

5.11.5 Correspondingly, unlike past interventions which tended to focus on the bidding processes in support of donor sponsored projects, COMESA has brought to the centre stage capacity building and introducing Information Technologies as important factors of reform which will take procurement practices and professionalism to its next regime level. The reforms should help unlock the movement of goods, service and construction works across COMESA national borders as suppliers respond to regional tender notices. The program of harmonization of public procurement systems should help make this kind of trade possible in the region.

5.12 Current Regional Initiatives to continue reforms

i. Any reforms and transformatory policies need continuity, sustenance and also need to adapt to new trends to ensure success. In order to sustain the reform gains which have been achieved in the region, the AfDB and COMESA have again come together in a partnership project to provide support to countries which need it to ensure that the reforms are completed and successfully implemented to avoid policy reversals. The new project which was commissioned in 2006, is called the Enhancing Reforms and Capacity Project (EPRCP). The EPRCP aims to consolidate public procurement reforms and enhancing COMESA's regional integration efforts by harmonizing its Member States' procurement systems. It aims to enhancing procurement reforms that were commenced under the past initiatives which followed the Abidjan 1998 Conference by the World Bank and African Development Bank, among other sponsors which helped to bring on agenda and importance the issue of public procurement and its implications in the economy. The EPRCP focuses on four key principal areas mentioned below.

ii. First, it entails the sensitization of key policy makers and diverse public/private sector executives on the need for review of laws, policies and procedures that are not compliant with the modern public procurement framework that was developed under the PPRP. The project will deepen and broaden the awareness and sensitization program and ensure that it reaches stakeholders at all levels to ensure comprehension of the reform process. Second, the project will support legislation development at national level involving the national legislative structures and implement modern regional public procurement systems. Third, the project will strengthen the institutional capacities through training, which is intended to create capacity to support and sustain good procurement practices at national and COMESA levels. Fourth, the project will upgrade the procurement information systems with capacity to publicize and host national procurement information on the country's and regional website hosted at COMESA.

iii. Despite COMESA having covered significant ground in terms of countries which have improved and modernized their procurement systems through legislative developments and enhancing mechanisms for efficiency in the processes as well as streamlining institutional structures for accountability and transparency, there is need for a paradigm shift to ensure sustainability. Countries which are ahead of others and have so far enacted new legislations include Burundi, Ethiopia, Kenya, Malawi, Madagascar, Mauritius, Rwanda, Uganda, Seychelles and Zambia. A few more others are at the threshold of completing the process of enacting new laws or amending existing ones. Experience has shown that short term measures in capacity enhancements in its various forms do not produce sustainable results and often result in multiple and uncoordinated interventions. Invariably, this kind of intervention is less constructive and obviously, its benefits are difficult to allocate effectively. Unfortunately this has been the preferred intervention mechanism by the popular MFIs which often support similar initiatives in the region and elsewhere.

iv. Invariably, little attention is accorded to professionalism if the core values like integrity, accountability, transparency, efficiency and effectives can be achieved. Often more importance is given to strong legal frameworks and less to capacity building. Yet in absence of professionals who are not only proficient in procurement procedures but who have sufficient skills to apply appropriately the legal instruments, can greatly undermine the integrity and credibility of the procurement system. Under the EPRCP, COMESA seeks to introduce fundamental approach to capacity building in public procurement in the region. The strategic approach toward procurement capacity building will focus on creating the capacity of national training institutes to deliver certified procurement training to all relevant stakeholders in a sustainable manner.

v. It is important to perceive capacity building in an effective, holistic and comprehensive framework to ensure long term benefits from the program. Capacity building is a continuous, progressive and iterative process, the implementation of which should be based on the unique and sensitive to the peculiar needs of a given country. It ought to be undertaken in an effective, efficient, integrated and programmatic manner, taking into consideration the specific national circumstances and of the institutions concerned. Key to capacity building is national institutions and resources. Existing national institutions have an important role to play in supporting capacity building activities in the respective countries. Such centers can incorporate traditional skills, knowledge and practices, to provide appropriate services and facilitate information sharing. Through the development of the necessary curriculum and training programs with the assistance of international experts, which centre on both compliance and competence, and ensuring the delivery of such courses through national training institutes, the project aims to ensure that classes on procurement will be available all the time for all stakeholders to the procurement process and that a sustainable path is created for the establishment of a professional procurement cadre.

vi. The disposition of COMESA's collaborative support and assistance in the reform program has always been to improve national systems by integrating local conditions with international best practice standards. The focus has always been to maintain the local identity of the system without compromising standard values. In a similar vein, our competence and skills development strategy seeks to build sustainable capacity in procurement through national and/ or regional educational establishments over the long term to improve the Member State's ability to train and retain procurement capacity within its public spending authorities. Therefore, while the wider procurement reform program aims to improve procurement outcomes as a direct result of progressively establishing an improved national public procurement system in the member States, the component on capacity building which by far is the largest in terms of allocated amounts, aims to contribute toward the achievement of that objective through supporting improvement of procurement performance by all the relevant stakeholders.

vii. In this regard, key institutions in the region that we shall partner and build collaboration with, have been identified. Representatives of these institutions and other career professionals as well as educationists in the sector are expected to form a core team of the experts who will get together to review and approve the curriculum and training materials which currently are being developed by experts.

5.13 Way Forward for Procurement Reforms in East and Southern Africa (ESA)

i. Despite the remarkable progress which has so far been achieved in the region concerning procurement reform and modernization, enormous gaps and deficiencies remain in terms of legislative reforms and strengthening and capacity building remains a major challenge requiring new perspectives involving partnership, cooperation and regional mechanisms to provide effective approaches and methodologies. In this regard, COMESA will continue to rely on the goodwill of its member States and cooperation to continue engaging the member States especially the ones which have not commenced reforms to do so by formulating legal systems that are comprehensive in scope and principles to ensure effective and efficient management of procurement.

ii. Capacity building remains a critical challenge requiring innovative approaches which include building partnerships and cooperation with different concerned stakeholders to provide sustainable solutions. Key among these includes building networks with existing national institutions and public authorities will play an important role in supporting capacity building activities both at regional and national levels.

iii. Further resources and effort will be expended to ensure harmonization of procurement systems in the region to facilitate entry by extra-jurisdictional bidders into the procurement markets of other Member States. This is important in order to unlock the potential of government procurement to create wider opportunities for the private sector and also attract foreign direct investment to the region.

iv. Introducing Information Technology can greatly improve transparency in procurement and need to be vigorously encouraged. In this regard, COMESA is developing a web based system which combines elements of e-commerce with publication of procurement opportunities for the increased benefit of the private sector operators in the region. The system is expected to increase intra-regional trade, value-for-money gains in meeting requirements of government agencies, enhance competition thereby resulting in significant savings by governments and result in knock-on effects in improved social spending, wider market for suppliers thus resulting into economy of scale benefits and good corporate governance.

v. However, as any other policy instrument which has economic and social implications, procurement management needs continuous evaluation, assessment and adapting to new emerging trends and knowledge. COMESA therefore needs to formulate innovative regional and ongoing mechanisms to ensure policy sustainability and capacity building processes in the sector. This is important to ensure there are no policy reversals and also continue to mobilize resources and manage cooperation initiatives for continuous support in capacity building and strengthening the regulatory framework for better governance and advocacy for strengthening integration networks. Integration of regional markets in public procurement is very critical given the lucrative potential of government purchasing for the development of the private sector and its potential contribution to economic growth in the region.

vi. Nevertheless, it is also important to enhance cooperation with other stakeholders including bilateral and multilateral donor community who are involved in supporting procurement among our member States directly or indirectly to harmonize approaches and minimize unnecessary competition. This is critical to avoid duplication of efforts with attendant contradictions which tend to confuse economic operators and stakeholders in the region and serve to undermine the painstaking gains made. Very often such uncoordinated efforts by different actors invariably focus emphasis according to the general program objectives of every donor. This system not only disrupts sustainability of efforts but also regional efforts which are necessarily determined and owned by the member States and have better opportunities for success than those imported and connected to development aid.

In addition to creating the policy environment for freeing trade, COMESA has created specialised institutions to provide the required financial infrastructure and service support. The Africa Trade Insurance Agency (ATI), operates as a Pan African institution, The Trade and Development Bank for Eastern and Southern Africa (PTA Bank) has an impressive track record in providing trade and development finance, requiring mediation with international capital markets. The COMESA Re-Insurance Company (ZEP-RE) allows smaller insurance companies to spread risk in a wider COMESA insurance pool, it also operates beyond COMESA boundaries. The Clearing House, established to enable intra-COMESA trade to take place at a time when most COMESA countries imposed strict exchange controls, is being restructured to enable real gross settlement payments in the new liberalised market setting,

Part 6: COMESA Specialized Institutions

6.1 The Africa Trade Insurance Agency (ATI)

a) During the period under review, ATI continued to provide investment and credit risk insurance to financial institutions/lenders, investors, manufactures, importers and exporters, to enable them to access or to make available affordable financial resources for their economic activities thereby contributing significantly to private sector development in its member countries.

b) The year 2008 marked one of the most important milestones in the Agency's development and operations as an investment and credit insurer. The legal and capital restructuring process that began in 2005 was completed.

c) Shortly after completion of the legal and capital restructuring the Agency achieved a long-term Counterpart Credit Rating of "S/Stage"; and an Insurer Financial Strength Rating of "A/ Stable" from Standard and Poor's. This rating represents the most significant achievement in the history of ATI since it was created in 2001, as well as a key achievement for regional integration, and trade and investment facilitation, not only for the COMESA region but also for the entire African continent.

6.1.1 Within the year, ATI achieved the following results:

a) It generated gross written premium in excess of US$1 million and expects this figure to exceed US$4 million in 2008;

b) Gross exposure increased from US$20 million in 2006 to US$127 million at the end of October 2008;

c) Provided investment insurance for transactions valued at US$715 million as at the end of October 2008;

d) Supported exports worth US$203 million at the end of October 2008 and;

e) Paid its first claims amounting to US$64,859

f) Opened its underwriting field office in Kampala, Uganda

6.1.2 Completion of the legal Capital restructuring

During the period under review, ATI completed its legal and capital restructuring process for all Member States with the exception of Madagascar that was expected to complete the process early 2009.

In accordance with the foregoing, the new capital stock and number of shares per Member State as at the end of October 2008 is as shown below:

6.1.3 Capital Stock and Number of Shares per Member State as at the end of October 2008

SHAREHOLDER	SHARE CAPITAL US$	NUMBER OF SHARES
Burundi	9,600,000	96
DR Congo	7,100,000	71
Kenya	17,400,000	174
Madagascar	100,000	1
Malawi	10,700,000	107
Rwanda	5,500,000	55
Tanzania	10,500,000	105
Uganda	14,300,000	143
Zambia	10,400,000	104
COMESA	100,000	1
Atradius	100,000	1
PTA Bank	100,000	1
ZEP-RE	100,000	1
TOTAL	85,000,000	850

6.1.4 ATI Investment grade rating and its implications

a) As a result of the completion of its legal and capital restructuring, the African Trade Insurance Agency has been assigned by Standard and Poor's a long term A, Strong, rating for both its Counterparty and Insurer Financial Strength Ratings, with a 'Stable' outlook. Standard and Poor's (S & P) is a major international rating agency.

b) A Counterparty credit rating is a current opinion of an obligor's capacity and willingness to meet its financial obligations as they come due.

c) An insurer Financial Strength rating is a current opinion of the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms.

d) The favorable rating is a reflection of ATI's capital adequacy which is seen as extremely strong. It is expected that this rating will result in increased business opportunities, since investors, financial institutions as well as other potential clients now have a solid basis on which to establish counterparty limits for the Agency.

6.1.5 Membership of ATI

a) Although ATI was created by COMESA it is open to all members of the African Union. Consequently majority of members are also COMESA members but by end 2008 other countries outside the COMESA region such as Liberia were showing interest. By the end of 2008, country membership included Burundi, Democratic Republic of Congo, Djibouti*, Eritrea*, Kenya, Liberia, Madagascar*, Malawi, Rwanda, Sudan*, Tanzania, Uganda and Zambia. * Djibouti, Eritrea and Sudan are signatories to the ATI Treaty pending ratification and Liberia's membership is pending signature and ratification)

b) In addition, COMESA, Atradius Credit Insurance Group, PTA Bank and ZEP-Re are members.

6.1.6 Membership Expansion: The World Bank Group has renewed its commitment of financial support for ATI's membership expansion program in the African Region. These additional financial resources will enable potential African Member States to join the Agency and subscribe for their allotted capital, and will be made accessible to prospective new African Member States through IDA's Regional Integration Department for Africa.

6.1.7 Plan for 2009

In 2009, ATI plans to open offices, in Tanzania, Zambia, Democratic Republic of Congo and in Rwanda

6.2 The PTA bank

6.2.1The Eastern and Southern African Trade and Development Bank (PTA Bank), a COMESA financial institution was established on 6 November, 1985, following the provisions of the Treaty of 1981, establishing the Preferential Trade Area (PTA), which has since been transformed into the Common Market for Eastern and Southern Africa (COMESA), as a financial arm of the integration arrangement.

6.2.2 The bank enjoys a number of lines of credits from reputable international partners which are grouped as either short or long term facilities. As at 2008, The bank's shareholders were: Burundi, China, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The ADB is an institutional shareholders bank. In the year 2008, PTA bank, started its new Corporate Plan for the year 2008-2012, having completed the 2002-2007 Corporate plan which witnessed the strategic transformation and repositioning of the bank following its successful restructuring. By 2007, the bank's base capital had increased to US $2 billion leading to a wider range of services to its clients in 2008.

With its headquarters in Bujumbura, Burundi, and two branch offices in Nairobi, Kenya, and in Harare, Zimbabwe, the Bank continues to get much closer to its customers.

6.2.3 The year 2008, was good for the PTA Bank. In August it received a financial package totaling US$ 98.6 million from the African Development Bank (AfDB), one of PTA Bank's shareholders. The facility is in the form of equity participation, a line of credit and technical assistance amounting to US$ 47.6 million, US$ 50 million and US$ 1 million respectively. This is by far the single largest financial package ever secured by the regional financier. The financing was approved by AfDB's Board of Directors following a meeting held in Tunis in August 2008.

6.2.4 According to Dr. Michael Gondwe, the President of the PTA Bank, the financial package would further enhance the bank's ability to lend to businesses in the member states. "Because the ADB line of credit is untied, it means that we will be able to quickly assist needy and qualifying businesses in the sub-region," said Dr. Gondwe.

6.2.5 A line of credit which is untied means that there are no attached conditions to the facility, which normally takes the form of conditions as to where a borrower ought to source equipment or material for a project. The equity participation comes on the back of a General Capital Increase which was given the green light by the PTA Bank's shareholders during the last annual meeting held in Mauritius last year. Following the approval, the Bank's authorized capital will now be US$ 2 billion while the paid-in capital goes up to US$ 256 million.

6.2.6 "The General Capital Increase has improved the Bank's balance sheet tremendously while entrenching it as one of the leading DFIs on the continent," said Dr. Gondwe. He added that the Bank will leverage on the new capital to access competitively priced funds from the international markets for on-lending to customers.
6.2.7The facility came a few months after the PTA Bank signed a US$ 20 million line of credit facility with EXIM India, bringing the cumulative lines extended to PTA Bank by EXIM India to US$ 70 million to date. PTA Bank is one of the largest beneficiaries of the Lines of Credit from EXIM India in the region.

6.2.8 "The lines of credit facilities further strengthens the ties between India and Africa through technology transfer that comes about as a result of importation of Indian machinery and equipment," says Dr. Gondwe. "We are now seeing a trend within our member states where demand for Indian technology is on the increase, and the reasons for this is that the technology is not only suitable for Africa, but it is also competitively priced with the added benefit of world class stature," added Dr. Gondwe.

6.2.9 Since the Bank's inception slightly over 2 decades ago, the Bank's cumulative financial support to businesses in the sub region, through its project and trade finance windows, stood at over US$ 3.12 billion in the 3rd quarter of 2008. In 2007, the Bank's project and trade finance approvals stood at close to US$ 500 million.

6.3 The PTA Reinsurance Company (ZEP-RE)

The PTA Reinsurance Company (ZEP-RE), is another COMESA financial institution, and one of the leading providers of Reinsurance support to Insurance Companies in COMESA, besides operating in several COMESA countries, ZEP-Re also serves many non COMESA countries such as Morocco, and Algeria in North Africa, Ghana, Nigeria, Togo and Senegal in West Africa, Mozambique in Southern Africa, and Tanzania in East Africa. The company is rated by Global Credit Rating (GCR) AA for local/national and BBB- for international Business. By the end of 2007, the estimated business premium was about $36 millions

6.3.1 ZEP-Re continues to receive high international ratings

i. In addition to the "AA" rating received the Global Credit Rating in 2007, in 2008, A.M. Best Co ., a global full-service credit rating organization, assigned to ZEP-Re financial strength rating of B and credit rating of "BB+".

ii. The ratings reflect ZEP-RE's good level of risk-adjusted capitalization, developing business profile and improving risk management. An offsetting factor was its marginal underwriting performance.

iii. According to A.M. Best's opinion, ZEP-RE's risk-adjusted capitalization was at a good level, following capital increases of USD 7.5 million in 2008 and full earnings retention in 2007. In addition ZEP-RE's capital position has benefited from a reduction in credit risk, with a lower level of debtors and improved outward reinsurance securities.

iv. A.M. Best believes that ZEP-RE's capital position is expected to remain stable, provided that growth in gross premiums written is controlled to 15% in each of the next two years, with minimum retained earnings of 75% of net profit" the report said on part.

v. ZEP-RE's operating performance has been very good with pre tax profit of USD 5.2 million in 2007, mainly arising through investment

vi. income. Underwriting performance has been marginal with technical profits of approximately USD 1 million, mainly contributed by its non core life business.

vii. ZEP-RE's prudent underwriting and claims handling was expected to result in a lower frequency of large claims during 2008, producing a loss ratio of 57% in 2008 (compared to 60% in 2007), with improved performance on its non-life risks, particularly in property.

viii. In addition, ZEP-RE has made considerable progress developing its risk management to ensure adequate controls are place.

ix. Besides its COMESA core market, ZEP-RE is expected to continue increasing its presence in the African reinsurance market, growing between 10%-15% in each in the coming two years, with gross premiums written in excess of USD 50 million.

6.4 The COMESA Clearing House

6.4.1.Background

The COMESA Clearing House (CCH) was established in 1984 (as the PTA Clearing House), under the PTA Treaty signzed in 1981, for the facilitation of the settlement of trade and services payments amongst Member States. The following objectives, which were set out for the Clearing House, remain valid today: (i) Promotion of the expansion of trade and economic activity between Member States; (ii) Establishment of appropriate systems for the payment and settlement of cross-border payments among Member States; (iii) Saving on the use of foreign exchange by Member States in their inter-state transactions; (iv) Supporting Member States in the liberalisation of trade through appropriate facilitation instruments; (v) Promotion of monetary and financial co-operation among Member States; and (vi) Establishment of closer relations among Central Banks, commercial and merchant banks throughout the COMESA region. The direct participants of the COMESA Clearing House are the Central Banks of Member States.

During the 1980's, a period categorised in many Member States, by restrictive trade barriers and strict exchange controls, the COMESA Clearing House provided useful clearing and payment services. However, with the liberalisation of current accounts and the repeal of exchange control restrictions, the need for the COMESA Clearing House to restructure its services to be more relevant to this liberalised market setting, was identified by COMESA Governors of Central Banks. The Clearing House was thus mandated, by its Central Bank Governors, the Ministers of Finance, the Council of Ministers and COMESA Heads of State and Government, to design and implement the following facilities for the region, besides providing support to COMESA's

Monetary Harmonisation programme:

- An African Guarantee Facility to cover political risk in transactions. This led to the setting up of the African Trade Insurance Agency (ATI) in Nairobi, with the assistance of the World Bank;

- 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. An African SWIFT Service Bureau has been set up by the private sector through the facilitation of the COMESA Clearing House; and

- A Payments System designed to reduce costs of regional transactions in a liberalised foreign exchange regime. The Regional Payment and Settlement System (REPSS), designed by COMESA Central Banks Payments Experts, with inputs from the IMF, commercial banks and other financial institutions of the region and with financial support from the EU under the Regional Integration Support Programme (RISP). REPSS has received overwhelming support from all COMESA Central Banks, the Bank of Tanzania (a full and active member of the COMESA Clearing House), commercial and merchant banks of the region and other stakeholders, through the national chambers of commerce and industry and COMESA coordination ministries. REPSS presented in greater detail in the sections that follow, has been successfully pilot tested by 12 Central Banks and will be officially launched by COMESA Heads of State and Government in June 2009 in Victoria Falls, Zimbabwe.

6.4.2. Regional Payment and Settlement System (REPSS)

The Regional Payment and Settlement System (REPSS) is a Multilateral Netting System with End-of-Day settlement in a single currency (US$ or Euro) with the system allowing for settlement in a multicurrency environment (US$, Euro or any other specified currency). Under REPSS: (i) Transactions are settled at spot T+0 value T+2 (with the possibility of settling spot T+0 value T+0) at the agreed spot exchange rate; (ii) A single currency (US$ or Euro) is used for net settlement; (iii) A single nostro correspondent for the net settlement currency; (iv) The COMESA Clearing House (CCH) acts as agent of Central Banks; (v) Bilateral limits (Net debit/ Net Receiver) are set by each Central Bank at the Clearing House; (vi) Each transaction is converted to the settlement currency at the REPSS agreed quoted exchange rate and the importer/exporter retains the foreign exchange risk; and (vii) Bilateral agreements between Central Banks limits the amount of central bank exposure to further ensure that settlement would be a successful event each day.

6.4.3 Main Features of REPSS

REPSS has two payment options:

Option 1

Importers and exporters deal with their local commercial bank who requests their Central Banks to send payments on their behalf. The Central Banks assume the custodianship of foreign currency reserves as commercial banks settle their cross border transactions in local currency. Below is the description of the transaction flow on the system.

Table 8: Transaction Process Flow for CCH (option 1)

The importer in country A and the exporter in country B agree to do business.

The exporter in country B sends an invoice to the importer in either USD or EURs

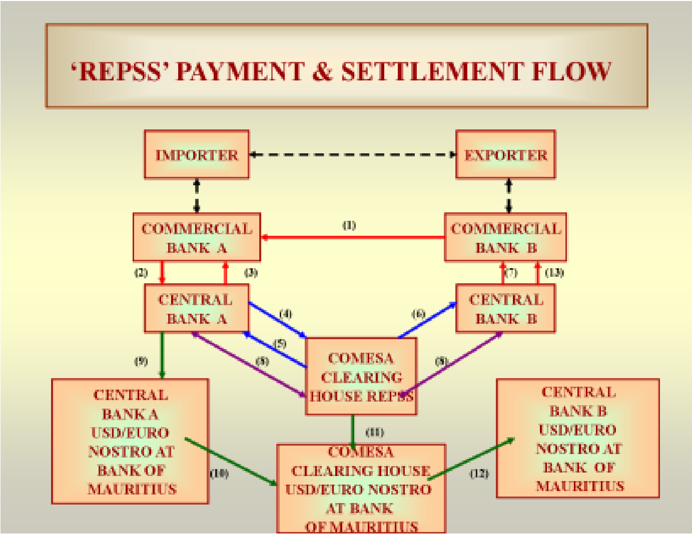
i. Confirmation of drawing under L/C and instruction by Commercial Bank B to Commercial Bank A to effect payment.

ii. A Payment advice is sent by Commercial Bank A on behalf of the Importer to Central Bank A to effect payment to Bank B for credit of the Exporter. Commercial Bank A pays the Central Bank using the local RTGS, in local currency equivalent of the foreign currency invoice. Central Bank A converts the amount to USD/

EUR.

iii. Confirmation of payment effected by Central Bank A to Commercial Bank A.

iv. Payment advice by Central Bank A to COMESA Clearing House to effect payment to Central Bank B.



v. A confirmation of payment processed by COMESA Clearing House is sent to Central Bank A. If payment is rejected for any reason, an advice is sent to Central Bank A.

vi. If payment is successful, notification of payment by COMESA Clearing House is sent to Central Bank B.

vii. Notification of payment by Central Bank B is sent to Commercial Bank B.

viii. After end of day and clearing has been done, confirmation of USD net amount due by/to Central Bank A/Central Bank B to/by COMESA Clearing House.

ix. An instruction is sent by Central Bank A to the Settlement Bank (Bank of Mauritius) to effect payment to COMESA Clearing House account held at Bank of Mauritius.

x. Payment (transfer) is done debiting Central Bank A's account and crediting the COMESA Clearing House account at Bank of Mauritius

xi. Instruction is sent by COMESA Clearing House to Bank of Mauritius to effect payment to Central Bank B's account at the same Bank.

xii. Payment (transfer) from COMESA Clearing House account to Central Bank B account held at Bank of Mauritius

xiii. Central Bank B pays Commercial Bank B for credit of exporter

Option 2

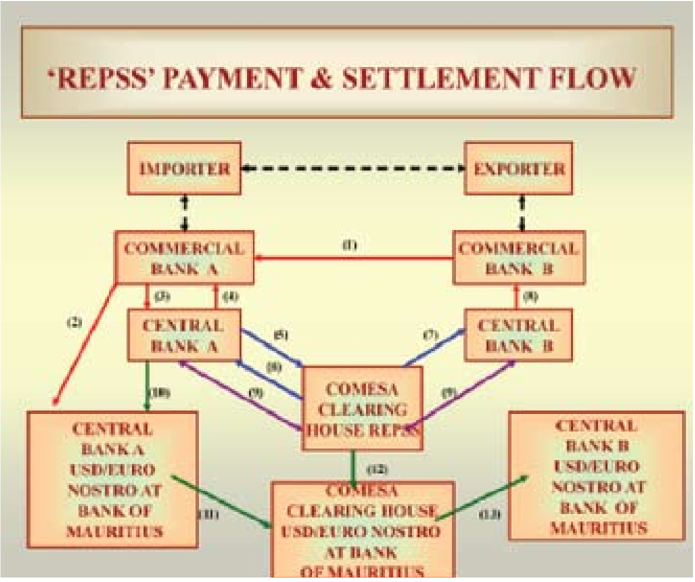
As in option 1, Importers and exporters deal with their local commercial bank who requests their Central Banks to send payments on their behalf. In this case however, the Central Bank does not use its foreign currency reserves to make settlement. Instead, the Commercial Bank sources the foreign currency on the market on behalf of the importer. Once this is done, the Commercial Bank sends this payment directly to the Central Bank's USD/EURO account held at the Bank of Mauritius. This amount is used for settlement at the end of the clearing period when the transaction is successful on REPSS. The payment message for this transaction is still sent to REPSS by the Central Bank

Settlements with CCH

Confirmation of successful payment/settlement over the Central Bank's REPSS settlement account is received by the Central Bank from the COMESA Clearing House. Once a payment is confirmed between Central Banks, it becomes irrevocable although final settlement is done on a T+2 basis with the possibility of a T+0 settlement

At the end of each clearing period CCH sends to each Central Bank the net settlement position. This is in USD for all trade that was denominated in that currency and Euro for transactions denominated in EUROs. This information is also sent to the Bank of Mauritius, being the Settlement Bank. Bank of Mauritius then credits/debits Central Banks accounts in their books accordingly and confirmation of this is sent to the participating Central Bank.

Receiving Central Banks then credit the Commercial



Bank's account in their books, who in turn credit the exporter.

Settlement of all transactions is done on a net basis in either USD or EUR and only Central Banks participate. However, netting off of USD and EUR amounts to one currency is not allowed.
Settlement of all transactions is made in full at the end of each trading period through instructions to the Settlement Bank for value T+2.

In the unlikely event of a bank failing to settle within the settlement period T+2, CCH has the right to suspend the said bank. Although the system does allow for unwinding to the extent of the shortfall, this scenario is most unlikely as the REPSS works on a credit push basis – only when a commercial bank sends funds to the Central Bank does the message exchange to REPSS begin.

Advantages of REPSS

There are a number of advantages of using the Clearing House system, REPSS:

- It guarantees prompt payment for exports as well as other transfers. This is because T+0 settlement is possible as the settlement bank is within the operating times of all other participants. The settlement period is therefore greatly reduced;
- Eliminates mistrust among traders because of Central Bank involvement. This in turn increases trade within the region;
- Reduces number of transactions as all transactions are credited on a net basis and volumes are high. This in turn reduces transaction costs;
- Reduces foreign funding as the amount to be paid at the end of the day by a participant is on a net basis;
- Reduces foreign counterparty exposures – The participants are able to send payment instructions through REPSS to the settlement bank, thus reducing transactions and exposures via correspondent banks;
- Reduces foreign correspondent banking charges as payments are channelled through REPSS which has lower charges and the settlement bank is a member of REPSS;
- Settlement finality – all payments are guaranteed as instructions, once cleared are final and irrevocable; and
- Reduces collateral requirements as Central Banks are directly involved in the System and trade is mainly amongst members.

6.5 The COMESA Court of justice:

6.5.1 The Court of Justice was established in 1994, under Article 7 of the COMESA Treaty as one of the organs of COMESA. In 2005, the Court was restructured to have both the First Instance and Appellate Divisions.

6.5.2 The COMESA Court prepares itself for the establishment of COMESA Customs Union.

In preparation for the Customs Union which was supposed to be launched in December, 2008, the

Court prepared a 3-year Strategic Plan 2008-2010, that was adopted in March, 2008. The three year period was meant to align the plan of the Court with the planning cycle of COMESA (Secretariat), which had been implementing a 5-year strategic plan 2006-2010. Further, the strategic plan of the Court was tied to a three-year period as it was deemed the required period to revive different activities of the Court before embarking on long term planning related to the implementation of the Customs Union.

6.5.3 Cases brought before the court:

Over the years, a number of cases have been brought before the court, mainly cases between Member States, COMESA Institutions and their employees. However, it was envisaged that due to the deepening of the Free Trade Area and establishment of Customs Union, many contentious issues constitute potential cases. More cases are expected from corporate entities and the private sector in general.

Therefore, the another major objective of the Court's strategic plan was to prepare the Court to face the challenges that are likely to arise out of the establishment of the Customs Union, a lot of litigation arising out of the implementation of the Customs Union provisions are being prepared for.

6.5.4 The Court's strategic plan

According to its strategic plan, the strategic objectives of the Court in the medium term are:

a) To improve the quality and delivery of adjudicatory services;
b) To increase the Court's sustainability;
c) To create an enabling environment for efficiency in the management of the Court functions;
d) To increase transparency in the operations of the Court;
e) To increase public awareness with regard to services offered by the Court throughout the Region.

In 2009, the Court will enter the second year of the implementation of the medium term strategic plan. The strategic plan forms the basis of annual work program executed by the Court.

6.6 The LLPI

The COMESA Leather and Leather Products Institute (LLPI) has concentrated on manpower development, entrepreneurship and institutional development. It is based in Addis Ababa, the same capital where the Africa Union is found. The LLPI has over the years conducted training programmes in Leather Footwear technology and pattern making for its member Countries in the COMESA region. In 2007, LLPI completed its new headquarters, and in 2008, started working on a US$50 million project to improve the quality of leather and leather products of enhanced value. This will be funded by the Africa Development Bank (AfDB). In future it could have a lot to offer to our animal keepers all over the continent.

6.7 Regional Investment Agency (RIA)

Launched in 2006, the agency aims to make the COMESA region a viable, attractive destination for regional and international investors.

In the long term, RIA's shared vision with COMESA is to present the region as a single market and production base, turning the diversity that characterizes the region into opportunities for business complementation and more importantly enhancing the investment climate to a more dynamic and stronger segment for the global investment demand.

RIA's key role is to be the strategic driver for capacity building amongst COMESA member states' investment promotion agencies, promoting best practice and facilitating each member state to generate a positive business environment for potential investors – thus creating a strong region within Africa for investment. In order to fulfill this role, RIA works closely with the 19

National Investment Promotion Agencies in the region, to advocate policy changes to improve national investment climates, as well as to identify skill gaps within their organizations, and provide the appropriate training and development support.

RIA also acts as an information hub for potential investors, assisting enquiries and acting as a coordinator between the national organizations. In doing so, RIA is active in promoting the COMESA region as a Common Investment Area, and in building a positive image of the region to a worldwide audience.

To insure the continuous generation of Investment in the COMESA Region, RIA has embarked on the following initiatives:

Compendium of Investment Opportunities
The primary objective of the compendium is to identify the investment opportunities in the COMESA Member States, compiling them into a single report that will be used to promote the investment opportunities in the COMESA Region through a regional approach.

Up to date, RIA has compiled 18 COMESA Member States' investment opportunities, the opportunities are available in English Language, and in the process of transforming the opportunities into a database to ease up and facilitate the dissemination of the investment opportunities.

Invest in COMESA Practical Guide

The project aims at assessing the investment climate in the COMESA region and presenting the findings in a manner that is conducive to promoting the region as a favourable destination for Foreign Direct Investment (FDI) and cross-border investments.

The contents of the guide are:

- Presentation of 'Investing in COMESA': including what is COMESA, General Business environment that highlights the assets of the region (costs of utilities, labour, custom unions, trade agreements, ports, telecom, banking, etc.).
- Presentation of COMESA RIA.
- Member States presentations.
- Resources: IPAs, e-address of the database and a short description, various links.

The guide was finalized and disseminated in November 2008, in both English and French Language.

Improving Investor Relation and Service Systems in the COMESA region

The objective is to undertake a study and draw operational recommendations for assisting the 19 national IPAs in designing policies and establishing systems facilitating foreign and domestic investors' access to:

- The relevant legal and regulatory information,
- The provision of quality advisory services and
- The required approvals (authorization) based on lessons drawn from (COMESA and non-COMESA) countries advanced experiences.

The project resulted in concrete recommendations and tools pertaining to the formulation of policies and the establishment of Investor Relation and Service Systems (IRSS) facilitating the procedures for domestic and foreign investors in the COMESA countries.

These recommendations focused on the conditions to be fulfilled for one-stop-shops (OSS) to be successful, based on best practices observed in COMESA and non- COMESA countries, they also considered a broader picture including upstream topics (diagnosis, investment code, streamlining of regulations and administrative procedures).

The output of the proposed project also included concrete tools for the Investment Promotion Agencies (IPAs) to undertake self diagnosis and to devise the next steps they have to achieve towards facilitating investor's administrative procedures.

Fostering the development of PPP models in the

COMESA region

To increase investment, PPPs should be developed within the framework of a clear national or regional investment policy that sets priorities and provides the basis for tailor-made PPP mechanisms. Through this project, COMESA RIA will assist COMESA IPAs in developing their own PPP model and procedures on a shared experience.

To this respect, the project aims at undertaking a study with operational recommendations for assisting the 19 national IPAs in designing policies and establishing systems that would facilitate the adoption of a public private partnership set of laws and regulations and design the appropriate institutional frameworks. The focus will be on utilities, energy, ports, transports, water supply although health and education sectors should be addressed.

The study addresses the following key issues:

- What are the links between investment policies / priorities and the adoption of PPP mechanism?
- How can an efficient PPP framework contribute to foster investment?
- What are the best practice countries in the field of PPPs? What lessons can be drawn from them?
- What are the requirements in terms of laws, regulations and institutions to build-up an operational PPP framework?
- What would be the core provisions of standardized PPPs (notably for utilities, ports, transports, health and education)? The standardized procurement process? The appropriate procedure documentation?
- How can a Government assess its readiness to implement an efficient PPP mechanism and identify the gaps to close?

The study focuses on the implementation of policies conducive to efficient private public investor relations and on the assessment of three successful PPP experiences.

COMESA 1st Investment Conference "Brussels – November 2008"

COMESA RIA and BIZCLIM in collaboration with the Secretariat, the European Commission and the Chamber of Commerce & Agriculture Belgium-Luxembourg organized a high-profile two-day conference on investment in Brussels, gathering about 150 participants, 17th -18th November 2008.The participants were from the EU private sector, COMESA private sector, international organizations, financial institutions and donor agencies.

The event was articulated around the presentation of the COMESA Investment Practical Guide, the organization of workshops on specific investment related topics, the presentation of specific investment opportunities both at regional and national levels and provided the opportunity for IPAs to interact directly with investors, industrialists and cooperation agencies that participated in the event.

The theme of the Conference was 'Accelerating trade and investment: COMESA is ready and on the move'.

COMESA 2nd Investment Conference "Cairo – February 2009"

RIA organized the 2nd COMESA Investors Conference in Cairo, Egypt on the 25th February 2009.

The conference was organized under the patronage of the Egyptian Minister of Investment and was inaugurated by the Minister of Investment-Sudan, Minister of State, Tourism, Trade and Industry-Uganda, Vice Minister of Trade – Zambia and the COMESA Secretary General as well as 34 representatives from the COMESA Investment Promotion Agencies.

The conference draw more than 250 people, including government officials, businessmen from Egypt and COMESA Region, development organizations and financial institutions.

COMESA 1st Investment Road Show, Singapore and Malaysia "August 2008"

COMESA RIA co-sponsored 2 Investment Promotion Agencies to join a road show led by the Egyptian Minister of Investment; the mission was reported to be a success. Not only did it provide a platform for COMESA member states to showcase opportunities in the region to Malaysian and the Singaporean private sector, it also created a very good network between the Egyptian business community, RIA and the 3 IPAs.

Seminar on "Business Climate in Kenya: Kenya a first choice investment destination"

The seminar was organised by COMESA RIA and (BizClim) as a part of Bizclim's series of workshops aimed at raising awareness on business climate issues, and was hosted by the ACP Secretariat in Brussels-Belgium on the 25th March 2008.
As part of RIA's role in promoting the investment climate, RIA sponsored Kenya Investment Authority to present its investment climate.

The seminar was attended by the ACP Secretariat, EU Commission, Chambers of Commerce in Brussels, Trade-Com program, African and European Embassies, Investors and concerned organizations.

RIA Digital Library

Thus RIA is building a digital library which is available exclusively to the COMESA IPAs to provide reports that support the IPAs in promoting and assessing their countries.

Part 7 : Cooperation activities

7.1 Cooperation with the European Union

7.1.1The EU remains the main cooperating partner of COMESA programmes. EU assistance to COMESA, within the year 2008, came mainly through the 9th EDF Regional Strategy paper / regional indicative program (RSP/RIP) allocations. Thanks to the Inter Regional Coordinating Committee (IRCC) coordination mechanism put in place by the four partner organizations (COMESA, EAC, IGAD and IOC) programming and implementation of EC funded projects have improved substantially. Accordingly, by the end of 2007, all the allocated funds under the 9th European Development Fund (EDF) had been committed to 30 projects financed under the 9th EDF. The 10th EDF envelope was signed in last quota of the year as indicated below.

7.1.2 : € 645 million granted by the European Commission to the Eastern and Southern Africa and

As part of the continued EU /RECs cooperation, on 15th November, 2008, in Strasbourg, France, the European Commissioner for Development, Louis Michel and a number of Heads of Eastern and Southern Africa and the Indian Ocean (ESA-IO) Regional Organizations, namely Mr Sindiso NGWENYA, Secretary General of COMESA, Ambassador. Juma Volter MWAPACHU, Secretary General of the EAC, Mr. Mahboub MALIM, Executive Secretary of IGAD, and Mr. Callixte d'Offay, Secretary General of the IOC, collectively signed the 10th European Development fund (EDF) Regional Strategy Paper and Regional Indicative Program (RSP/RIP) for the Eastern and Southern Africa and Indian Ocean (ESA-IO) region. This agreement puts 645 million Euros from the 10th European Development Fund at the disposal of the four Regional Organizations to support the regional integration process. Implementation, as for the 9th EDF, will be coordinated through the Inter-Regional Coordinating Committee (IRCC), to contribute to the harmonization of policies in line with the recommendations of the African Union. The agreement also provides for the European Investment Bank to contribute to the Regional Strategy Paper by operations financed from the Investment Facility and/or from its own resources.

7.1.3 Following the successful implementation of the 9th EDF, the four Regional Organizations (ROs), COMESA, EAC, IGAD and IOC, agreed to continue working together in respect of the European union's support to the regional integration process.

The overall objective of the 10th EDF ESA-IO RSP/RIP is to contribute to the eradication of poverty in member countries and assist them in attaining the MDGs, as enshrined in the ACP-EC Partnership Agreement, by supporting economic growth and developing trade. Specifically the 10th EDF resources are meant to support the regional integration agendas of the ROs; to strengthen regional cooperation and to support the integration of the region into the global economy.

7.1.4 The 10th EDF € 645 million envelope will gather interventions under two focal areas: Regional Economic Integration covering regional integration policies, trade and EPA, and regional sector policies, (Focal Area 1); and furthering the Regional Political Integration/ Cooperation Agenda (Focal Area 2), through the development of a series of flanking measures aimed at assisting the region to tackle regional political problems in a coordinated fashion.

7.1.5 Focal Area 1 will draw some 85% of the 10th EDF resources to support deepening regional integration by fully implementing the Customs Unions and moving towards common internal markets (and eventually monetary unions), covering initially sub-regions and ultimately the whole ESA-IO region, through the implementation of the necessary regulatory framework, providing financial support for the trade liberalization process and its possible economic and fiscal costs. It will also aim at leveraging funds for trade-related infrastructure to deepen regional integration and ensure the sustainable management of the natural resources of the region as a core asset for livelihood systems so that it provides a basis for sustainable food security.

7.1.6: As far as possible the ROs will make use of Contribution Agreement for aid delivery. This instrument enforces full ownership with the RO, along the premises of the Paris Declaration on Aid Effectiveness, to use the funds according to the RO's own regional integration and development strategy. For instance COMESA has used very effectively the Contribution Agreement under the 9th EDF Regional Integration Support Program. COMESA has been the first regional organization, to avail of this modality, now seen to be a success.

7.1.7: Focal Area 2; can mobilize up to 10% of the resources and aims at strengthening the political integration/cooperation process in the ESA region by building a coherent regional view on the concept of good governance, establishing regional mechanisms for early warning, conflict prevention, management and resolution, post-conflict reconstruction, and overall capacity building in the areas of peace and security.

7.1.8 Lessons learnt from 9th EDF

a) During the 14th meeting of the Inter-Regional Coordinating Committee that took place in Nairobi, Kenya, on 25-26 February, 2008, which was attended by the EC Director General for Development, the Chief Executives of the four partner organizations and the EC agreed that during 9th EDF, there was better programming, better implementation and coordination. However, the meeting noted that program implementation has to be further improved. The meeting was of the view that the move to Contribution Agreement (CA) modality of implementation has definitely helped COMESA and EAC to build their capacities and urged the remaining organizations to fast track the process to graduate to CA modality.

71.9 The Role of the IRCC

The meeting highlighted the important role IRCC played during the 9th EDF and reaffirmed the need to maintain the IRCC coordinating mechanism even after the remaining RIOs graduate to the CA modality so that it will enable them to work together on a shared vision. However, the meeting agreed on the need to re-examine the role and mandate of the IRCC under the 10th EDF and set up a Task Force to undertake the task. All RIOs will participate in the Task Force which will be coordinated by IOC.

The meeting also noted that the 1.4 million Euros needed for the bridging project to support the IRCC Secretariat will be covered from the remaining fund under the 9th EDF and this will raise the total allocation to the ESA region to a total of €288.4 Euros.

7.1.10 Programming of the 10th EDF

The draft 10Th EDF Regional Strategy Paper (RSP) and the Regional Indicative Program for the ESA Region was jointly developed by the four partner Organizations and the EC and was submitted to the EC in October, 2006. The Commission took long before it gave its reaction. It was not until February, 2008, that the EC officially informed the IRCC that they wish to make updates on the RSP and RIP to take into consideration the following matters:

- Integration of linkages to the EPAs
- EU-Africa Strategy and Action Plan
- Mainstreaming the Horn of Africa Initiative into the RSP and
- Aid for Trade Initiative.

7.1.11 During the 14th IRCC meeting, extensive discussion was held between the four partner organizations and the Director of DG/Development. The meeting finally agreed on the following:

- The central objective of 10th EDF programming should be regional integration
- The RSP will be updated with facts and figures on the status and achievements made in the process of regional integration. It should outline the policy path for the coming years
- The Horn of Africa Initiative will be incorporated into the RSP with IGAD as the main implementing agency.
- The Aid for Trade initiative will also be integrated into the 10th EDF.
- IRCC should continue to support the identification studies of RIOs for programs to be included in the 10th EDF,
- The RSP will have two focal sectors as shown below and a non- focal sector

Focal Sector:

a) Covering economic issues with regional integration as central theme including issues related to EPAs, trade in goods and services, food security, and natural resources.

b) Covering Political issues linked with the Pan African architecture of conflict prevention and peace and security.

Non-Focal Sector

a) Covering institutional capacity building and cross cutting issues.

: To this end a Drafting Committee was established to update the RSP. The document will then be reviewed by a joint Ministerial meeting between EC and RIOs proposed early 2009

7.2 Cooperation with USA

7.2.1 US-COMESA Collaboration dates back to the year 1998, when COMESA and the USAID/REDSO signed what came to be known as the Limited Scope Guarantee Agreement (LSGA) in September, 1998. As the name indicates, the collaboration was then limited to a few activities.

7.2.2 When the LSGA came to an end in 2003, the two singed an additional agreement that came to be known as the Strategic Objective Grant Agreement (SOAG) which was signed in September, 2003, to run for 3 years. In 2005, amendments to the SOAG were negotiated and signed between COMESA and REDSO September 2005. Under this amendment, a total of US$ 2.5 million was allocated by USAID to support COMESA programs in the areas of Institutional Strengthening, Intra-COMESA Trade Development and Development of COMESA - US Trade and for Peace and Security.

7.2.3 The Strategic Objective Grant Agreement (SOAG) which was in existence since September, 2003, came to an end in September, 2008, when the extended completion period expired. However, USAID assistance to COMESA has continued under another agreement known as the COMESA Regional Economic and Trade Integration Program (CRETIP) signed in September, 2006. Under the CRETIP, COMESA gets assistance to continue implementing programmes that promote regional trade, trade with USA and institutional strengthening of the COMESA Secretariat. However, the focus is on corridor development

7.2.4 Another program supported by US through the ECA Hub and RATES programs which focussed on enhancing competitiveness and development of the value chains respectively, wound up by September this year. However, their very useful interventions will be included in the new programme that USAID East Africa and COMESA were working as the year under review came an end to identify how the interventions would be carried over. It is expected that the new approach will role over to 2009.

7.2.5: The Regional Enhanced Livelihoods in Pastoral Areas (RELPA)

US also supported a Livestock project, an early action program under COMESA/ CAADP, with a grant of US$754,000 to COMESA. The project is working on a pilot area covering Ethiopia, Kenya and Somalia. The project also aims at promoting meat and livestock trade between the COMESA region and the Gulf countries. It will also address issues related to of disease surveillance and an early warning system. The component will also have a peace and security component.

7.3 Cooperation with Norway

7.3.1 Norway COMESA sing a US$ 2,5 Million grant agreement for climate Change programs

In December, 2008, COMESA and the Government of Norway signed a grant agreement in which Norway will make available to COMESA a financial grant amounting to NOK 17 000 000 (Norwegian Kroner Seventeen Million or US$2.5 million) for the implementation of the Climate Change program for the 2009 work program. Norwegian, Chargé d'Affaires to Zambia Mr. Gunnar Bøe signed on behalf of Norway while COMESA Secretary General Mr. Sindiso Ngwenya, signed on behalf of COMESA.

7.3.2: The Climate Change program is a joint effort of COMESA, EAC and SADC whose aim is to support the region's vision and efforts to address climate change challenges, including its impact on socio-economic development and poverty reduction. The program will Build and strengthen the capacity of African countries to address adaptation and mitigation to climate change, and facilitate an African dialogue on the inclusion of sustainable agriculture and land-use practices, forestry, biodiversity conservation, and maintenance of environmental services in the post Kyoto Climate regime. COMESA, EAC and SADC seek to bring agriculture in addition to Reduced Emission to Deforestation and Degradation (REDD) into the center of the climate change negotiation, recognizing that the result would be a better global environment and improved agricultural productivity and land use, increased incomes for farmers and poverty reduction in Africa

7.3.3: Starting with 2009, COMESA will engage a consultant to design and commission a carbon fund that will enable project developers access the carbon markets. Currently Africa has not benefited from the Carbon Markets.

7.4 Cooperation with DFID- RTPF

7.4.1 Besides several other partners that support the CAADP project, in 2007, DFID committed to provide US$1million annually for the next three years to support coordination of COMESA CAADP at the regional and national levels.

7.42 In addition about £4.8million was provided to support feasibility studies on corridor development, one-stop border posts and the Regional Customs Bond Guarantee project.

7.4.3 In addition about £10 million was provided to support feasibility studies on corridor development, one-stop border posts and the Regional Customs Bond Guarantee project, enhance FTA and prepare for the Customs Union.

7.4.2 Under this program, COMESA received long and short term experts to assist in strengthening the FTA, development of the Customs Union and development of competition policy, with the view to implement safeguard and trade remedy measures, build capacity in member States on regional trade matters and in multilateral trade negotiations.

7.4.3 Under RTFP, DFID finance has been provided for planning the establishment of the COMESA Competition Commission and in April, 2008, the Commissioners met for the first time at a meeting in Malawi (where the Commission will be located). In December, 2008, the first group of Commissioners were sworn in. The Competition Commission will be fully in place in 2009. The First Board of Commissioners is composed of the Chief Executives of the national commissions in Egypt, Kenya, Madagascar, Malawi, Mauritius, Swaziland, Zambia and Zimbabwe. A Director and Registrar will provide the full-time staff and the Commission will be funded from annual subventions from the member States; support from cooperating partners and fees for various services.

7.4.4 Uncompetitive behavior, including market foreclosure, is reducing the amount of regional trade taking place. For example, multinationals (such as cigarette, cement manufacturers and breweries) do not allow their individual national companies to trade with other countries in which they have another company. This reduces the amount of trade which takes place and limits the effectiveness of regional trade agreements. The COMESA Competition Commission, will work to ensure that such monopolistic behavior is eliminated so as to allow better market integration, especially under the COMESA Customs Union

7.4.5 Support to North South Corridor: Acting on behalf of the COMESA-EAC-SADC Tripartite Task Force, the DFID-financed Regional Trade Facilitation Program (RTFP), in 2008 worked on identification of a package of projects in a sequenced holistic and multi-modal way to upgrade transport systems along the North South Corridor.

7.4.6 The North-South Corridor Pilot Aid for Trade Program is a joint COMESA-EAC-SADC initiative that aims to reduce the time taken and, consequently, the costs of surface transport (road and rail). High costs (particularly for landlocked countries) and above average transit delays lead to lower production and trading levels which in turn limits the potential to raise GDP growth rates.

7.4.7 The North South Corridor comprises two priority NEPAD Corridors:

- Dar es Salaam Corridor linking the port of Dar es Salaam with the Copper belt -Zambia; and
- North-South Corridor linking the Copper belt to the southern ports in South Africa.
- The Corridor, together with its adjacent spurs, services eight countries – Tanzania, DR Congo, Zambia, Malawi, Botswana, Zimbabwe, Mozambique, and South Africa. The North South Corridor was selected because it is the busiest corridor in the region in terms of values and volumes of freight and it is expected to get even busier in the years to come. However, if the volumes of imports and exports that use the North-South Corridor continue to grow at the current rate, the infrastructure on the corridor will collapse unless remedial actions are taken.

7.4.8 North South Corridor Meeting,

Under the facilitation of RTFP, a high level North-South Corridor is scheduled in Lusaka, Zambia in the first quota of 2009, The objectives of the conference are to:

- Provide high-level support for implementing the Communiqué decision made at the Tripartite COMESA-EAC-SADC Heads of State meeting on 22nd October, 2008, to create a COMESA-EAC-SADC Free Trade Area and harmonize infrastructure plans across these three regions;
- Secure donor, International Funding mechanism and private sector Aid-for-Trade commitments for removing infrastructure constraints hampering progress towards realizing more trade, higher economic growth and faster poverty reduction especially along the North-South Corridor; and

Secure Aid-for-Trade commitments from the Chairs of the three Regional Organizations to address regulatory and administrative constraints blocking expansion of regional trade and economic growth. A variety of funding mechanisms will allow various types of funds to be matched appropriately with different kinds of projects designed to attract public, private and development finance.

7.4.9 RTPF has also supported COMESA-EAC-SADC Program Harmonization, particularly the facilitation of the three RECs Tripartite taskforce. DFID through RTFP has served as the secretariat to the Tripartite Task Force of made of their 3 Chief Executives.

7.5 Cooperation with Commonwealth Secretariat

7.5.1 COMESA and the Commonwealth Secretariat have continued their cooperation on the provision of capacity building and technical assistance to member states on trade policy analysis, formulation, negotiation and implementation. The key focus areas remain regional integration, trade relations between COMESA and the EU in the context of the EPAs and the ongoing multilateral trade negotiations under the WTO/Doha framework.

With the imminent launching of the COMESA Customs Union in 2009, and the conclusion of an interim EPA and a possible breakthrough on the DDA, this cooperation is expected to increase and focus more on implementation of these arrangements. An example is the collaboration between the two institutions to support COMESA trade promotion organizations to seize enhanced trading opportunities resulting from these developments.

7. 6 Cooperation with African Development Bank

(AfDB)

7.7.1: Since 2002, COMESA has been in close collaboration with AfDB. Between 2002 and 2004, COMESA successfully implemented a 2 year Public Procurement Reform Project which was jointly financed by the African Development Fund (AfDB) targeting all the COMESA countries. This project which was the first of its kind in Africa was called the Public Procurement Reform Project (PPRP).

Since then, additional projects have come up, the latest being "The Enhancing Procurement Reforms and Capacity Building (EPRCB)" which was launched in 2007, with a grant of UA5.6million (about US$9.1million). It runs up to mid 2011.

7.7.2 In addition COMESA and AfDB in 2007, held several consultative meetings with the view to identify other areas of collaboration between the two institutions, and other COMESA institutions such as the PTA Bank, ATI and the LLPI. Negotiations on how best to support these institutions continued in 2008.
In March 2008, The AfDB Board approved, a US$ 50 million line of credit and an equity capital increase of US$ 6.8 million as well as US$ 40.8 million to support the PTA Bank. In addition, a US$ 1 million grant for institutional capacity building will also be provided to the Bank

7.7.2.1: Within the year under review, AfDB continued its support to two other major programs of COMESA which are ongoing. These are:

- AMPRIP—(US$5.2 million)
- International Comparison Programme (ICP) –(US$4 million)

7.8 Cooperation with the World Bank

7.8.1 In 2007, The World Bank co-supported the (EPRCB) project by providing US$400,000 to fund legal reforms and capacity building in 2 pilot COMESA member states, namely, Zambia and Rwanda. A proposal for studies on the implementation of trade related activities was made by the Bank and was reviewed by the Secretariat for full implementation in 2008 and beyond.

7.8.2 In March 2008, during the AU/CAADP meetings held in Seychelles, a new program The African Agricultural Markets Program (AAMP) was launched by COMESA and the World Bank

7.8.3 AAMP is in support of CAADP's Pillar 2 . COMESA is the lead organization in the implementation of this program aimed at Strengthen institutional capacity of COMESA to implement a regional marketing and trade program for food staples and inputs in support of the CAADP process.

7.8.4 A particular focus of AAMP will be on food staples, which remain by far the most important traded commodity in the region. Initial focus countries are: in the following COMESA countries : Ethiopia, Zambia, Kenya, Uganda, and Malawi, the program will also cover Mozambique, and Tanzania. AAMP will run for three years starting March 2008.

7.9 Cooperation with WWF, NEPAD, CIFOR ,NORAD

7.9.1 Within the year under review, COMESA in collaboration with WWF, NEPAD and CIFOR developed a program on Climate Change Mitigation and Adaptation. The initial pilot project will Focuses on five identified COMESA member countries (i.e., the DR Congo, Rwanda, Uganda, Malawi and Zambia).

7.9.2 COMESA (with the collaboration and support of its international partner institutions) will organize technical teams to review forest system projects, develop "carbon proofing" and "carbon accountability" modifications to those projects.

7.10 Cooperation with the African Union

7.10.1: COMESA has continued to actively participate in all AU meetings and provide inputs. During the 10th

AU Summit that took place in Addis Ababa, Ethiopia in February this year, the following major developments took place in relation to regional integration:

i) The Protocol governing the relations between the AU Commission and the RECs was signed. The Secretary General signed the Protocol on behalf of COMESA.
ii) The Secretary General of COMESA was appointed to be the Deputy Chairperson of the AU Commission.
iii) The 8 recognized RECs met briefly and agreed to meet at the beginning of March to prepare their joint reaction on the Audit Report prepared by the Task Team.

7.10.2: As agreed, the CEOs of the RECs met in Addis Ababa on 3rd March and prepared their joint comment on the Audit Report. The comments focus mainly on how to enhance regional integration. The Executive Secretary of SADC, who chaired the meeting, will presented the comments to the Extra Ordinary Executive Council that I met in Arusha, Tanzania in April 2008.

7.10.3 In support of the COMESA-EAC-SADC tripartite arrangements, AU participated in the 1st COMESA-EAC-SADC ,Tripartite Summit that took place in Kampala Uganda in October 2008 and pledged support to their efforts that will form a foundation to the African Economic Community.

7.11 Cooperation with India

711.1 In April 2008, the first Africa-India Partnership Summit was held in New Delhi. The Summit was organized on the basis of the AU Banjul decision limiting participation of member States to the Chairperson of the AU, Chairperson of the Commission, Chairpersons of the 8 recognized RECs, the Chairperson of Heads of State and Government Implementation Committee (HSIGC) and the 5 NEPAD initiating countries.

The areas of focus were:

- Agriculture
- Infrastructure, Energy, Trade, Industry, SMEs and Finance
- Education and ICT
- Governance, Civil/Military Relations and Peace Keeping.

7.11.2: COMESA had participated in one of the preparatory meetings held in Addis Ababa, Ethiopia in May, 2007, and participated in the April 2008 Summit.

7.11.3: As part of the ongoing collaboration, an Indian Industrial Development Expert was seconded by the Indian government and joined the Secretariat in June, 2008.

7.11.4: In the area of energy, three energy experts were proposed from which the Secretariat selected one expert who was also deployed to COMESA. The expert will work with the Secretariat and the East African Power Pool (EAPP) to facilitate development of the regional electric power master plan
7.11.4 As part of the ongoing irrigation development program, four member states (Burundi, Eritrea, Rwanda and Zambia) were surveyed by irrigation experts from India. Plans are underway for the experts to visit Seychelles, Uganda, and Zimbabwe.

7.12. Cooperation with China

7.12.1 Within the year COMESA submitted to the Chinese Ministry of Commerce, a draft Trade and Investment Agreement outlining areas and modalities of cooperation. COMESA has also established a communication strategy with the Fund and presented the summary of priority agricultural and road projects. Having reviewed the summary of priority projects, the Fund identified the following irrigation and road projects for consideration:

i. Saad Armanat Irrigation Improvement Project of Egypt and,
ii. Muvuma Hills smallholder irrigation project of Zambia
iii. The Aswan –Wadi-Halfa- Dogula Road Project

and
iv. The Gedarif-Gondar Road project.

Discussion will continue in 2009, with the view to coming up with implementations procedures and processes for the projects.

7.13 Special Accreditation to COMESA

7.13.1 In order to enhance cooperation with COMESA, several non COMESA countries from Europe, Asia, North and South America, have accredited Special representatives to COMESA.

7.13.2 By December 2008, 12 countries had appointed special representatives namely (in alphabetical order) Brazil, China, Cuba, France, Finland, Germany, India, Italy, Netherlands ,Russia, Sweden and United State of America

7.14 Cooperation with IMF:
In September, 2008, IMF trained Experts from the banking supervision department in Central Banks from the COMESA region to learn the Current Issues on Financial System Development and Stability. The meeting was held against the backdrop of a faster pace of economic liberalization and integration in COMESA. This was done in recognition that any reform program of the financial sector that COMESA countries are undertaking would be incomplete if it does not attach great importance to the adoption of internationally recognized standards on corporate governance, macro-economic stability, regulation and supervision of the financial systems

Introduction
The Secretary General submits the 2007 Report, together with the financial statements of the Common Market for Eastern and Southern Africa Secretariat for the year ended 31 December 2007.

Registered office address
The COMESA Secretariat registered office is COMESA Centre, Ben Bella Road Lusaka.

Principal activity

Establishment
The Common Market for Eastern and Southern African States (COMESA) was formed in 1992 at the Tenth Authority meeting of the Preferential Trade Area of Eastern and Southern Africa (PTA) when a decision was made to transform the PTA into a Common Market for Eastern and Southern African States (COMESA). In 2007 its membership was 19 states as contained in the Financial Statements.

Part 8 Financial statements for the year ended 31st December 2007

Membership and Bureau

2007 bureau of COMESA

The 2007 Bureau was constituted by:-

Kenya	:	Chairman
Zimbabwe	:	Vice Chairman
Djibouti	:	Rapporteur

Budget

The 2007 Programme budget amounting to COM $7,803,309 (2006 = COM $7,319,000) was approved by the Twenty Second meeting of the Council of Ministers in November 2006. The technical program budget priorities were the development of the roadmap for the COMESA Customs Union; the negotiations to agree on the Common External Tariff (CET); the consolidation and expansion of the Free Trade Area (FTA); negotiations of the economic partnership agreement (EPA) with EU, the operationalisation of the Harmonized COMESA Statistical data, the strengthening of the COMESA industrial and agricultural base; and the strengthening of the support services in transport, telecommunications as well as administrative and legal matters. Performance recorded under these sectors is outlined in the 2007 Annual Report.

Emerging Framework with Development Partners

COMESA support from its co-operating partners continued to expand in quantity and quality, on the back of its Member States' strong support of the COMESA integration agenda. During 2007, the cooperation partners' resource disbursement amounted to COM$ 20,742,000 thus bridging the resource gap in the implementation of integration programs. COMESA's co-operation with bilateral nations now includes the United States of America; United Kingdom; France; India; the Peoples Republic of China; Canada; Germany and Japan.

Cooperation with the EUROPEAN UNION

The EU continued to extend strong support to the COMESA integration agenda through the Contribution Agreement (CA) a EUR 33 million budget supports funding that commenced in 2005. In 2007, the total funding for the nine result areas supported under the CA was over 8.3 million Euros. Implementation of the 9TH EDF thirty projects continued and were all expected to be completed within 12 – 18 months. The document for the 10TH EDF focusing on the economy, environment and intra regional market development was completed and submitted to the European Commission. The mandate under the IRCC was due to expire in June 2008 but the IRCC Committee requested for an 18 months extension to bridge the gap between the 9TH and 10TH EDF.

Cooperation with USAID

The old Strategic Objective Grant Agreement (SOAG) was extended from September 2007 to September 2008. The new financing arrangement to September 2009, the COMESA Regional Economic and Trade Integration Program (CRETIP) for US$ 2,722,198 was finalized bringing the total USAID allocation over 3 years to US$ 2,722,198 that had supported Trade and Investment, Infrastructure, Agriculture and Program support. The new funding would extend cooperation to Livestock development in Arid and Semi-Arid Regions; and approach to biotechnology issues.

A Memorandum of Understanding between COMESA and the ECA Hub for the period 1st October 2007 to 30th September 2008 was finalized. COMESA will work with the Hub on several issues including, Trade Flow Analysis; Trade in Services; The Regional Customs Transit Guarantee Scheme.

Cooperation with the African Development Bank (AFDB)

The implementation of the AMPRIP continued during the year but the implementation period was extended on a no cost basis to December 2008. Preparations for the second phase of the project on Enhancing Procurement Reform and Capacity Building supported by a grant of UA 5.6 million to run to mid 2011 was concluded.

Cooperation with the World Bank

In 2007, The World Bank co-supported the (EPRCB) project by providing US $400,000 to fund legal reforms and capacity building in 2 pilot COMESA member states, namely, Zambia and Rwanda. A proposal for studies on the implementation of trade related activities was made by the Bank and was under review by the Secretariat; COMESA regional integration regime was received and reviewed by COMESA. A COMESA Delegation led by the Secretary General actively participated in the various programmes organized by the Bank as part of the World Bank and IMF Annual Meetings held in Washington DC from 19-23 October 2007.

Cooperation with the DFID

Partnering with others in support of the CAADP project, DFID committed to provide US $1 million annually for the next three years to support coordination of COMESA CAADP at the regional and national levels. In addition DFID extended the Regional Trade facilitation Program to 2009 with an allocation of about £4.8 million to support feasibility studies on corridor development, one-stop border posts and the Regional Customs Bond Guarantee project.

Cooperation with the WWF

The Worldwide Fund for Nature (WWF) provided US$75,000 for the implementation of natural resources management activities focusing on forestry, fisheries and carbon emissions trading.

Formula for Contribution to the COMESA Budget

The applicable formula for assessing the Member States towards the budget of the COMESA Secretariat was: GDP 30%; Imports from non COMESA countries 30%; Intra COMESA exports 30%; GNP per capita 5% and population 5%. The applicable upper ceiling is 11% while the lower ceiling is 9%. Council last reviewed the formula in May, 2002 and was revised in 2005 to take into account the joining of Libya into COMESA. It was decided that it continues to apply as it had stood the test of time.

Income

ii.(i) Income arising from Member States' contributions was COM $7,703,312 (2006: COM $7,219,300

iii.(ii) As at 31 December 2007, the arrears of contributions to the COMESA Budget stood at COM $9,182,857 (2006: COM$ 8,274,879) and the arrears on the ESA Member States contribution stood at COM$ 371,995 (2006: COM$ 249,092.

iv.(iii) In line with the decision of the Second Summit of the COMESA Authority, the arrears at the end of 2007 financial year accrued interest at 1 per cent amounting to COM $90,881 (2005: COM $82,998).

Expenditure

The out turn on 2007 budget was COM $6,770,347 or 87 % (2006: COM $6,320,324 or 86 per cent of the budget).

Surplus for the year

The 2007 excess of income over expenditure of COM $1,442,652 (2006: COM $1,008,456) has been transferred to the Accumulated Fund. This was after writing off: Depreciation of COM $218,303 and adding grant amortization of COM $81,489.

Bank balances and cash

As at 31 December, 2007 cash at bank was COM $16,674,858 which included Contributions to COMESA funds of $1,993,510, PTA (W.A.P.T.A.) funds of $2,666,874 and Staff Provident Funds of $2,207,838 (2006: COM $ 9,10,771,341) .

Accumulated fund

At 31 December, 2007 the Accumulated Fund stood at COM $20,552,930 (2006: COM $19,110,279)

External auditors

De Chazal Du Mée (DCDM) served their first year as COMESA auditors in line with their appointment by the Council of Ministers.

Signed on their behalf by

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Sindiso N. Ngwenya
Secretary General

Secretary General's Responsibilities

The Secretary General of COMESA is responsible for preparing the financial statement for each year in accordance with Generally Accepted Accounting Principles (GAAP) and the COMESA financial rules and regulations which gives a true and fair view of the state of affairs of the Common Market for Eastern and Southern Africa (COMESA) - Secretariat

The Secretary General acknowledges his responsibility for:

(i). Adequate accounting records and maintenance of effective internal control systems;
(ii). The preparation of financial statements which fairly present the state of affairs of the Common Market for Eastern and Southern Africa (COMESA) - Secretariat as at the end of the financial year and the results of its operations and cash flows for that period and which comply with Generally Accepted Accounting Principles (GAAP);
(iii). The selection of appropriate accounting policies supported by reasonable and prudent judgements.

STATEMENT OF RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2007

The Secretary General reports that:

(i). Adequate accounting records and effective system of internal controls and risk management have been maintained;

(ii). Appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;

(iii). Applicable accounting standards have been adhered to. Any departure in the interest of fair presentation has been disclosed, explained and quantified.

Signed on their behalf by:

Sindiso N. Ngwenya
Secretary General

Ambassador Nagla Hussainy
Assistant Secretary General – Administration and Finance

Date….

Notes to Financial Statements for the Year ended 31st December
2007 Contributions Receivables

Country	Balance at 1 January 2007	Assessment for 2007	Received during 2007	1% Interest on outstanding balance	Balance at 31 December 2007
	COM $	COM $	COM $	COM $	COM $
Burundi	475,376	215,693	(295,082)	3,960	399,947
Comoros	909,054	69,330	-	9,784	988,168
Congo D.R	4,003,752	500,715	-	45,045	4,549,512
Djibouti	687,018	69,330	-	7,563	763,911
Egypt	-	885,881	(885,881)	-	-
Ethiopia	-	400,572	(396,708)	(34)	3,830
Eritrea	-	69,330	-	693	70,023
Kenya	(4,691)	885,881	(884,642)		(3,452)
Libya	93	885,881	(885,881)		93
Madagascar	588,607	308,132	(898,482)	(17)	(1,760)
Malawi	-	277,319	-	2,773	280,092
Mauritius	-	546,935	(546,935)	-	-
Rwanda	273,441	215,693	(215,663)	2,735	276,206
Seychelles	742,009	69,330	(110,000)	7,013	708,352
Sudan	233,980	469,902	-	7,039	710,921
Swaziland	-	231,099	(231,099)	-	-
Uganda	366,240	315,836	(249,960)	4,321	436,437
Zambia	-	400,572	(400,001)	6	577
Zimbabwe	-	885,881	(885,881)	-	-
TOTAL	**8,274,879**	**7,703,312**	**(6,886,215)**	**90,881**	**9,182,857**

REPORT OF THE INDEPENDENT AUDITORS TO THE COMESA COUNCIL OF MINISTERS

We have audited the financial statements of the Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat) which have been prepared on the basis of the accounting policies set out.

This report is made solely to Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat), as a body. Our audit work has been undertaken so that we might state to the Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat) those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat), as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Secretary General and the and Auditors

The Secretary General of Common Market for Eastern and Southern Africa is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Secretariat and for ensuring that the Financial Statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and COMESA financial rules and regulations. The Secretary General is also responsible for safeguarding the assets of the Secretariat and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those Financial Statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Our audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statement. It also includes an assessment of significant estimates and judgments made by the Secretary General of Common Market for Eastern and Southern Africa the preparation of the financial statements, and of whether the accounting policies are appropriate to the Secretariats' circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with or any interest in the Common Market for Eastern and Southern Africa Secretariat other than in our capacity as auditors, consultant and advisers and other than dealings with the Common Market for Eastern and Southern Africa Secretariat in the ordinary course of business.

Opinion

We have obtained all such information and explanations which we considered necessary.

In our opinion:

a) Proper accounting records have been kept by the Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat) as far as it appears from our examination of those records.

b) The financial statements give a true and fair view of the state of affairs of the Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat) for the year ended 31 December 2007 and has been prepared in accordance with Generally Accepted Accounting Principle.

DE CHAZAL DU MEE
Chartered Accountants

Clifford Ah Chip

Date: ____________________

Lusaka, Zambia

1. GENERAL INFORMATION

The Common Market for Eastern and Southern African States (COMESA) was formed in 1992 at the Tenth Authority meeting of the Preferential Trade Area of Eastern and Southern Africa (PTA) when a decision was made to transform the PTA into a Common Market for Eastern and Southern African States (COMESA). The organization currently has a membership of 19 states.

The mission of COMESA is to achieve sustainable economic and social progress in all member states through increased cooperation and integration on all fields of development. This is particularly emphasized in:

- Trade, customs and monetary affairs;
- Transport and communications;
- Information technology;
- Industry and energy;
- Gender and agriculture;
- Environment and natural resources.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated

(a) Basis of preparation

The financial statements for the Common Market for Eastern and Southern Africa (COMESA) - Secretariat has been prepared under the historical cost convention and in accordance with Generally Accepted Accounting Principle (GAAP) and the COMESA financial rules and regulations.

(b) Expenses

All expenses are recognized in the year in which these are incurred.

(c) Property and Equipment

Fixed assets are capitalized in the year of purchase or in the year of donation. The capitalized assets are depreciated on a straight-line basis, over the estimated useful life of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are:

Buildings	*2.5%*
Motor vehicles	*20% or 33.33%*
Office equipment	*20%*
Furniture and fittings	*10%*

Note: A higher rate of depreciation is applied to utility motor vehicles.

(d) Foreign currencies

i) Presentation currency

Items included in the financial statements of the Secretariat are measured using COMESA Dollar. As at 31 December 2007 the exchange rate was 1 COMESA Dollar=1 United States Dollar. The average exchange rate for the year ended 31st December 2007 was 1 COMESA Dollar=1 United States Dollar.

ii) Translation of foreign currencies

Currency transactions are translated into the presentation currency using the rate of exchange prevailing on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income and expenditure statement.

Non monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

(e) Revenue recognition

Income comprises contributions from member states and other miscellaneous income. Contributions are recognized as income in the year that assessments are raised.

- Contributions in arrears - Member states contributions at the end of the year are subject to 1% interest charge on the outstanding balance as per the Council decision of November 1997.
- Interest income : on receipt basis

(f) Provision for impairment

Provisions for impairment for amounts receivable is established when there is objective evidence that COMESA Secretariat will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is recognized in the income statement

(g) Grants

Grants from multilateral and bilateral cooperation partners are included in the financial statement of the Secretariat to the extent that they are for direct support to the Secretariat. Separate financial statements are prepared for specific projects funded by cooperation partners. Capital grants are amortized over their estimated useful of life of the related asset

List of Acronyms

ACBF	-	African Capacity Building Foundation
ACE	-	African Commerce Exchange
ADB	-	African Development Bank
ACTIF	-	African Cotton and Textiles Industry Federation
AGOA	-	Africa Growth and Opportunity Act
AFCAC	-	African Civil Aviation Commission
AFRAA	-	African Airlines Association
AMPRIP	-	Agricultural Marketing Promotion and Regional Integration Project
AU	-	African Union
APCI	-	African Productive Capacity Initiative
ASTM	-	African Standards Harmonisation
ARICEA	-	Association of Regulators of Information and Communications for Eastern and Southern Africa
ASTM	-	American Society of Testing Materials
ARSO	-	African Regional Organisation for Standardization
ATI	-	African Trade Insurance
BADEA	-	Arab Bank for Economic Development in Africa
BEC	-	Broad Economic Categories
BIS	-	Business Intelligence System
CAADP	-	Comprehensive African Agriculture Development Programme
CCA	-	Corporate Council on Africa
CCCL	-	COMTEL Communications Company Limited
CDE	-	Centre for the Development of Enterprise
CET	-	Common External Tariff
CICL	-	COMTEL Investment Company Limited
CIDA	-	Canadian International Development Agency
CFC	-	Common Fund for Commodities
COMESA	-	Common Market for Eastern and Southern Africa
COMESANET	-	COMESA Network
COMTEL	-	COMESA Telecommunications Company
COMSTAT	-	COMESA Statistics
CMRAC	-	COMESA Medicine Regulatory Affairs Conference
CNS/ATM	-	Communication Navigation Surveillance Air Traffic Management System
CSR	-	Common Statistical Rules
EAC	-	East African Community
EAFCA	-	Eastern African Fine Coffees Association
EAGC	-	Eastern African Grain Council
EAPP	-	East African Power Pool
EDF	-	European Development Fund
EPA	-	Economic Partnership Arrangement
EU/ACP	-	European Union/African Caribbean Pacific
ESA	-	Eastern and Southern Africa and Indian Ocean region
ESADA	-	Eastern and Southern African Dairy Association
ESAF	-	Enhanced Structural Adjustment Fund
FAMIS	-	Food and Agricultural Marketing System
FDI	-	Foreign Direct Investment
FEMCOM	-	Federation of Associations of Women in Business in Eastern and Southern Africa
FTA	-	Free Trade Area
FAO	-	Food and Agriculture Organisation of the UN
GTZ	-	German Technical Cooperation
GPTC	-	General Posts and Telecommunications Company
IATA	-	International Airlines Association
IC	-	Intergovernmental Committee
ICAO	-	International Civil Aviation Organisation
ICT	-	Information and Communications Technology
IFDC	-	International Centre for Soil Fertility and Agricultural Development
IGAD	-	Intergovernmental Authority on Development
IMO	-	International Maritime Organisation
IPAs	-	Investment Promotion Agencies
ITC	-	International Trade Centre
IRCC	-	Inter Regional Co-ordination Committee
LLPI	-	Leather and Leather Products Institute
LAAICO	-	Libyan African Arab Investment Company
LDC	-	Least Developed Countries
MDG	-	Millennium Development Goal
MEFMI	-	Macro Economic Finance and Monetary Institute

List of Acronyms

MFN	-	Most Favoured Nation
MFA	-	Multi Fiber Agreement
NAIFE	-	National Agency for Insurance and Finance of Exports
NAOs	-	National Authorising Officers
NAPS	-	National Association for the Prevention of Starvation
NGO	-	Non-Governmental Organisation
NEPAD	-	New Partnership for African Development
NEPs	-	National Enquiry Points
NIPAs	-	National Investment Promotion Agency
NORAD	-	Norwegian Agency for Development
NTOs	-	National Telecommunications Operators
OIF	-	Organisation International de la Francophonie
OPIC	-	Overseas Private Investment Capital
PATTEC	-	Pan African Tsetse and Trypanosomiasis Eradication Campaign
PASU	-	Policy Analysis Support Unit
PMAESA	-	Port Management Association of Eastern and Southern Africa
PR	-	Public Relations
RABESA	-	Regional Approach to Biosafety in Eastern and Southern Africa
RATES	-	Regional Agricultural Trade Expansion Support
RECs	-	Regional Economic Communities
RIA	-	Regional Investment Agency
RIFF	-	Regional Integration Facilitation Forum
RMCE	-	Regional Multidisciplinary Centre of Excellence
RIRN	-	Regional Integration Research Network
RISP	-	Regional Integration Support Programme
RTAs	-	Regional Trading Agreements
SADC	-	Southern African Development Community
SDI	-	Spatial Development Initiative
SNCC	-	National Congolese Railways
SOGA	-	Strategic Objective Grant Agreement
SPS	-	Sanitary and Phytosanitary Standards
SQA	-	Standardisation and Quality Assurance
SQAM	-	Standardisation, Quality Assurance accreditation and Assurance
SQMT	-	Standards Quality Meteorology and Testing
SSATP	-	Sub Saharan Africa Transport Programme
TDA	-	Trade and Development Agency
TDPP	-	Trade Development and Promotion Programme
TIFA	-	Trade and Investment Framework Agreement
TFOC	-	Trade Facilitation Office of Canada
TRASA	-	Telecommunications Regulators Association for Eastern and Southern Africa
UNCTAD	-	United Nations of Conference Trade and Development
UNDP	-	United Nations Development Programme
UNECA	-	United Nations Economic Commission for Africa
UNESCO	-	United Nations Educational Scientific and Cultural Organisation
UNIDO	-	United National Industrial and Development Organisation
USAID	-	United States Agency for International Development
USTDA	-	US Trade and Development Agency
USTR	-	US Trade Representative
VSAT	-	Virtual Small Aperture Terminal
WIB	-	Women in Business
WCO	-	World Customs Organisation
WMO	-	World Meteorological Organisation
WTO	-	World Trade Organisation
ZEP-RE	-	PTA Re-Insurance Company

COMESA Secretariat Mission Statement:

"To deliver excellent technical services to COMESA for the advancement of sustainable growth and development through regional integration"

COM_PR