COMESA

Common Market for Eastern and Southern Africa

ANNUAL REPORT 2010

COMESA Member States are: Burundi, Comoros, Democratic Republic of 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.

For information and feedback please send your inputs to the Public Relations Officer on the above fax number or on email: pr@comesa.int

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The Vision of COMESA

The vision of COMESA is to be a fully integrated, internationally competitive and prosperous economic community with high standards of livings for its people and ready to merge into the African Union.

The Mission of COMESA

The Mission of COMESA is to achieve increased co-operation and integration in all fields of development, particularly in trade, customs and monetary affairs; in transport, communications and information; in technology, industry and energy; in agriculture, environment and natural resources; and in gender matters under an environment of peace and security.

Letter of Transmittal from the Secretary General

His Majesty King Mswati III
King of the Kingdom of Swaziland
Lozitha Palace,
Lozitha
Swaziland

Your Majesty,

In accordance with the provisions of Article 17, paragraph 8 of the COMESA Treaty, I have the honour and privilege to submit to Your Majesty the COMESA Annual Report for the year ending 31st December, 2010.

The Report highlights achievements of COMESA in 2010 and reviews the impact of world trade on Africa in general, and COMESA in particular, as well as its influence on our regional integration agenda. The report covers the activities of the COMESA Organs and the COMESA-EAC-SADC Tripartite arrangements whose ultimate objective is the creation of an African Economic Community. The report provides the audited financial statement for the year 2009, the financial management for the year 2010, which will be audited in 2011, and presented to the Policy Organs for their consideration.

Your Majesty will note from this Report, that Member States have continued to implement the COMESA integration agenda in collaboration with the various COMESA Institutions. In addition, your Secretariat continues to receive the support of the Member States and the development partners. This not only underscores the unflagging commitment of the Member States to the COMESA ideals, but also the confidence which our co-operating partners have in COMESA and its institutions.

We are more than persuaded that, this spirit of commitment, confidence and co-operation will prevail as we strengthen the region's single market project and build a stronger foundation for more advanced forms of integration.

Sindiso Ngwenya
SECRETARY GENERAL

Message from the Chairman of the Authority

I have the pleasure and privilege to introduce the Annual Report for the Common Market for Eastern and Southern Africa (COMESA) for the year 2010.

At the on onset, on behalf of the COMESA Authority of Heads of State and Government, and indeed on my own behalf, I would like to pay special tribute to all those that worked tirelessly to advance our regional integration agenda within the year under review. This report discusses the progress made in implementing COMESA programmes over the year 2010 taking into account that 2010 was not an event, but a roll over from decades of hard work from our Member States and Secretariat. It also takes into account that integration is a continuous process and therefore has a future outlook.

As the reports indicates, as our regional integration continues to move to an even greater height, we have brought on board more stakeholders such as the business community, and the civil society in our decisions making process. Our people have continued to benefit from the employment opportunities and income security that comes through cross border trade. Nevertheless, there is still work to be done so as to maximise the benefits our region can offer.

As I indicated at the 14th Summit of Heads of State and Government held at Lositha Palace in the Kingdom of Eswatini, the Kingdom places great significance on Regional Integration as a means of bringing development not only to the Eastern and Southern Africa, but also the whole of the continent of Africa. Experience shows that this is the only way to make real progress. Indeed no country can develop in isolation. Strong economies emerge only when countries open their economy to trade and investment, and facilitate the free movement of people across borders. At COMESA level we have made tremendous stride, having launched the COMESA Free Trade Area 10 years ago and a customs Union last year. Never the less we still need to do more, and continue to think continental.

Since October 2008, following the first Tripartite Summit of Heads of State and Government of the Common Market for Eastern and Southern Africa (COMESA) , The East African Community (EAC) and the Southern African Development Community (SADC), held in Kampala Uganda, we have decided to take our integration to an even more ambitions level, starting with a “Grand Free Trade” encompassing the 26 countries that make the three Regional Economic Communities (RECs). Since then; as this report indicates the Secretariats of the three RECs, whose Chief Executives comprise the task force of the three RECs have consulted with different stakeholders and have accomplished the desirable technical work that will lead to this Grand FTA, and an eventual merger into a single REC with the objective of fast tracking the attainment of the African Economic Community.

As we closed the year 2010, His Excellency Jacob Zuma President of the Republic of South Africa, has accepted to host the second COMESA-EAC-SADC Tripartite Summit of Heads of States and Government. It is envisaged that the Summit will be held mid 2011. The Summit that will be preceded by a joint Council of Ministers of Member/Partner States will set a clear roadmap and possibly a launch date for the Grand FTA.

This Grand FTA which in my opinion is long overdue, once established will constitute the largest market in Africa comprising 26 countries, with a population of over 565 million people and a combined gross domestic product of US$875 billion; making up half of the African Union (AU) in terms of membership and just over 58% in terms of contribution to GDP and 57% of the total its population. This will be a big boost towards an overall African Economic Community.

Indeed, it is envisaged that once the 26 COMESA-EAC-SADC Countries reconfigure into a single market which shall be duty free and quota free, it would in the next few years be a trillion United States dollar economy.

I am aware that the above ambition by our Member/ Partner States is not easy, and that the integration process will not be achieved without sacrifice, we have to sacrifice today's temporally benefits that accrue through protectionism; for future long-lasting benefits that come with integration. We have to learn from those who developed large markets ahead of us. If you go to Europe you will note that the biggest achievement of the European Union (EU) was being able to trade amongst themselves. In Asia , the same. A situation where our regional trade is only about 10 percent is neither sustainable nor acceptable.

One big lesson we should learn from our Asian brothers and sisters is that much of their "Foreign Direct Investment" is not foreign as such. It comes from within the region and its diaspora. Much as there is need for us to attract foreign capital or increase the value and volume of our exports to generate more capital, we should not always look to foreign capital, but should strive to bring together the scattered capital within our borders, in the form of Intra-COMESA investment and regional projects. And as we build the Grand FTA we should target investment from the bigger economic space. The need to develop our own entrepreneurs cannot be over emphasized. We need to facilitate our huge diaspora to repatriate their hard earnings and invest it in our region. After all, they have a better perception of our countries than outsiders and given the right atmosphere they will invest. The old adage that "east or west home is best" applies to our brothers, sisters, sons and daughters in the diaspora.

As we enhance integration in our region, we should ensure that the benefits of integration leave no one behind. It is imperative that, we, who are leading the process, keep our eyes set on the ultimate goal of achieving income security and high standards of living for our people, especially the youth, the women and the rural poor. Our programmes should go beyond mere poverty reduction, but rather; should empower the disadvantaged to get themselves out of their misery through their own efforts and utilising the resources around them. We have to involve those we are targeting to benefit from our programmes so that they take ownership and control of the process.

Our Summit this year was held under the theme of "Harnessing Science and Technology for development". One of the fastest growing sectors globally is that of Information and Communication Technology or ICT. This is one area that our region can catch up and even leapfrog ahead of the more developed economies. The policy option is to insure that the ICT tool becomes a necessity not a luxury. In order to ensure that ICT does not remain an urban privilege, the one laptop per child that is being experimented in a number of countries should be a policy to all our countries.

As we emphasise the role of science and technology, we cannot ignore that the majority of our people remain dependant on agriculture. There is no doubt that as long as we depend on low technology agriculture, our goal of sustainable income and food security will remain elusive and our region will remain the playground of relief agencies. We must adapt and develop technologies that produce better yields at lower costs, as well as better means of exchanging our produces. Fortunately organic food and animal products that our peasants produce and consume have been proven to be the healthiest. No wonder they are in high demand among the rich nations. We need to support our small farmers earn their well deserved income from their organic products. The better off Europeans still subsidise their farmers under the so called common agriculture policy. We should not shy away from subsiding agriculture input to our small farmers in terms of better seeds, fertiliser and artificial insemination to better their animal breed so as to increase food security, self dependency and betterment of our people.

As we support our farmers, we should not forget their role in the protection of our planet. Their role should also be rewarded. Interventions based on agriculture, forestry, and land use provide an important opportunity for mitigating greenhouse gas emissions. By sequestering carbon or reducing emissions of greenhouse gases, rural communities can be able to generate tradable carbon credits. However, the traditional carbon market does not work well for the land use and forestry sector which is plagued by limited scope, complex rules, and unjust trade barriers that quash most demand. We have to advocate for a better approach.

For this reason, in the year 2010 ;COMESA establish a regional carbon fund which was registered in Mauritius. The Fund will acquire offsets from African land-use projects on a large enough scale to channel meaningful streams of revenue to communities to ensure the successful implementation and on-going stewardship of land-use projects. COMESA Countries should endeavour to take advantage of this fund, and ensure that the benefits go right the ordinary citizen.

Infrastructure such as roads, rail, and ports linking our Member States remain in the state of underdevelopment or disrepair thus hampering intra-COMESA trade growth. Unless we remedy the situation, it will continue to be easier and much cheaper to trade with Europe and Asia. Infrastructure development and maintenance is itself a worthy economic activity that generates jobs and income for the state. Unlike the 'soft ware" of our integration however;, infrastructure cannot be left to the private sector, it is the role of the State with the support of the cooperating partners to facilitate infrastructure development. I am told that the COMESA infrastructure fund will be fully functional in the year 2011. We must make sure that it plays its important role.

As I end my remark, I wish to remind all of us, that at the 13th Summit of Heads of State and Government, in July 2009, we launched the COMESA Customs Union (CU) and gave ourselves 3 year transitional period. In terms of national, and more so, regional planning, 2012 is not far. I hope we are all geared to its full implementation.

Finally, as we look behind our achievement of the year 2010; and plan for 2011 and beyond, let me pay tribute to our cooperating partners who have continued to support our regional integration. Last but not least, compliment goes to the Secretary General and his staff at the Secretariat for a job well done in year 2010.

HM King Mswati III
King of the Kingdom of Eswatini,
And Chairman COMESA Authority.

PART 1: OVERVIEW

1.1 Ten Years of the COMESA FTA

The year 2010 marked a watershed in the history of the COMESA region, since the launch of the COMESA Free Trade Area (FTA) ten years ago, on the 31st October 2000.

At the launch of the COMESA FTA, only nine COMESA countries became members. By the end of 2010, fourteen members had come on board, and a wider level of integration was expected as the four Member States that had yet to join the FTA continued to finalise their internal arrangements for membership.[1] Indications at the end of the year were that D.R. Congo, Eritrea and Uganda had moved closer to the finalisation of their own consultations and preparations for joining the COMESA FTA. With a historical hindsight, it would appear that number nine is a "good omen" for the region, since on December 21, 1981 the same number of countries signed the PTA Treaty which eventually established COMESA.

Following the establishment of the FTA, intra-COMESA trade increased over four-folds from US$ 3.1 billion in 2000 to about US$ 13.7 billion in 2008. A slight drop in intra-COMESA trade was experienced in 2009 as a result of global financial crisis and recession, which saw intra-COMESA trade fall from US$13.7 billion in 2008 to US$12.3 billion in 2009. However, by the end of 2010, the economies of the COMESA region registered an upward growth as demonstrated by the provisional figures which indicated that intra-COMESA trade was on the increase again.

The recovery of the economies of the COMESA region, remains fragile due the region's high dependence on the export of primary commodities whose prices fluctuated according to demand, except for 2008 and 2009, when the high price of commodities was due to the high demand in India and China. It is, however, not certain that the prices will remain at that level. Should the demand fall, there will be a precipitous drop in commodity prices, which that will have negative social and economic consequences. The region should therefore move to the next level of production, of value addition of its export products. This is the very rationale that underpins the formation of regional integration and is at the heart of sustainable economic development.

1 The four Member States are the following: D.R. Congo, Eritrea, Ethiopia, and Uganda. Swaziland has a derogation.

1.2 The state of Intra-COMESA trade

Although Intra-COMESA trade has continued to grow, in 2009 it declined by 7.5%, from US$ 13.6 billion in 2008 to US$ 12.6 billion in 2009. The drop in intra-COMESA trade levels was partly as a result of reduced intra-regional imports from countries such as Egypt, where it declined by (38%), Sudan (33%), Malawi (29%), and Ethiopia (28%). In the same year, the major drops in intra-COMESA exports were also recorded in Rwanda (49%), Zambia (30%) and Sudan (27%).[2]

In 2009, Egypt had the lion's share of intra-COMESA export market which accounted for 29%. It was followed by Kenya, Uganda, Zambia and D.R. Congo with 22%, 11%, 10% and 7% respectively. On the import side, Libya accounted for 18% share of intra-COMESA imports, followed by D.R. Congo, Egypt, Zambia and Sudan with shares of 12%, 12%, 11% and 10% respectively. However, Libya's intra-regional imports consisted mainly of various products from Egypt.

In the category of products, tea was the most traded product in intra-COMESA trade in 2009. It was followed by Portland cement, copper ores and concentrates, and tobacco. The strong performance of tea was accounted for by over US$ 185 million of exports from Kenya to Egypt, and Sudan, as well as Kenya's tea import from Malawi, Uganda, Rwanda and Burundi.

1.3 Global COMESA Trade

The COMESA global trade plummeted from US$ 301 billion in 2008 to US$ 238 billion in 2009 in terms of both imports and exports, a decline of 21%. Specifically, the total exports dropped from US$ 155 billion in 2008 to US$ 108 billion levels in 2009, a drop of 30%. This drop was mainly due to the sharp decline in the exports of petroleum products, which accounted for over 70% of COMESA's global exports in 2008 and 53% in 2009. While the exports of petroleum products dropped by 47% in 2009, the imports also dropped from US$ 146 billion in 2008 to US$ 130 billion in 2009, equivalent to a decrease of 12%.

1.4 Need for structural transformation

From the above figures, it is evident that the COMESA

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

economy will remain vulnerable to external shocks as long as the economies are not structurally transformed. As indicated, one of the main factors that contributed to the decrease in intra COMESA trade in 2009 was the fall in the demand for commodities, such as, tea and copper by the importing countries. It is interesting to note that the exports of manufactured products were not affected. The fundamental lesson that the COMESA region should learn from this, is that, it is a high time the COMESA countries revisited the market integration strategy that placed great emphasis on trade. The region has to seriously consider integration through production as opposed to simple trade integration. Integration through production will entail a deliberate policy by the COMESA Member States to put in place appropriate policies and institutions that support a production model of integration. This requires the COMESA Member States to vigorously mobilize domestic and external resources for investment in the production manufacturing processes, capacity building, know-how, strategic infrastructural networks, beneficiation, and the institutional support. Fortunately, COMESA has relevant and solid financial institutions namely the PTA Bank, the African Trade Insurance Agency and PTA Re-Insurance that should continuously be upgraded to support the integration through production and manufacturing processes.

1.5 Progress towards a full implementation of the COMESA Customs Union

The integration production model will require the harmonisation of policies within the COMESA region, which is one of the major arguments for the creation of the COMESA Customs Union. In June 2009, the Thirteenth Summit of Heads of State and Government, which was held at Victoria Falls, Zimbabwe, launched the COMESA Customs Union. The Summit set a three-year transition period for Member States to make the necessary adjustments to the requirements of the Customs Union, and to align their national tariffs to the Common External Tariff (CET). This literally means that the COMESA Customs Union will be in place by 2012. Once the Customs Union is fully implemented, the COMESA region will have reached a higher level in the deepening process of regional economic integration. In other words, the policy reforms for trade liberalization of goods will have been completed. The elimination of tariff barriers will allow goods entering the COMESA Market to move freely. And with a total population of about 420 million, the COMESA Customs Union market will attract investment and stimulate technological capability development. Thus, enhance the basic structural transformation consistent with the tenets of the Customs Union.

1.6 Simplified Procedures For Cross Border Trade

The Cross Border Trade is an important element of regional integration since it involves the ordinary citizens, the bulk of whom, are women and youth. COMESA has over the years worked on a Simplified Tariff Regime (STR), which was in place in 2010. The STR uses a simplified customs declaration document and a simplified certificate of origin, as well as an agreed list of products that benefit from the simplified procedures between sets of bordering Member States. The objective is to facilitate informal trade by the small scale traders who conduct the bulk of intra–COMESA trade.

In 2010, ten COMESA countries agreed to pilot the STR.[3] High level Ministerial meetings were held to agree on the list of products to be traded amongst the neighbouring countries, and to develop a time table for implementation. A major problem that has been encountered is the timely gazetting of the STR instruments to ensure that it becomes legally binding and fully operational.

In order to accelerate the process, a Cross Border Trade (CBT) Desk has been set up at the Secretariat to facilitate and coordinate the implementation of the STR as well as to build the capacity of informal cross border traders. In this regards, COMESA aims to strengthen the existing cross border traders' associations and to assist in the development of new national associations, with a view of making them self-reliant institutions that provide services to their members as well as effective advocacy instruments in trade fora. The Capacity and Training Needs Assessments were carried out in Uganda, Kenya, Burundi, D.R. Congo and Rwanda in order to form the Cross Border Trade Associations (CBTAs) and to assess what support the Secretariat can provide.

1.7 COMESA, EAC and SADC Tripartite Arrangement

During the period under review, the coordination and

3 Malawi, Zambia, Zimbabwe, Uganda, Kenya, Rwanda, Burundi, Ethiopia, Sudan and D.R. Congo

harmonization of policies by COMESA, EAC and SADC were carried out and the Tripartite Task Force for the three regional communities (RECs) completed its work on the proposed roadmap, and the draft legal and institutional instruments for the establishment of the Tripartite Free Trade Area (TFTA) covering COMESA, EAC and SADC, with a membership of 26 African countries, comprising half the membership of the African Union. Within the context of the TFTA framework, the three RECs have undertaken significant steps in: the harmonization of the rules of origin; the simplification of customs procedures and documentation; the rationalization of customs bond guarantee schemes; the development of customs training and capacity building programmes; the development of harmonized standards; the coordination of competition policies and institutional frameworks; and the identification, and elaboration of mechanisms for addressing non-tariff barriers. These were landmark achievements for the year 2009/2010.

The achievements of the Tripartite FTA are no longer in doubt, since COMESA, EAC and SADC have already established an operational Free Trade Area. What is now required is the identification of areas of convergence and divergence in terms of policy. A study addressing these issues was completed by the secretariats of the three institutions in November 2009. The COMESA-EAC-SADC study demonstrated that there was: greater degree of convergence, except on few elements and similarity on the Rules of Origin for both COMESA and EAC, but with some aspects which are different with the SADC Rules of Origin. But given the 'can-do it' political mindset to establish the Tripartite Free Trade Area, the prospects to achieve programme harmonization and policy convergence remain attainable.

By November 2009, the three Secretariats had circulated the draft FTA Agreement to the 26 Member/Partner States for consideration. The study proposed a clear roadmap for the establishment of the COMESA-EAC-SADC Tripartite FTA by January 2012.

1.8 Climate change and agriculture

One of the greatest challenges facing our Member States is climate change which threatens to reverse the modest gains that our countries have made in recent years. We are witnessing increased temperatures, floods, and extreme droughts which have far reaching implications for agriculture and food security, health and infrastructure, to mention but a few. To address these challenges, COMESA has put up a programme on climate change, which aims to put agriculture at the centre of climate change negotiations: in order to improve the global environment; boost agricultural productivity and land use; increase incomes for farmers; reduce poverty; promote energy self sufficiency for rural communities; and sustain the African landscapes and livelihoods. Through the support of the Government of Norway, the COMESA Secretariat worked with Member States during 2010, to design conservation agriculture, and climate change investment frameworks. The target is to have three million farmers practicing conservation agriculture by 2012. These farmers will, as a result, be in a position to participate in the carbon offset markets and generate additional incomes over and above the surplus of the agricultural produce that they sell in the market.

The COMESA, EAC and SADC Tripartite Secretariat Task Force has also agreed on a tripartite programme for climate change which will be funded by the Government of Norway for the next five years. In December 2010, COMESA signed a grant agreement of Euro 4 million with the European Union to support the climate change programmes.

In order to support agriculture, the COMESA Secretariat has put in place a series of programmes aimed at increasing agricultural productivity and access to markets by producers. These programmes have been designed within the broad framework of the Comprehensive Africa Agriculture Development Programme (CAADP).

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

During 2010, COMESA Secretariat supported Member States to launch the CAADP process; conducted the stock-taking exercise in the agricultural sector; conducted evidence-based analysis to identify priority investment areas for agricultural growth and poverty reduction; designed strategic investment plans and investment programmes; and organized the round tables and Compact signatures for the countries that were ready.

By the end of 2010, the seven COMESA Member States that had signed their national CAADP Compacts were: Burundi, Ethiopia, Kenya, Malawi, Rwanda, Swaziland, and Uganda. However, Zambia was scheduled to sign the COMPACT in 2011. To fast track the implementation of some CAADP Pillars, COMESA in 2009 established the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA). ACTESA aims to develop efficient and effective regional markets through the promotion of agricultural inputs use and to integrate smallholder farmers into national and regional markets

In order to give sufficient incentives to agriculture and growth of food crops in particular, the region should not only allow trade of staple agricultural products in the open market, but also increase the production of staple food. The common export ban of staple food by the governments in the region is not only a disincentive, but is also a hindrance to regional integration.

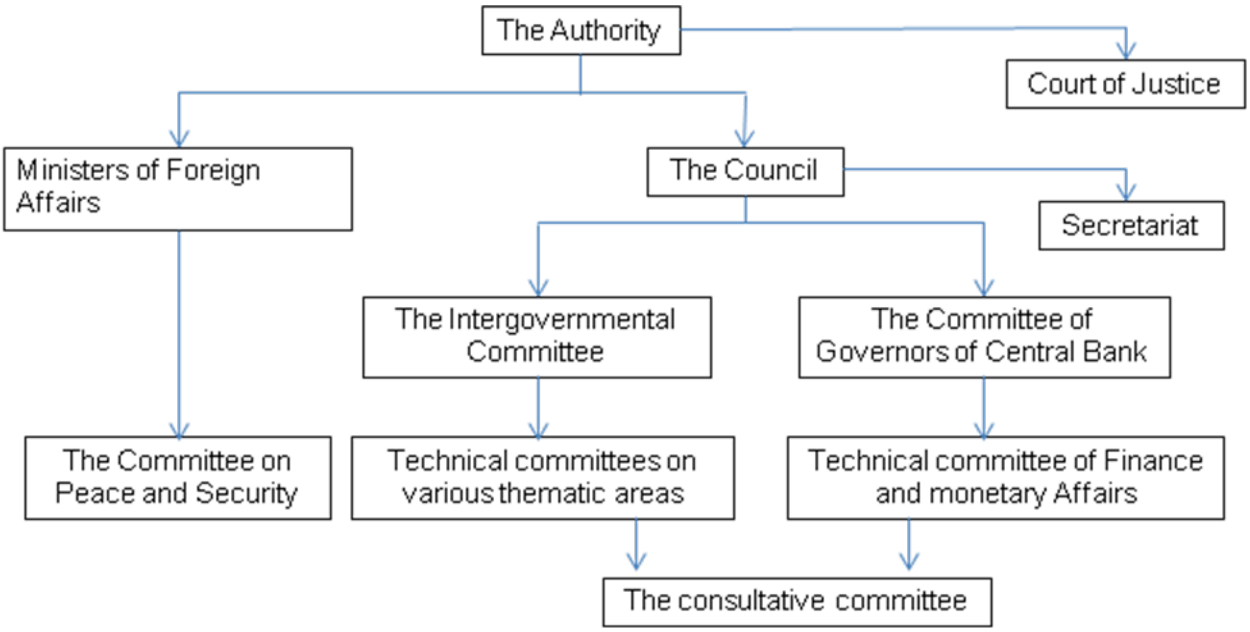
1.9 COMESA- 2011 and beyond

The COMESA Customs Union is expected to be fully operational by 2012. As COMESA looks beyond 2012 and the Customs Union, the preparation for the establishment of the Common Market scheduled for 2015 is already underway. The Programmes related to the Common Market are ongoing and doing well, particularly the liberalisation of trade in services programmes, under which the infrastructural services have been earmarked for immediate action. The infrastructure programmes have assisted to consolidate the regional market by linking-up markets where goods, services, people, and investments can move more freely.

PART 2: COMESA DECISION-MAKING PROCESSES

The Common Market for Eastern and Southern Africa aims at ensuring accountability, transparency and equity in the implementation of its programmes. The decision-making structure is divided into two: one deals with trade and the other with the issues of peace and security. The overall decision-making organs of the Common Market as provided for under Article 7 of the Treaty, is illustrated by the organogram below. The functions and powers conferred upon each of the institutions are spelt out under the Treaty.

The Organogram



2.1 The Authority of Heads of State and Government

The Authority is the supreme Policy Organ of the Common Market and is composed of the Heads of States and Governments of all the 19 Member States. It is responsible for the overall policy, direction and control of the performance of the executive functions of the Common Market. It is also responsible for the achievement of the aims and objectives of the Common Market and has such other powers vested to it under the Treaty.

Subject to the provisions of the Treaty, the directives and decisions of the Authority, undertaken or given in pursuant to the provisions of the Treaty, are binding on the Member States and on all other organs of COMESA, other than the Court of Justice in the exercise of its jurisdiction, and on those to whom they may be addressed to under the Treaty. The policies and decisions of the Authority are notified to those to whom they are addressed and take effect upon the receipt of such notification or on such date as may be specified in the directives or the decisions.

The Authority meets once every year, but may hold an Extraordinary Summit at the request of any member of the Authority, provided that one-third of the members of the Authority support such a request. The last extraordinary Summit was held in 2000 at the official launching of the COMESA FTA. No Extraordinary Summit has been necessary since then. Summits are held in the various Member States, with the host Government and the COMESA Secretariat bearing the joint responsibility for their organisation. Usually, the country hosting the Summit assumes the chairmanship of the Authority for the year. In 2010, the Authority held its 14th Summit at Lositha Palace, Kingdom of Swaziland. King Mswati III assumed the chairmanship of the Authority. Decisions of the Authority contained in the final communiqué of 14th Summit of Heads of State and Government, can be accessed through COMESA website www.comesa.int

2.2 The Council of Ministers

The Council is composed of Ministers from the Coordinating Ministries of all the Member States. The COMESA Council of Ministers is responsible for overseeing the functioning and development of COMESA and ensuring the implementation of agreed policies. In terms of the Treaty, all regulations, directives and decisions of the Council are binding on the Member States; all subordinate organs of the Common Market other than the Court, in the exercise of its jurisdiction, and on those to whom they may, under the Treaty, be addressed. 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, including Financial Regulations of the Secretariat.

The Council meets twice a year (once before the Summit) to review the progress and operations of its subordinate institutions. In 2010, the Council held its meetings in Swaziland and Zambia in September and December respectively.

2.3 The Committee of Governors of Central Banks

The functions of the Committee of Governors of Central Banks are governed by Article 13(b) of the Treaty. The committee is mandated to develop, monitor and review the implementation of programmes in the field of finance and monetary cooperation. Concomitantly, the Committee also has the power to request the Secretary General to undertake specific investigations in line with Article 13 (2) (c) of the Treaty.

2.4 The Intergovernmental Committee

The Intergovernmental Committee is governed by Article 14 of the Treaty. The Committee carries out the responsibility of developing programmes and action plans in all sectors of cooperation, except in the finance and monetary sectors. The Committee is also required to monitor, and to constantly review with a view to ensuring the proper functioning and development of the Common Market and to oversee the implementation of the programmes in accordance with the provisions of the Treaty. In exercising this power, the Committee may request a technical committee to investigate any particular issue or the Secretary-General to undertake specific investigations. Normally, the Intergovernmental Committee meets twice a year just before the meeting of the Council of Ministers. Its recommendations are then submitted to the Council for final approval.

2.5 Committees

It is important to note that all Committees are subject to the powers of the Authority and the Council except for the Committee on Peace and Security.

2.6 Technical Committees

The Technical Committees are governed by Articles 15 and 16 of the COMESA Treaty. The Technical Committees are responsible for the preparation of comprehensive implementation programmes and timetables which serve to prioritise the programmes with respect to each sector. In addition, the Technical Committees monitor and review the implementation of the programmes on cooperation and may request the Secretary General to undertake specific investigations. The Technical Committees shall submit reports and recommendations to the Intergovernmental Committee, either on its own initiative or upon request by the Council, in connection with the implementation of the provisions of the Treaty.

2.7 The Consultative Committee

The main purpose of the Consultative Committee is to provide a link and facilitate dialogue between the business community and other interest groups as well as the other organs of the Common Market. In addition, the Consultative Committee is also responsible for monitoring the implementation of the provisions of Chapters Twenty Three and Twenty Four of the Treaty and to make recommendations to the

Intergovernmental Committee. In the exercise of its functions, the Consultative Committee takes part in the meetings of the Technical Committees when the need arises. Chapter Twenty Three of the Treaty is related to the role of the private sector in the COMESA integration agenda, whereas chapter Twenty Four spells out the role of women in development.

2.8 The Secretariat

The COMESA Secretariat is headed by the Secretary General of the Common Market who is appointed by the Authority. The Secretary-General is the Chief Executive Officer of the Common Market and represents the Common Market in the exercise of its legal personality. The Council has the power to appoint any other members of staff except the Assistant Secretary Generals, who are appointed by the Authority. In performing their duties, the Secretary General, Assistant Secretary Generals and the staff of the Secretariat shall not receive any instructions from any Member State or from any other authority outside the Common Market. In the exercise of his or her powers, the Secretary General is required to service and assist the organs of the Common Market in the performance of their functions and in consultation with the Intergovernmental Committee, submit reports on the activities of the Common Market to the Council and the Authority.

2.9 The Committee on Peace and Security

The second existing decision-making structure is that of the COMESA Programme on Peace and Security. The COMESA Member States have established a committee comprising senior officials in the Ministries of Foreign Affairs called the "Committee on Peace and Security". This Committee sits at least once a year to discuss the modalities of peace and security in the region. Its recommendations are discussed by the Ministers of Foreign Affairs. The Committee and the Ministers meetings which focus on peace and security situation in the region serve to enhance greater accountability and promote good governance. The meeting of the Ministers of Foreign Affairs at a policy level agrees on issues on the existing conflicts and how best to address them. The Ministers also discuss post-conflict reconstruction as a way of ensuring conflict prevention. The COMESA Authority considers its recommendations and takes decisions.

In recognition of the complexity of the conflicts in the region, the Authority further directed the COMESA Secretariat to ensure greater collaboration and consultation among and between a wide range of stakeholders, which include civil society, business community and parliamentarians. In compliance with the directive, COMESA established structures to engage non-state actors including the formation of a network of civil society and private sector organizations through a process of accreditation to the COMESA Programme on Peace and Security; and the establishment of a COMESA Inter-Parliamentary Forum.

PART: 3: TRADE DEVELOPMENTS

3.1 Global Trade

The global trade figures for the year 2010 were not yet available by the end of the year. However, in 2009 the global trade for the COMESA countries declined from US$ 301 billion in 2008 to US$ 241 billion, a decrease of 20%. The total exports dropped from US$ 155 billion to US$ 111 billion over the same period, a decrease of 28%, while imports declined from US$ 146 billion to US$ 130 billion a decrease of 11% from the 2008 levels. The decline of the region's global trade figures was a result of global economic crisis that affected most of the economies in 2009. Table 1 captures the trends in the global COMESA trade for 2001-2009 period.

Table 1: Global COMESA Trade, 2001 - 2009, Values in US$ Millions

Flow	2001	2002	2003	2004	2005	2006	2007	2008	2009
Exports	12,977	34,659	46,185	57,004	75,355	99,023	105,044	152,345	108,880
RE-Exports	876	702	1,152	1,436	2,093	1,816	2,100	2,603	2,469
Total Exports	13,853	35,361	47,337	58,440	77,448	100,839	107,144	154,948	111,348
Imports	28,704	45,650	43,906	49,599	67,891	77,677	95,962	146,254	129,545
Total Trade	42,557	81,011	91,243	108,039	145,339	178,516	203,105	301,202	240,893

Source: COMSTAT Database and UN COMTRADE Database

The countries that experienced significant drops in the levels of their imports in 2009 were: Djibouti (-52%), Sudan (-42%), Zambia (-25%), Mauritius and Malawi (-22%), and D.R. Congo (-18%). However, Madagascar, Zimbabwe, Comoros, Libya, Burundi and Rwanda were the only countries in the region that registered growth in their import bill in 2009 compared to the 2008 levels.

On the export side, the countries that contributed to the 28% regional decline in the exports levels in 2009 were: Rwanda (-47%), Libya (-41), D.R. Congo (-34%) and Burundi (-21%). On the other hand, Malawi, Madagascar and Zimbabwe recorded increases in the export levels by 47%, 46% and 35% respectively, which cushioned the regions overall decline in exports. Table 2 illustrates the trade performance of each country from 2007-2009.

Table 2: Total COMESA Trade by Country, 2007 - 2009, Values in US$ Millions

Year	2007			2008			2009			2009 % change	
Country	Export	Re-Export	Import	Export	Re-Export	Import	Export	Re-Export	Import	Total Exports	Imports
Burundi	252	68	604	124	17	313	96	17	342	*(21)*	*9*
Comoros	2		86	5		161	13		179	*142*	*11*
D.R. Congo	2,662		3,758	4,218		5,094	2,780		4,155	*(34)*	*(18)*
Djibouti	177		1,890	101		1,355	157	206	647	*260*	*(52)*
Egypt	16,145		26,966	26,293		52,827	23,110		44,964	*(12)*	*(15)*
Eritrea	72		249	17	33	286	42	14	262	*12*	*(8)*
Ethiopia	1,269	8	5,787	1,595	7	8,694	1,031	27	7,875	*(34)*	*(9)*
Kenya	4,205	729	10,331	4,672	1,060	12,780	4,201	813	11,388	*(13)*	*(11)*
Libya	65,252		17,216	92,820		25,720	54,752		28,083	*(41)*	*9*
Madagascar	1,131	140	2,344	1,003	77	1,840	1,581		3,184	*46*	*73*
Malawi	868	0	1,348	879	0	2,243	1,291	3	1,754	*47*	*(22)*
Mauritius	1,402	463	3,824	1,453	587	4,689	1,428	431	3,667	*(9)*	*(22)*
Rwanda	148	13	689	348	52	1,173	189	23	1,258	*(47)*	*7*
Seychelles	159	138	717	151	95	912	195	51	759	*(0)*	*(17)*
Sudan	1,283	61	8,460	9,468	33	14,716	9,040	40	8,592	*(4)*	*(42)*
Swaziland	1,233	26	1,164	1,210	26	1,189	1,305	92	1,069	*13*	*(10)*
Uganda	1,023	204	3,280	1,496	313	4,367	1,381	450	4,307	*1*	*(1)*
Zambia	4,582	128	3,840	4,909	189	5,060	4,095	212	3,792	*(16)*	*(25)*
Zimbabwe	3,178	123	3,408	1,581	113	2,835	2,193	90	3,268	*35*	*15*
Total	**105,044**	**2,100**	**95,962**	**152,345**	**2,603**	**146,254**	**108,880**	**2,469**	**129,545**	*(28)*	*(11)*

Source: COMSTAT Database and UN COMTRADE Database

In 2009 exports to the EU were worth almost US$ 61 billion, a 37% decline below the 2008 levels (Table 3 below). Exports to the EU were primarily petroleum oils, natural oils and gas from Libya. After the EU, China was the next major export market for COMESA, which in 2009 totaled US$ 11.7 billion, a 4% drop from the 2008 levels. These exports were mainly petroleum and medium oils from Sudan, Libya and Egypt. The region's exports dropped by 28% from the year 2008 levels.

Table 3: COMESA's Major Export Trade Markets, 2005 - 2009, Values in US$ Millions

2009 Rank	Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1	EU	5,286	4,727	23,098	29,802	38,805	51,338	65,988	69,319	97,331	60,927
2	China	332	1,010	832	2,116	1,932	3,462	7,000	3,079	12,180	11,659
3	COMESA	1,697	1,719	2,149	2,145	2,335	3,208	2,970	4,520	6,772	6,621
4	USA	1,132	917	1,161	1,516	2,071	3,548	4,865	5,201	6,350	4,285
5	Switzerland	325	277	796	948	1,266	1,823	3,214	3,714	5,791	3,930
6	South Africa	1,120	1,086	1,418	2,926	2,506	1,785	2,483	3,105	2,529	2,695
7	India	221	323	497	635	548	693	1,948	1,854	2,752	2,401
8	Saudi Arabia	174	123	177	272	305	873	1,272	859	1,586	2,104
9	United Arab Emirates	318	189	400	408	524	764	754	903	1,695	1,827
10	Turkey	101	88	773	1,142	1,649	2,161	681	669	1,168	1,236
	Others	3,901	3,390	4,034	5,374	6,434	7,677	9,571	13,876	16,751	13,663
	Total	**14,607**	**13,849**	**35,334**	**47,284**	**58,374**	**77,332**	**100,747**	**107,101**	**154,904**	**111,348**

Source: COMSTAT Database and UN COMTRADE Database

The COMESA imports plunged by 11% in 2009 from the 2008 levels. Imports from the EU decreased from US$ 47 billion in 2008 to US$ 45 billion in 2009, while those from China registered a modest increase (Table 4).

Table 4: COMESA's Major Import Trade Markets, 2005 - 2009, Values in US$ Millions

2009 Rank	Origin	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1	EU	8,806	7,748	16,971	16,303	19,082	22,941	24,635	29,790	46,507	45,109
2	China	1,343	1,284	1,816	2,063	2,686	4,344	5,850	7,873	12,359	12,607
3	South Africa	3,237	3,306	3,712	3,888	4,979	5,024	4,970	6,727	8,729	7,777
4	USA	2,662	3,001	3,870	2,375	2,173	3,150	3,409	4,514	8,358	7,600
5	COMESA	1,419	1,718	2,218	2,173	2,223	3,046	3,757	4,554	6,932	6,110
6	India	842	975	1,345	1,192	1,612	2,131	2,877	3,565	6,518	5,368
7	Turkey	289	321	627	629	818	1,381	1,038	1,127	2,853	5,137
8	Saudi Arabia	1,613	1,347	1,397	1,534	1,534	3,573	4,352	5,320	9,289	4,240
9	Japan	1,173	1,092	1,590	1,371	1,614	1,949	2,620	3,223	4,721	3,808
10	UAE	962	909	885	932	1,156	2,170	3,089	3,225	5,152	3,621
	Others	7,485	6,970	11,181	11,335	11,640	18,070	20,984	25,773	34,735	28,168
	Total	29,833	28,671	45,612	43,795	49,517	67,779	77,582	95,690	146,154	129,545

Source: COMSTAT Database and UN COMTRADE Database

3.2 International Commodity Prices

Price movements in 2008/2009 for major commodities in selected sectors of energy, metals and minerals, beverages and grains reflected the following patterns during the period under review:

3.3 Oil and petroleum

For the year 2009 as a whole, prices for all forms of energy that were traded experienced the sharpest declines ever seen for traded natural gas and coal in North America and Western Europe – although in Asia the price of coal fell less sharply as a result of the strong Chinese growth of import. The oil prices declined for the first time since 2001. During 2009, the prices of oil in the competitive markets reached their lowest points early in the year, to the levels of US$ 44/bbl in the first quarter (Q1). The crude oil prices however rose steadily throughout the year, reaching a peak of more than US$ 78/bbl in mid-November which was a quarterly average price of US$ 76/bbl for Q4-2009. As of July 2010, the monthly average price for crude oil stood at US$ 75/bbl. Libya, Egypt and Sudan which are the main exporting countries of this product in the COMESA region were adversely affected by these price fluctuations.

In 2009, Libya exported petroleum oils including light and medium oils worth over US$ 53 billion mainly to the EU, while Egypt exported petroleum oils including liquefied natural gas worth almost US$ 7 billion. Sudan's exports of petroleum and light oils in 2009 which were mainly destined to China amounted to US$ 7 billion. In 2009, all the main oil exporting countries in COMESA experienced declines of 53%, 7% and 7% in value terms for Libya, Egypt and Sudan respectively, compared to the 2008 levels. This was due to the recession which pushed down the global oil demand. The primary energy consumption fell worldwide by 1.1%, while the consumption in the industrialized countries of the OECD fell by 5% in 2009.

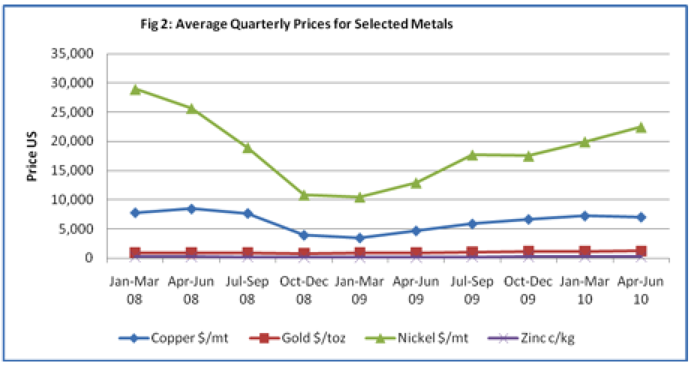
Fig 1 below depicts the performance of oil prices by quarterly average prices over the period 2008 - 2010.

Source: World Bank

3.4 Minerals and Metals

The average quarterly prices for copper declined by 12% during Q1-2009 compared to Q4-2008 levels, to register a low of US$ 3,428/mt, before rising steadily in the subsequent quarters of 2009. As at June 2010, the monthly average price for copper stood at US$ 6.735/mt. But gold, nickel and zinc on the other hand, recorded steady increases in their quarterly average prices during 2009, with prices rising by 32%, 115% and 73% for gold, nickel and zinc respectively over the Q1-2009 – Q2-2010 period. Figure 2 below illustrates the performance of these minerals and metals by the quarterly price averages over the period 2008 – 2010.

The countries within the COMESA region that are exporters of these minerals and metals are: Zambia and Democratic Republic of Congo for copper; Libya, Sudan, Ethiopia and Burundi for gold; and Zimbabwe and Egypt for nickel. In 2009, copper output in Zambia which is Africa's top producer, rose by 14% to 697,860 tonnes. However, the global financial crisis which led to the closure of some mines hampered copper output. In 2009, proceeds from the copper exports by Zambia, which amounted to US$ 3.2 billion came mainly from Switzerland and China. The proceeds amounted to a drop of 18% from 2008. In the same year, Sudan and Egypt exported gold worth US$ 1.3 billion and US$ 1.1 billion respectively, to Switzerland, Canada and United Arab Emirates. Zimbabwe's exports of Nickel in 2009 which amounted to US$ 440 million, was mainly to South Africa, while Egypt's exports of Nickel amounted US$ 88 million.



Source: World Bank

3.5 Beverages

With regards to beverages, price movements for tea and coffee, both Arabica and Robusta, remained volatile. For example, the average quarterly prices for tea (average for 3 auctions of Colombo, Kolkata and Mombasa) declined to levels of US$ 206 c/kg in Q4-2008 before rising steadily to a high of US$ 302 c/kg as at the end of Q4-2009, registering a 46% gain in 2009. As at June 2010, the average price for tea stood at US$ 286 c/kg, but globally, the tea prices rose by 13% in 2009, which according to the World Bank was due to a slump in world production. On the other hand, coffee which remains the most popular beverage in the world with over 400 billion cups consumed each year was also subjected to price fluctuation. Robusta which is sold at 70% of the price of Arabica, is usually favoured by the "Big Four" coffee roasting companies (Kraft, Nestlé, Procter & Gamble, and Sara Lee) that purchase approximately 50% of the coffee produced worldwide. Average quarterly prices for these commodities experienced a drop in Q4-2008 to levels of US$ 267 and US$ 192 c/kg for Arabica and Robusta respectively. As at the end of Q2-2010, Arabica coffee traded at US$ 392 c/kg while Robusta was sold at US$ 161 c/kg, a 46% rise and 16% drop respectively.

At the global level, coffee production declined from 128.1 million bags in 2008 to 123.6million bags in 2009, a decline of over 4.5 million bags (International Coffee Organisation). The export also declined from 97.7 million bags in 2008 to 94.7 million bags in 2009 a decline of 3%. The 46% increase in the Arabica coffee prices helped the export recovery for some countries, even though the prices of Robusta declined by 16% in 2009. The overall impact of this was a general decline in the values of export for the COMESA coffee exporting countries. Fig 3 below shows the trends in the beverages prices by quarterly averages over the period 2008 – 2010.

The major exporters of coffee in the region are Ethiopia, which is ranked fifth in the world , Uganda and Burundi, while tea is mainly exported by Kenya, Malawi, and Uganda. The coffee produced in Burundi and Ethiopia is mainly Arabica, whereas in Uganda, Robusta accounts for over 85% of the coffee output. In 2009, Ethiopia exported coffee worth over US$ 317 million mainly to Germany and Saudi Arabia, and Uganda exported coffee worth US$ 255 million, mainly to Switzerland and Germany. Both of the two major exporters of the commodity from the region suffered drops of 37% and 29% respectively in terms of export earnings in 2009 compared to 2008. Kenya on the other hand exported tea worth over US$ 869 million in 2009, mainly to Pakistan, Egypt and the United Kingdom, while Malawi and Uganda exported tea worth US$ 76 million and US$ 60 million respectively in 2009. Kenya's tea export to Egypt in 2009 was worth US$ 143 million, a decline of 33%, from the 2008 level. Rwanda's tea export in 2009 was only worth US$ 29 million, which was a 75% drop from US$ 118 million earned

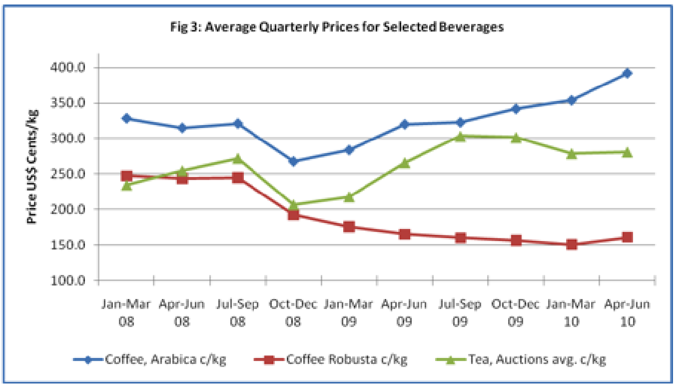


Fig 3: Average Quarterly Prices for Selected Beverages

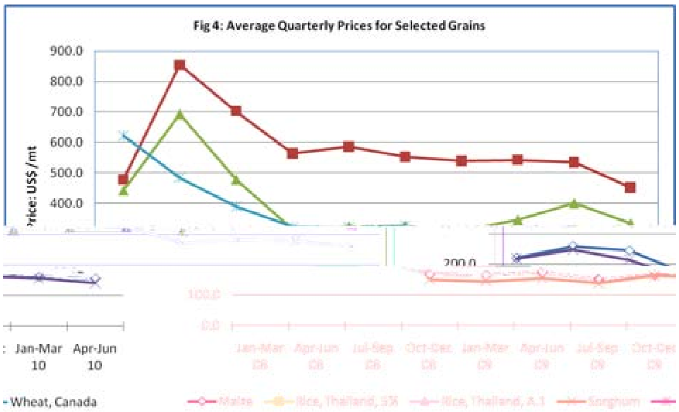
in 2008.

Source: World Bank

3.6 Grains

Amongst the grains, maize, rice Thailand 5%, rice Thailand A.1, sorghum and wheat are the major commodities in this group and all registered decreases in their annual average price levels of 26%, 15%, 32%, 27% and 34% respectively in 2009 below the 2008 price levels. The prices of all products were, however, fairly stabilised for the rest of 2009 after the drops of Q4-2008. As at the end of July 2010, the monthly average prices stood at US$ 164, US$ 443, US$ 396, US$ 349, US$ 132 and US$ 288 per metric ton for maize, rice Thailand5%, rice Thailand A.1, sorghum and wheat respectively.

Egypt's import of maize worth over US$ 834 million mainly from the USA and Argentina has increased significantly. Kenya and Zimbabwe on the other hand imported maize worth US$ 422 million and US$ 104 million respectively mainly from South Africa and the USA. While Egypt exported rice worth US$ 393 million mainly to Syria, Turkey and Jordan, the Durum wheat worth over US$ 2.2 billion of imports by COMESA countries in 2009 was mainly by Egypt with imports of (over US$ 1.5 billion) from Russia, USA and France, (US$ 387 million), Sudan and Ethiopia (US$ 217 million). Figure 4 below shows average quarterly price movements for these commodities over the period 2008 – 2010.



Source: World Bank

3.7 Intra-COMESA Trade

Intra-COMESA trade declined by 7% in 2009 below the 2008 levels, which was a slight drop from US$ 13.7 billion in 2008 to US$ 12.7 billion in 2009. However, the overall, intra-COMESA trade had continued to grow between the 2000 – 2008 period. The slight fall in intra-COMESA trade in 2009 was due in part to the decline in intra-regional trade by major players such as Kenya, Egypt, Uganda, Zambia, D.R. Congo and Sudan. All these countries registered either negative growth in exports or imports or both in 2009. Table 5 and Figure 5 below capture the intra-COMESA trade trends between the period 2000 – 2009.

In 2009, Kenya's intra COMESA exports and imports declined by 17% and 23% respectively. Kenya's exports of tea, which is her major export product to Egypt, declined by 26%, that is, from US$ 253 million in 2008 to US$ 187 million in 2009. In 2009, Kenya's intra COMESA tobacco and medium oils imports declined by 62% and 79% respectively compared to the 2008 levels. On the other hand, Egypt also registered negative growth in intra COMESA imports, from US$ 1.1 billion in 2008 to US$ 0.7 billion in 2009, which was a 38% decline. The drop in Egypt's intra-COMESA imports was mainly due to a drop in her imports of copper from Zambia of (11%), and a drop in her imports of tea from Kenya of (69%).

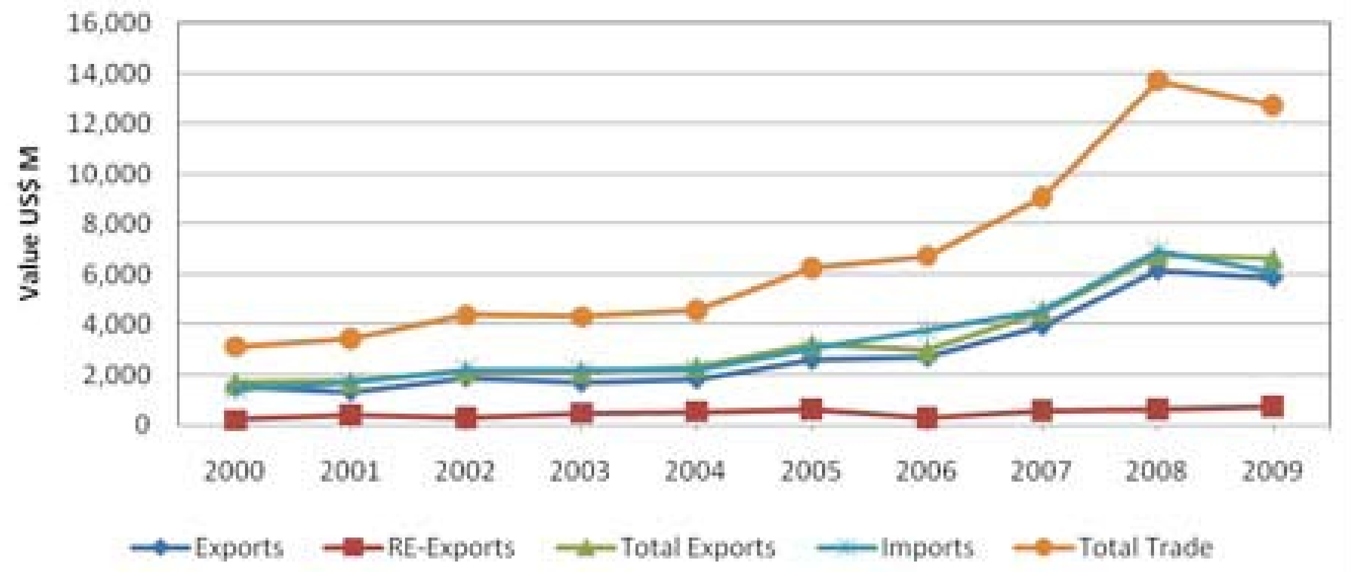
Zambia's exports of copper to Egypt, her major intra export product, declined from US$ 385 million in 2008 to US$ 118 million in 2009 which was 69% decline. Zambia's imports of copper ores and concentrates from D.R. Congo, dropped by 40%, that is from US$ 424 million in 2008 to US$ 255 million in 2009. While Rwanda's intra-COMESA exports declined by 50% in 2009, specifically its tea export to Kenya declined by (74%). That is, the tea exports from Rwanda exports dropped from US$ 119 million in 2008 to US$ 30 million in 2009. Table 6 below illustrates intra-COMESA trade by country and the percentage changes in 2009.

Table 5: Intra-COMESA Trade, 2000 - 2009, Values in US$ Millions

Flow	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Exports	1,497	1,319	1,882	1,670	1,804	2,583	2,702	3,950	6,157	5,879
RE-Exports	200	400	267	475	531	625	268	570	614	742
Total Exports	1,697	1,719	2,149	2,145	2,335	3,208	2,970	4,520	6,772	6,621
Imports	1,419	1,718	2,218	2,173	2,223	3,046	3,757	4,554	6,932	6,110
Total Trade	3,116	3,437	4,368	4,318	4,558	6,254	6,728	9,074	13,704	12,731

Source: COMSTAT Database

Fig 5: Intra-COMESA Trade Performance 2000-2009



Note: Total Exports = Domestic Exports + Re-Exports

Source: COMSTAT Database.

Table 6: Intra-COMESA Trade by Country, 2008-2009, Values in US$ Millions

Year	2008			2009			*%age Change (2009)*		
Country	**Export**	**Re-Exports**	**Imports**	**Export**	**Re-Exports**	**Imports**	Exports	Re-Exports	Imports
Burundi	17.0	7.4	75.0	20.1	6.8	90.9	*18.5*	*(8.7)*	*21.2*
Comoros	0.2		8.9	0.9		8.5	*287.1*		*(4.1)*
D.R. Congo	511.3		718.7	469.8		725.2	*(8.1)*		*0.9*
Djibouti	2.1		51.2	1.5	134.9	45.0	*(30.6)*		*(12.1)*
Egypt	1,639.7		1,147.5	1,861.1		709.1	*13.5*		*(38.2)*
Eritrea	3.6	15.0	24.1	30.2	1.9	21.1	*729.9*		*(12.5)*
Ethiopia	152.4	0.1	324.0	125.9	1.1	230.5	*(17.4)*	*1,001.9*	*(28.9)*
Kenya	1,427.6	229.0	410.9	1,249.7	180.0	316.3	*(12.5)*	*(21.4)*	*(23.0)*
Libya	233.2		932.5	231.7		1,091.3	*(0.7)*		*17.0*
Madagascar	12.9	0.3	68.7	25.0		146.8	*93.4*	*(100.0)*	*113.6*
Malawi	85.5	0.0	186.6	164.8	0.0	132.0	*92.7*	*161.7*	*(29.3)*
Mauritius	82.0	84.4	140.8	82.6	73.9	103.3	*0.7*	*(12.4)*	*(26.7)*
Rwanda	207.9	8.2	408.2	105.3	4.3	430.5	*(49.3)*	*(47.0)*	*5.5*
Seychelles	1.9	0.2	48.5	8.0	0.0	52.0	*317.1*	*(93.4)*	*7.3*
Sudan	128.4	6.0	887.2	184.0	6.6	593.1	*43.3*	*9.6*	*(33.2)*
Swaziland	168.0		51.1	140.6	2.6	0.6	*(16.3)*		*(98.8)*
Uganda	532.9	135.6	570.6	493.2	223.1	578.9	*(7.4)*	*64.6*	*1.5*
Zambia	778.5	76.7	780.5	549.2	97.0	668.6	*(29.5)*	*26.5*	*(14.3)*
Zimbabwe	171.9	51.4	97.6	135.4	10.0	166.0	*(21.2)*	*(80.5)*	*70.0*
Total	**6,157.2**	**614.3**	**6,932.5**	**5,879.0**	**742.4**	**6,109.5**			

Source: COMSTAT Database

With regards to the intra-COMESA market shares in 2009, Egypt had the lion share of intra-COMESA export market of 28%, which was two percent points higher than in 2008. Egypt was followed by Kenya, Uganda, Zambia and D.R. Congo with 22%, 11%, 10% and 7% of the shares respectively (see Table 7 below). Egypt's intra-COMESA exports which consisted of the various products were mainly exported to Libya, Sudan and Kenya. Kenya's major intra-export products were tea to Egypt and Sudan (US$ 186 million) and cement to Uganda (US$ 84 million). Uganda's intra-COMESA exports in 2009 were mainly coffee, tea and cement to Sudan, Kenya and Rwanda.

On the import side, Libya had the biggest share of the import market in 2009, of 18%. It was followed by D.R. Congo and Egypt with 12% each, while Zambia ranked fourth with 11%. (See table 7 below). Libya's intra-COMESA imports were mainly comprised of various products from Egypt, while D.R. Congo's major intra-COMESA imports in 2009 were raw sugar cane, Portland cement, sulphuric acid and wheat flour from Zambia. D.R. Congo also imported cement worth US$ 23 million from Uganda.

Table 7: Intra-COMESA Trade 2009, Values in US$ Millions and percentage Share

Rank	Exporter	Value	% Share	Importer	Value	% Share
1	Egypt	1,861.1	28.1	Libya	1,091.3	17.9
2	Kenya	1,429.7	21.6	D.R. Congo	725.2	11.9
3	Uganda	716.4	10.8	Egypt	709.1	11.6
4	Zambia	646.2	9.8	Zambia	668.6	10.9
5	D.R. Congo	469.8	7.1	Sudan	593.1	9.7
6	Libya	231.7	3.5	Uganda	578.9	9.5
7	Sudan	190.6	2.9	Rwanda	430.5	7.0
8	Malawi	164.8	2.5	Kenya	316.3	5.2
9	Mauritius	156.5	2.4	Ethiopia	230.5	3.8
10	Zimbabwe	145.4	2.2	Zimbabwe	166.0	2.7
11	Swaziland	143.2	2.2	Madagascar	146.8	2.4
12	Djibouti	136.4	2.1	Malawi	132.0	2.2
13	Ethiopia	127.0	1.9	Mauritius	103.3	1.7
14	Rwanda	109.7	1.7	Burundi	90.9	1.5
15	Eritrea	32.1	0.5	Seychelles	52.0	0.9
16	Burundi	26.9	0.4	Djibouti	45.0	0.7
17	Madagascar	25.0	0.4	Eritrea	21.1	0.3
18	Seychelles	8.0	0.1	Comoros	8.5	0.1
19	Comoros	0.9	0.0	Swaziland	0.6	0.0
	Total	6,621.4	100.0	Total	6,109.5	100.0

Source: COMSTAT Database

On the whole, tea still remained the most traded product in intra-COMESA trade in 2009. (See Table 8 below). In the second slot after tea was Portland cement, which ranked number four in 2008. The continued performance of tea as number one in 2009 can be attributed to the exports of the beverage which was worth over US$ 186 million from Kenya to Egypt and Sudan, even though this was a decline from US$ 210 million export level registered in 2008. The Portland cement worth over US$ 230 million was exported within the region during 2009, mainly from Kenya to Uganda (US$ 84 million); from Uganda to Rwanda (US$ 33 million); and from Zambia and Uganda to D.R. Congo (US$ 44 million).

Copper ores and concentrates ranked third in intra-COMESA exports in 2009 and were exported from D.R. Congo to Zambia. The exports of these copper ores and concentrates declined by 40% from US$ 380 million in 2008, to US$ 230 million in 2009. Tobacco which ranked fourth, from the sixth position in 2008, generated US$ 164 million worth of traded goods within the region in 2009.

Table 8: Intra-COMESA Top Export Products and Rankings, 2009 -2005, Values in US$ Millions

	HS	Product Description	2009	R9	R8	R7	R6	R5
1	090240	Black fermented tea and partly fermented tea,	253.66	1	1	1	1	1
2	252329	Portland cement (excl. white, whether or not artificially colored)	234.83	2	4	2	2	3
3	260300	Copper ores and concentrates	230.11	3	2	5	17	34
4	240110	Tobacco, unstemmed/unstrapped	164.46	4	6	12	6	6
5	170111	Raw sugar cane (excl. added flavoring or coloring)	120.83	5	7	9	3	9
6	740311	Copper, refined, in the form of cathodes and sections of cathodes	111.45	6	3	6	99	2
7	740919	Plates, sheets and strip, of refined copper,	92.29	7	5	3	2,489	1,484
8	854420	Coaxial cable and other coaxial electric conductors, insulated	91.34	8	11	122	173	212
9	271011	Light oils and preparations, of petroleum or bituminous minerals	89.85	9	231	104	41	10
10	240220	Cigarettes, containing tobacco	86.50	10	8	11	10	19
11	271113	Butanes, liquefied (excl. of a purity of >= 95% of N-butane or isobutene)	83.25	11	28	7	14	70
12	740911	Plates, sheets and strip, of refined copper, in coils,	82.02	12	20		3,261	2,718
13	260500	Cobalt ores and concentrates	74.94	13	558	653	187	107
14	170199	Cane or beet sugar and chemically pure sucrose, in solid form	70.89	14	17	10	28	78
15	330210	Mixtures of odoriferous substances and mixtures,	66.82	15	9	13	12	13
16	090111	Coffee (excl. roasted and decaffeinated)	63.35	16	10	15	9	8
17	732690	Articles of iron or steel, n.e.s.	57.61	17	16	84	45	49
18	300490	Medicaments consisting of mixed or unmixed products	53.72	18	18	22	15	22
19	120740	Sesame seeds, whether or not broken	53.57	19	12	66	8	25
20	690810	Glazed ceramic tiles, cubes and similar articles,	48.31	20	35	818	114	298

Source: COMSTAT Database

PART 4: MACROECONOMIC CONVERGENCE IN 2009

The COMESA Monetary Cooperation Programme is intended to set in motion an evolutionary process that will create an enabling environment that would promote economic co-operation and facilitate the free movement of goods, services, capital and labour across national borders and eventually lead to full monetary integration.

a) As a first step towards the establishment of a monetary union in 2018, the phased Monetary Harmonisation Programme will enable the Member States to:

b) Undertake aggressive economic reform programmes and concomitantly learn how to co-operate and co-ordinate their economic policies;

c) Create an enabling environment for price stability and economic growth that would allow a natural evolution of financial markets and a high degree of economic integration;

d) Increase intra-regional trade while narrowing inequalities through economic growth; and

e) Form a more balanced monetary union that would lead to relative equality in the region.

In order to achieve the above objectives, it becomes necessary for the Member States, to first go through a process of monetary harmonisation in order to achieve macro-economic convergence. Furthermore, to monitor the progress being made in achieving these objectives, a number of convergence criteria were formulated, to evaluate the progress being made by the Member States in the implementation of the programme.

The progress made by the Member Countries in achieving macroeconomic convergence were as follows:

4.1 Primary Criteria

4.1.1 Fiscal Deficit excluding grants to GDP ratio

In 2009, the fiscal deficit excluding grants to GDP ratio for most COMESA member countries was more than 5%. The countries which experienced less than 5% are: Djibouti (-4.6%), Madagascar (-4.5%), Mauritius (-4.0%), Seychelles (-0.2%), Sudan (-4.0%) and Zimbabwe (-2.7%). The average fiscal deficit excluding grants to GDP ratio for the COMESA region was 6.9% in 2009 as compared to 2.2% in 2008. Domestic savings as percentage of GDP also declined from 17.2% in 2008 to 12.1% in 2009. Some of the information under discussion can be gleaned from Table 9 on COMESA major Economic Indicators.

In the COMESA region the fiscal performance is similar to many African countries and is characterised by the following:

a) In the wake of the deteriorating international environment, a larger number of countries recorded fiscal deficits. On average, these fiscal balance developments reflected the combination of increased or constant public spending and declining government revenue. These changes mirrored fiscal expansions aimed at supporting economic activity and at cushioning the social impact of the crisis. Some countries continued to ease fiscal policy, with the adoption of a series of measures to boost investments in infrastructure and to expand social safety-net systems in the 2009/2010 budget

b) Similarly, discretionary fiscal impulses targeted public investments in a number of countries as they attempted to relieve infrastructure bottlenecks that were limiting the supply response and the ability of these economies to sustain strong growth rates. The fiscal policy stance in 2009 indicates that the fiscal response in the region to the crisis has been appropriately countercyclical, while protecting social and capital spending. More countries than in the past seem to have had the economic stability and the fiscal space to pursue countercyclical fiscal policies. Most of them did this by increasing or sustaining spending levels despite declining revenues. In general, social and capital spending has been protected during the downturn. Nonetheless, the execution of the problems meant that not all budgeted spending, especially capital spending, was achieved. In some cases, this was as a result of the unexpected dramatic reduction in GDP growth and tax revenue.

4.1.2 Inflation Rate

The average inflation in COMESA increased from 11.3% in 2007 to 14.4% in 2008 and to 17.9% in 2009 (See Table 9). The member countries that recorded single digit inflation rates were: Comoros (4.8%), Djibouti (1.7%) Libya (2.7%), Madagascar (9.0%), Malawi (8.4%), Mauritius (2.5%) and Swaziland (7.5%).

Inflation declined in most COMESA member countries, due to a confluence of factors, which included: the decline in world food and energy prices; good agricultural harvests in some countries; lower demand pressures in the face of weakening economic activity; and extension of government subsidies on basic food production in a number of countries in the aftermath of the economic crisis.

The most notable decline in prices was observed in Zimbabwe, where the long episode of hyperinflation ended. In contrast, inflation was on the rise in many member countries. The sharp increases in prices were driven by lower agricultural output in some countries and currency depreciation in others. In some countries excess liquidity affected inflation.

Despite the persistent headlines on high inflation, the core inflation, which excluded food and energy prices, moderated in a number of countries, for example in Uganda. This development indicates the growing credibility of the Central Banks in their attempts to anchor inflationary expectations.

4.1.3 Reserve Accumulation

The average level of reserves in COMESA member countries was sufficient for almost 4.0 months of imports of goods and services in 2009. Some countries experienced significant draw down on their foreign exchange reserves, while others remained strong due in part to the Special Drawing Rights (SDR) allocation from the IMF.

Indeed, the global economic crisis has been presenting countries with limited or dwindling foreign reserves with a difficult set of challenges. The stringent external financing conditions forced cuts in the imports of inputs needed for production and jeopardize the provision of basic public services. Thus, lowering the long term growth potential.

Table 9. COMESA Major Economic Indicators

	2007	2008	2009
Real GDP Growth (%)	10.9	8.4	3.4
Inflation (%)	11.3	14.4	17.9
Total Investment(% of GDP)	20.3	21.6	20.4
Domestic savings(% of GDP)	19.3	17.2	12.1
External C/A exc. Grants as a % of GDP	-0.3	-4.6	-8.6
External Debt to official creditors as % of GDP	20.8	17.1	20.0
Fiscal Deficit Exc. Grants to GDP ratio (%)	-1.6	-2.2	-6.9

Source: IMF, African Department Data base, April 161, 2010 and World Economic Outlook (WEO) database, April 9, 2010

4.2 Secondary Criteria

4.2.1 Use of Indirect Monetary Policy Instruments

All countries use indirect monetary policy instruments, but in most countries, monetary policy is focused on the control of money supply to reduce core (non-food) inflation. The weak financial markets mean that these countries lack effective indirect monetary tools, which are characterised by relatively poor coordination between fiscal and monetary policies.

Many member countries started using open market operations by auctioning treasury bills. Reserve and liquidity requirements are also used as instruments of monetary policy. But many countries have rediscounting windows and standing facilities. The primary market on treasury bills is active in most countries. However, the secondary market for treasury bills and inter-bank markets are limited in most countries. All countries are strengthening bank supervision and regulation, and are modernising their domestic payments and settlement systems, in addition to making efforts to diversify their financial systems.

In countries where the financial markets are more sophisticated, governments have relied on interest rates and Treasury bill rates as the main monetary policy instruments:

4.2.2 Interest Rate Policy

As concerns the interest rate policy, all countries have liberalised their interest rates. Some COMESA Member States have exceptionally high real lending rates and a wide margin between lending and deposit rates. This is a reflection of relative inefficiency in the banking system. High nominal rates do impose exceptional risks on borrowers even if inflation is also high. Its costs will rise with the level of inflation. On the other hand, there is less certainty that the price of the producer's product will increase with inflation. The business, therefore, runs a risk that input costs will rise faster than the output prices. Secondly, it has been statistically established that the higher the rate of inflation, the more variable it is. This means that, a business borrowing at a high nominal interest rate faces the risk that inflation will actually be less than expected, while the business is committed to paying the high nominal interest rates.

It is therefore preferable to achieve positive real interest rates by having low levels of inflation, than by having high nominal interest rates in order to offset a high level of inflation. High nominal interest rates have frequently resulted in the commercial banks buying Treasury Bills rather than lending to the private sector. This suggests that achieving positive real interest rates without achieving low rates of inflation may do much economic harm than good.

As economic activity tapered off and inflationary pressure receded, the majority of member countries' Central Banks ease monetary conditions in order to support economic recovery. Monetary policies were, therefore, countercyclical in a large number of countries. In some countries, limited coordination between the treasury and the Central Bank hampered liquidity management, thus, leading to excess liquidity.

The monetary and Exchange rate policies provide a useful complement to counter cyclical fiscal policy and should be used as such in Africa during the current global financial crisis. This is necessary in order to shift focus from price stability to employment generation and sustainable economic growth. Monetary policy can contribute to a pro-poor growth by supporting pro-poor fiscal policies and by avoiding excessively volatile inflation episodes; assisting to stabilise the balance of payments and the real exchange rate; and improving resource allocation in the economy (targeting credit to priority sectors and managing the capital account).

4.2.3 Achievement of Market Determined Exchange Rates and Liberalisation of Exchange Controls

Most of the COMESA member countries have made significant progress in moving towards market determined exchange rates and as a result reducing overvaluation of their currencies which characterised the 1980s and the early 1990s. It should however be noted that the exchange rate regimes are quite difficult to classify. A relatively small number are classified as having a "conventional peg" which was previously the most common arrangement. Swaziland is pegged to the South African Rand, which floats independently. On the other hand, there are nine countries which have exchange rate regimes that float freely and it is not possible to ascertain whether there is no Central Bank interference. Many COMESA Member States have irregular receipts and payments of foreign exchange, making it unlikely that a completely free market can provide a relatively stable exchange rate.

The purpose of exchange rate policy is to ensure a competitive and a stable exchange rate in order to reduce volatility in international transactions and foreign exchange reserves. The possible exchange rate impact on the financial crisis may depend in part on the exchange regime that a country maintains. The current financial crisis could lead to extreme volatility on the part of the currencies with floating exchange rates, as well as to the loss of reserves in cases where currencies are pegged.

As regards the removal of exchange restrictions, many countries accepted Article VIII of IMF Agreement, and fully removed restrictions on their current accounts. Accordingly, many countries can be said to have achieved the removal of restrictions on trade flows. Further efforts are also being made to remove restrictions to intra-COMESA trade, which include: poor transportation net works; restrictions on movements of people; lack of trade information on products produced within COMESA; lack of linkages among the financial institutions operating in the COMESA region, and the unavailability of regional payment and settlement system to mention but a few.

On the whole, most of the COMESA member countries have made significant moves towards liberalisation of their financial markets. The main exceptions are the retention of exchange controls on some capital account transactions, and the continued Central Bank interference in the exchange rate determination. Many governments also retain some control over interest rates. This is not surprising, given the small domestic financial markets of many of the COMESA member countries, and the considerable Central Banks' control over interest rates retained in major industrialised countries.

4.2.4 Growth

In 2009, the COMESA region's GDP was on a downward trend. The average real growth in the COMESA region in the year 2009 was 3.4% as compared to a growth rate of 8.4% % in 2008 (Table 9). The highest performers which achieved growth rates of more than 5% were: Ethiopia (9.9%), Malawi (8.0%), Seychelles (7.6%), Uganda (7.1%) and Zambia (6.3%).

Ethiopia continued to be the fastest growing economy in the region, with a GDP growth rate of 9.9% in 2009. The robust growth in some of these countries was sustained by strong investment associated with infrastructure development and solid performance in the industrial and services sectors.

In some countries in the region, economic recovery moderated considerably due to the decrease in mineral exports. The growth in some countries were helped by the strong domestic demand which offset the weak external demand, supported by well targeted countercyclical fiscal measures and loose monetary conditions.

4.2.5 Savings

At below 20% of GDP and which was 12.1% in 2009 (Table 9), the savings rate in most COMESA member countries is extremely low compared to other countries of the developing world. A major reason may be that a large proportion of the population is not connected to the financial system and therefore has no access to the saving instruments. Increasing the domestic private saving rate in the region will entail expanding the financial system to reach the majority of citizens through appropriate innovative financial reforms. An example of such innovative approaches is Kenya's use of mobile phones banking that allow banks and informal financial institutions to offer savings. Member countries should expand on the application of these innovations in order to bring banking to the rural areas and the informal sectors, as well as to introduce more saving instruments.

In addition to expanding the financial base, there is need to develop efficient financial and capital markets with diversified financial instruments to attract both domestic and foreign savings. Member countries could also raise resources to finance capital accumulation through the issue of "Diaspora bonds". Experience from India suggests that financial inflows from the Diaspora bonds continued despite the global financial crisis. Revenues from such bonds could dampen some of the volatility in foreign financial flows, as they tend to be stable even in times of reduced global economic activity. Some researchers (e.g. Bawumia 2010) have suggested the establishment of a regional African Fund as a way of raising international capital to finance investments in Africa. Such a fund, it is argued, would raise Africa's credit ratings. He further suggested that a tax on petrol of US$.05 per gallon be levied in order to establish the initial subscription to the fund. Such a regional approach would make it easier to attract international capital and to deepen regional cooperation.

Efforts to increase private savings should be complemented by increased public savings resulting from larger budget surpluses or smaller budget deficits. Given the relatively low levels of public services that are provided in the region and the relatively high rates of poverty, it would be imprudent to balance the budgets by cutting government spending. The only reasonable alternative is to raise government revenues, especially given that the government revenues amount to less than 30 % of GDP.

Another way to effectively finance capital accumulation is to improve resource management in order to allow for the efficient and inter-temporal allocation of savings and other financial resources. This will be necessary to reduce the volatility that has been the hallmark of African economic growth since the 1960s. One possible way to reduce this volatility is to smooth the use of export revenues by increasing savings in times of commodity booms and reducing them in times of reduced export earnings. In the same way, member countries could work with donors to reduce the volatility in ODA disbursements. For example, they could work out an arrangement whereby donors could deposit aid disbursements in a fund for the recipient country to draw upon as needed.

Domestic resource mobilisation for the region remains insufficient to finance the investment needed for the achievement of the MDGs. The member countries will continue to rely on external capital inflows (mainly ODA, FDI and remittances) to fill the resource gap in the near future. The international community should live up to its commitments to scale up aid to the region under the various initiatives such as the Multilateral Debt Relief Initiative (MDRI). In the meantime, member countries should ensure that external assistance is used to build productive capacity and deliver public services in order to reduce poverty and accelerate the process of meeting the MDGs.

4.2.6 Investment

The average overall investment as a % of GDP in COMESA decreased from 21.6% of GDP in 2008 to 20.4 in 2009 (Table 9). The investment performance for most of the countries, which is less than 20% underscores the challenge facing policy makers in the COMESA region to implement a set of policies that would move the economies into a virtuous cycle of higher investment and higher growth.

The investment rate in COMESA member countries are still lower than their current development objective requirements. The average ratio of investment to GDP in COMESA reached 20% in 2009 compared to over 40% in Asia during the same period. There is therefore, a need to increase investment/GDP ratios, and investment in infrastructure and human capital, where Africa has a very large deficit. Investment in infrastructure expands productive capacity, stimulates aggregate demand and reallocates resources in an economy. Apart from a short-term stimulus, infrastructure and human capital investment also lay the foundation for long term economic growth. If properly managed, the expansionary fiscal policy during the global down turn could be very helpful to member countries.

4.2.7 External Current Account Excluding Grants

Despite the downward trend in the second half of 2008, high energy and food prices resulted in raising the current account deficits in most of the COMESA member countries. The data clearly show mounting threats to the current account sustainability in most countries. This together with internal imbalances and inflationary pressures could pose severe risks to macroeconomic stability and growth prospects in the coming years. The COMESA member countries should, therefore, adopt strategies to diversify exports through value addition, promote tourism and attract remittances. In the short term, however, the COMESA member countries require more aid inflows to manage their external balances effectively

4.2.8 External Debt

A large number of COMESA member countries have benefited from debt relief under both the HIPC initiative and the multilateral debt relief initiative (MDRI). Despite this, the need for high levels of financing in some countries is still necessary to reverse the falling trend in the external debt burden of member countries in 2009. The regions total external debt to official creditors increased to 20% of GDP in 2009 after falling to 17.1% in 2008 (Table 9). The increase in debt ratios in 2009 was mainly due to lower GDP growth and a fall in exports.

The overall assessment of progress made in macro-economic convergence in COMESA shows that the fiscal criterion was missed by 10 out of 19 countries. The assessment of the inflationary situation in 2009 also indicates that 14 countries missed the criteria. The assessment shows that the performance of COMESA in respect of compliance with the secondary criteria as regards to the use of indirect monetary policy instruments, moving towards market determined exchange rates; adherence to the 25 Core Principles of Bank Supervision and adherence to the Core principles for Systematically Important Payment Systems were moving in the right direction. The achievements as regards, the other secondary convergence criteria were however, not very impressive.

PART 5: ENHANCING FREE TRADE WITHIN COMESA COUNTRIES

The launch of the COMESA FTA, 10 years ago, moved COMESA to a higher lever of integration namely, from Preferential Trade to a duty free/quota free status. Nevertheless, not all the countries joined the FTA at its inception, as only nine countries joined. By the end of 2010, fourteen countries had come on board, and a wider level of integration was expected as the four Member States that had yet to join continued to finalise their internal arrangements for membership. Below is the status as at December 2010.

Box 1: Status of the enhancement of the Free Trade within COMESA Countries .

A. INTERNAL MARKET

1. Fourteen COMESA countries were in Free Trade Area (FTA) as at December 2010. Four Member States were still outside the FTA, namely, D.R. Congo, Eritrea, Ethiopia, and Uganda. Derogation had been granted to Swaziland not to implement the COMESA FTA in recognition of the fact that Swaziland is required to maintain the Common External Tariff of the Southern Africa Customs Union in which it is a member.

Progress/ Achievements

2. D.R. Congo had made commendable progress in readiness to join, following a comprehensive study facilitated by the COMESA Secretariat and validated at national stakeholders' workshop that took place in the country in the last quarter of 2010, which recommended that D.R. Congo should join the FTA after establishing that it stands to gain.

3. Uganda and Eritrea had reduced their duties by 80%, leaving just one last installment of reducing tariffs by 20 % to complete the requirements of being in the FTA.

4. Uganda has over the years indicated its readiness to be in the FTA. Consultations indicate that the Governmentof Uganda have reached an advanced stage for the country to join the COMESA FTA It is envisaged that any revenue losses would be met from the COMESA Adjustment Facility.

5. Eritrea is undertaking a review of the implications of joining the COMESA FTA, taking into account that its overland route to COMESA countries in East Africa is not available..

6. Ethiopia is still considering the pros and cons of joining the COMESA FTA on the basis of the 10% tariff reduction that the country effected in 1989. A major concern of Ethiopia is that there may be industries that are not competitive. Previous studies that have been undertaken show that Ethiopia would benefit from joining the COMESA FTA and that the sectors and industries that are not competitive could be given relief through the invocation of the COMESA Safeguard Measures which are time bound and require specific measures to be undertaken by both Government and firms to improve competitiveness.

Challenges

7. Ethiopia, and to some extent Uganda and Eritrea, have continued to argue that its private sector is not robust enough to gainfully participate in the COMESA FTA, contrary to evidence provided on trade flows generated by the Secretariat and the UN International Trade Centre as requested. It may be pertinent to point out that Seychelles which had some reservations on joining the FTA, had addressed these by maintaining a small list of sensitive products. D.R. Congo on the other hand, requested a comprehensive study to address all the key issues and the findings are that D.R.Congo can join the COMESA FTA without incurring significant revenue losses which in any case can be compensated from the COMESA Fund. Studies have been carried out on trade flows for all the COMESA Member States. In addition, a customized study can be provided to a Member State on specific requested products.

Way Forward

8. D.R. Congo is in the process of completing its internal approval processes of joining the FTA during 2011.

9. Uganda and Eritrea are to undertake the last reduction and complete the internal approval processes for joining the FTA in 2011; whilist Ethiopia is still to undertake some studies before taking a decision to join the COMESA FTA.

10. Ethiopia, Uganda and Eritrea should pro-actively engage the Secretariat in addressing any of the concerns they may have on the impact of their participation in the FTA.

NTB REGULATIONS

11. The Draft NTB Regulations were presented at the 26th meeting of the Trade and Customs Committee held in Lilongwe, Malawi on 22-25 November 2010. The Member States did not recommend the adoption of the report, since national experts needed

5.2 Progress Towards the Customs Union

5.2.1 Progress

It was indicated during the launch of the COMESA Customs Union that the three year Customs Union transition period, would provide the Member States the opportunity to implement the three key instruments of a Customs Union, namely: the CommonT Nomenclature (CTN); the Common External Tariff (CET); and the Common Market Customs Management Regulations (CMR).

With regard to the CET, the Council, at its meetings that took place on 26th December 2009 and on 28th August 2010, decided that: Schedule I (containing products aligned to the CET) should be adopted; all Member States should submit their lists of sensitive products and tariff alignment schedules for attachment as Schedule II and to align their national tariffs with the COMESA CET based on the CTN; and that the Member States should produce schedule in two main parts: (a) a list of sensitive products, and (b) a list of excluded products. By August 2010, eleven countries, namely: Burundi, Eritrea, Kenya, Madagascar, Malawi, Mauritius, D.R. Congo, Rwanda, Sudan, Swaziland and Uganda had submitted their lists of sensitive products. However, out of the eleven countries, only Madagascar has produced a draft action plan (tariff alignment schedule) for alignment of its national tariff rates to the CET rates.

During 2010, different meetings of the Committee on the Customs Union and, the Trade and Customs Committee were held to consider the extent to which Member States had implemented the Council's Decisions on issues relating to the submission of lists of sensitive products and tariff alignment schedules. In addition, the other activities that were supposed to be undertaken in order to implement the Customs Union road map, and to examine the state of regional integration in COMESA, during the transition period included: the implementation of the Customs Union; trade negotiations; trade facilitation; and other key trade and customs programmes.
In line with the decision of the 28th Meeting of the Council, the Secretariat embarked on country missions to assist Member States in generating the tariff alignment schedules, identifying list of sensitive products, and domesticating the CMR in compliance with the Council's decisions, and to agree on definite timeframes when the particular activities would be concluded. In that regard, four missions out of the six that had been planned were undertaken.

The Twenty Sixth Meeting of the Trade and Customs Committee held from 22-25 November 2010 in Lilongwe, Malawi examined the state of regional integration in COMESA, including the implementation of the Customs Union during the transition period, the liberalisation of services, trade negotiations, trade facilitation, and the various key trade and customs programmes.

5.2.2 Achievements

The key actions undertaken in 2010 to implement the process of achieving the Customs Union during the three-year transition period, included: carrying out tariff alignment schedules; preparing several analytical studies requested by the Council; and holding key meetings to assist in the implementation of programmes. The implementation of activities that would lead to the realization of a Customs Union by June 2012 includes:

a. The region agreed on a threshold on 30% on sensitive products that would be gradually reduced to 20% level and a target of a maximum of 5% of products to be excluded from schedule III (a) and III (b);

b. The sensitive lists will be national, but the long term objective will be to develop regional sensitive lists based communalities in the national lists and the Member States that produce the provisional lists of sensitive products will have to submit their final lists;

c. The Member States that were in a position to gazette Schedule I, already had product lines with rates that were aligned to the COMESA CET, and in the case of the four EAC countries, the alignment was by up to 70%;

d. Regarding Schedule II, 10 Member States should be in a position to gazette their schedules by using the agreed formula;

e. Analytical work has been done on all the key outstanding studies, and the work can be used to support concrete recommendations and decisions on the way forward; However, there is a challenge of stray issues arising and holding back the process, as well as lack of institutional memory, which results in calling meetings for new studies on issues that had already been addressed.

5.2.3 Country Missions:

Within the period under review, the COMESA Secretariat undertook a successful country missions to four Member States; namely: Zambia, Malawi, Sudan, and Eritrea to assist in generating the tariff alignment schedules, identifying list of sensitive products, and domesticating the CMR in compliance with the Council decisions. The following were agreed on:

a) Subject to the approval by the Authorities, an aide memoir which is a record of commitments made by the Member State was signed and deposited with the Secretariat and with the Permanent Secretaries of, the Member States' coordinating Ministries, and

b) The clarification of certain issues with the Permanent Secretaries of the Member States' coordinating Ministries with respect to the schedules of tariff alignment that Member States are supposed to prepare and the need to implement the Customs Union Instruments such as CTN, CET and CMR.

The missions provided an opportunity to clarify certain issues that were derived from the direct hands-on assistance with regards to the schedules of tariff alignment that Member States are supposed to prepare, and the need to implement the CTN, the CET and the CMR. It was concluded that countries were well prepared to do the technical work required during the transitional period to the Customs Union.

The 29th Meeting of the Council of Ministers that took place in December 2010 commended the country missions for the good work, and took note of the outcomes that had been obtained so far. Furthermore, the Council requested the Member States to take appropriate steps to effect the implementation of the Customs Union road map. It also instructed the Secretariat to continue to work closely with the Member States in order to successfully finalise the implementation of the Customs Union during the transition period.

5.2.3 Challenges

The key challenges are that Member States tend to be represented at meetings by delegates who are unfamiliar with the previous work and the key decisions taken by the Council. Lack of continuity undermines progress since issues that were already resolved are brought up afresh. Thus, holding back the process. Indeed, the lack of institutional memory results in costly repetition of studies on issues that had been studied before and agreed upon. Lastly there is the non-compliance with the draft tariff alignment schedules prepared by the Secretariat.

5.2.4 Way Forward

By the end of 2010, the COMESA Secretariat was still carrying out the following studies: the possibility of introducing the 5% tariff band; impacts of the tariff alignment schedules on countries with a substantial number of tariff lines with rates below the CET rates; whether Egypt should continue to require 45% value addition instead of 35% for imports to qualify for FTA preferential treatment; mechanisms on how to increase the membership of COMESA FTA; and processes, that lead to a change in tariff heading.

In 2011 Missions will be undertaken to 14 Member States to assist them in identifying the list of sensitive products, preparing tariff alignment schedules, and discussing other issues like migrating to the CTN, and domesticating to the CMR.

5.3 Standardization and Quality Assurance (SQA)

The implementation of the COMESA Customs Union requires the free movement of goods and services among the Member States. However, it is also recognised that unfair application of standards, conformity assessment schemes, technical regulations, as well as quality and safety concerns cannot only hinder, but effectively prevent the free mobility of goods and services. It is for this reason, that COMESA has put in place a programme to address issues relating to Standardization, Accreditation, Metrology and Conformity Assessment as well as technical regulations.

5.3.1 SQA Policy

The Mechanism for Implementation of Standards was notified in the COMESA Gazette which paved the way for its implementation. The SQA Policy is expected to form part of the Trade Policy which will assist Member States to harmonise their National Policies with regards to Standardization, Accreditation, Metrology, Testing, Inspection and related activities, thus, contribute towards the harmonisation of SQA activities.

5.3.2 Development of COMESA Harmonised Standards

The harmonisation of standards is one of the core activities under the COMESA programme on Standardization and Quality Assurance, which is spearheaded by the Sub-Committee on Standards Harmonisation. In September 2010, the Experts from National Energy Regulatory Authorities, considered 74 Drafts of COMESA Harmonised Electrical Standards covering Electrical Generation, Transmission and Distribution. Of these, 68 were cleared for adoption as the COMESA Harmonised Standards. Once adopted, the standards will result in the increase of COMESA harmonised standards from 314 in 2009 to 400 in 2010. The adoption of electrical standards for Generation, Transmission and Distribution is expected not only to promote interconnectivity among the COMESA Member States electrical grids, but also to improve the safety of generation, transmission and distribution of electrical power, reduce electrical power losses during transmission as well as to ensure the safe distribution of electrical power to consumers, trade in electrical power among COMESA Member States as well as contribute to electrical power inter-connectivity between COMESA, EAC and SADC countries under the Tripartite FTA. The discussions and subsequent adoption of the Draft Electrical Standards was witnessed by representatives from the SADC Secretariat, RAERESA, Southern African Power Pool and the East African Power Pool.

5.3.3 Harmonisation of Technical regulations

Technical Regulations are mostly established to protect consumers, the environment and national security as well as the safety of persons and property. Due to their national nature, the technical regulations can be formidable barriers to trade. If these regulations are to fulfil their legitimate objectives without acting as unnecessary barriers to trade, they will have to be implemented in a fair and transparent manner. In order to achieve this, the COMESA Member States decided that a Regional Framework for the Establishment and Implementation of Technical Regulations be established. The task of achieving this was entrusted to the Sub-Committee on Technical Regulations through the Council's Decision which was taken in December 2009. In June, 2010, the experts from the National Institutions and Organisations Implementing Technical Regulations considered the proposal and in principle adopted most of the provisions. The Member States also agreed to finalise the regulatory framework as quickly as possible, and whose adoption is expected to promote trade through the elimination of Non-Tariff Barriers.

5.3.4 Harmonisation of Drugs Registration

In 2009, the Experts from National Medicines and Drugs Regulatory Authorities agreed to adopt 15 Guidelines for the harmonization of Pharmaceutical Regulations. These Guidelines were not only expected to be the basis for the harmonization of Medicines and Drugs Regulations among the Member States, but also to facilitate trade in drugs and medicines within the region as well as to make the basic medicines and drugs more readily accessible to those who need them. In order for the Guideline to be adopted, the Secretariat organized a meeting of the Steering Committee on Pharmaceutical Harmonisation, which endorsed the recommendation of the Experts. The Guidelines are expected to be presented to the Council of Ministers, through the Committee on Standardization and Quality Assurance for adoption in 2011.

5.3.5 Harmonisation of COMESA/EAC/SADC SQA programmes under the Tripartite Process

Cooperation between COMESA, EAC and SADC in standardization and quality assurance matters started in 2008 when the first Workshop on harmonisation on their programmes, was held. Since then, the cooperation between the three RECs has continued. One of the issues that required urgent attention was the harmonisation of standards and for this to be achieved, it was necessary to have common guidelines and procedures for the development of standards and to ensure that the process was transparent and consistent.

In 2010, COMESA organized a Tripartite meeting which brought together Standards Development Experts from COMESA, EAC and SADC, at which, the Draft Guidelines and Procedures were formulated. It is expected that the document once adopted, will form the basis for the harmonisation of standards, without which the credibility and acceptability of the agreed standards would be difficult.

5.3.6 Cooperation with Regional and International Standardization and related organisation

Standardization and quality assurance activities are undertaken in many regions and at various levels. What happens at the Africa and international level is important for the COMESA region as it is likely to affect the present and future trade. It is therefore necessary for COMESA to cooperate with SQA related organisations at the cContinental as well as the International levels. In 2010, the cooperation between COMESA and the African Organisation for Standardization (ARSO) was strengthened through bilateral discussions on what is needed to be done at the African level and how the continental body could contribute to the speedy harmonisation of standards in COMESA. With the designation of ARSO as one of the Institutions of the African Union, its cooperation with COMESA should provide an important avenue for the region to contribute towards the harmonisation of standards at the continental and eventually at the international level.

5.4 Trade in Services COMESA is looking well beyond the FTA, and Customs Union. As a result, preparation for the establishment of the Common Market scheduled for 2015 is underway. The programmes related to the Common Market are currently underway, particularly, the trade in services liberalisation programme. Below is a list of the progress made during 2010

5.4.1 Progress

a) The Second meeting of the Committee on Trade in Services was held on 17-19 May, 2010 in Harare, Zimbabwe. The meeting agreed on a regional list of four priority sectors, and considered inter alia the charter for a Regional Association of the Services Industries.

b) The World Bank made a presentation on Professional Services to the Trade and Customs Committee at which it disseminated the findings of a study conducted in ten countries in Eastern and Southern Africa on accounting, engineering and legal services.

5.4.2 Achievements

a) The four service sectors, namely: Finance, Transport, Communications and Tourism were chosen as the priority sectors since they were the sectors that most of the fifteen Member States had submitted their lists.

b) Fifteen Member States have submitted their lists of the priority sectors.

c) Seven countries have already submitted the lists of their services regulatory bodies and the contribution of services to their economies.

5.4.3 Challenges

The main challenge in the services programme remains the low adherence to the agreed roadmaps since only a few countries have accepted the timelines envisaged in submitting the required information.

5.4.4 Way Forward

a) During the next planning period, the Secretariat in collaboration with the cooperating partners will undertake missions to Member States to provide technical assistance on the preparation of schedules of specific commitments and other issues related to trade in services.

b) The next meeting of the Committee on Trade in Services is planned for the first half of 2011.

c) A meeting to discuss professional services is planned for the first quarter of 2011 in conjunction with the World Bank.

The Council of Ministers' Decision at its Twenty Eighth Meeting held in August 2010 in Swaziland, adopted the COMESA Policy on Intellectual Property Rights and Cultural

PART 6: INTELLECTUAL PROPERTY

Products, and requested the Secretariat to undertake activities in the implementation of the Policy. Since then, the Secretariat undertook a number of activities.

6.1 Key achievements

The main achievements were as follows:

a. Partnerships were developed with the African Regional Intellectual Property Organization, the World Intellectual Property Organization, the UN Conference on Trade and Development, and the EU-funded ACP-MTS Programme;

b. The Secretariat undertook a preliminary analysis on the status of Intellectual Property laws and policies in Member States. Six Member States responded to the questionnaires which the Secretariat had sent out;

c. On the basis of the responses from the Member States, the Secretariat identified some pro-development approaches that Member States were asking and utilized this as a basis for drafting COMESA policies and laws on Intellectual Property Rights which were designed to guide Member States on the implementation of the COMESA Policy on Intellectual Property Rights and the Cultural Industries;

d. The Secretariat developed the following Intellectual Property model policies and laws: the Draft COMESA on Intellectual Property Policy Model, the Draft COMESA Model Law on Intellectual Property Rights, the Draft COMESA Model Law on Geographical Indications, the Draft COMESA Model Law on Plant Varieties and Farmers' Rights, and the Regulation of Access and Benefit Sharing of Biological Resources; and

e. The Secretariat with the support from the EU-funded ACP-MTS Project commissioned a consultancy to undertake a comprehensive study and to produce a pharmaceutical sector strategy for the production and regional trade in life-saving medicine in the COMESA region in order to promote good health and save life.

6.2 Challenges

The issues of Intellectual Property still appear to be remote and complex for many stakeholders, and the critical questions arising from Intellectual Property laws and policies are not adequately appreciated. However, the Intellectual Property Rights is a key ingredient to any major development initiatives in the information and knowledge based society in the twenty first century, especially in the context of the COMESA programmes of harnessing science and technology for development.

There is need to create more awareness on the importance of Intellectual Property Rights both at the Secretariat and in the Member States. This therefore calls for the need to make resources available for undertaking the Intellectual Property programmes both at the national and regional levels.

6.3 Way Forward

The Secretariat will send out questionnaires to Member States on the status of their Intellectual Property laws and policies. The undertaking of this comprehensive exercise will assist in assessing the needs on the basis of which, concrete activities will be undertaken.

The Secretariat organized a meeting of the Intellectual Property experts in March 2011, in order to implement the relevant Council's Decisions on the basis of the priorities that the Council had identified, namely: promotion of access to life-saving medicine; access to education material; promotion of the cultural industries; and technology transfer and innovation in order to promote value addition, manufacturing and industrialization.

The Secretariat with the support from the EU-funded ACP-MTS Project organized a Workshop on Intellectual Property Rights, Public Health and Access to Medicine in March 2011. The main goal of the workshop was to validate the key findings of the study for the development of a COMESA regional pharmaceutical sector strategy for the production and regional trade in life-saving medicine, as well as sourcing and the bulk purchases of essential medicine. It is expected that the workshop will assist Member States in achieving their development objectives of ensuring access to medicine and protecting public health.

7.1 Objectives

The primary objectives of the COMESA Monetary Cooperation

Programme are to create a common area of monetary and financial stability which will facilitate the integration of the financial markets in the region in particular, and economic integration and growth in general. The achievement of monetary and financial stability entails the attainment of economic convergence which is brought about by the removal of all macroeconomic disharmonies that exist among the Member States as a result of the divergent macroeconomic policies.

To achieve Monetary Union, it was considered essential that the Member States should first go through a process of monetary harmonisation in order to enhance macro-economic convergence. In order to assess the progress that is being made to achieve this objective, a number of convergence criteria were formulated, to assess the steps which the Member States have taken in the implementation of the programme. The COMESA Monetary Integration Programme and the macroeconomic convergence criteria are consistent with the African Monetary Cooperation Programme (AMCP) under AfDB.

7.2 Progress and Achievements

For the period under review, a number of activities which enhance monetary cooperation were carried out. These include:

a. Working with the AfDB on developing Multilateral Fiscal Surveillance Framework;

b. Organised a training workshop on how to assess the framework on financial stability on 4-8 October 2010 in Lusaka, Zambia;

c. Holding of the 5th Meeting of the Financial System Development and Stability Sub-Committee in Lusaka, Zambia on 11-12 October 2010;

d. Holding of the 8th Meeting of the Monetary and Exchange Rates Policies Sub-Committee, on 18-19 October 2010 in Lusaka Zambia;

e. Preparation of progress report on the achievement of Macroeconomic Convergence by member countries in 2009;

f. Consolidating country reports on the implementation of the COMESA Financial System Development and Stability Plan.

g. Holding of COMESA Monetary Cooperation meetings from 29 October to 4 November, 2010 in Khartoum, Sudan to follow-up on the signature of the Charter of the COMESA Monetary Institute

7.3 Challenges

The main challenge is the lack of submission of the relevant information on monetary cooperation by all the member countries.

7.4 Way Forward

a) Member States need to make additional efforts to adhere to the Macroeconomic Convergence Criteria and the implementation of the COMESA Assessment Framework for Financial Stability;

b) Member countries should submit in time, the reports requested by the Secretariat.

8.1 Progress and Achievements

During the period under review, COMESA registered tremendous progress in various areas of statistics. Below are some specific areas where progress were made, namely:

a. Harmonized Consumer Price Indices (HCPI) - The COMESA Council of Ministers adopted the COMESA HCPI Regulations for stage 1 implementation. This set the stage for launching the COMESA interim HCPI in 2011. By the end of 2010, Member States were in the final stages of their pre-launch preparations. Technical missions were undertaken in several countries.

b. Price Statistics – The ICP Price statistics component met its target for the year 2010 and all the COMESA countries submitted validated data for the quarter. The AfDB approved the 2011 round of ICP activities and extended the programme to December 2011.

c. Infrastructure Statistics – The COMESA Council of Ministers adopted the COMESA Infrastructure Statistics Framework. Progress was also made in validating the COMESA infrastructure database which should be completed in the 4th quarter. By the end of 2010 the data on 13 countries had been received and is undergoing validation.

d. National Accounts – International Comparison Programme national accounts data was validated and sent to the AfDB. The COMESA Secretariat also undertook missions on GDP breakdown for Ethiopia and Rwanda. On capacity building, the e-learning was on course to deliver the first module by end of December.

e. FDI Statistics – Country surveys were underway and COMESA had started to compile data from the completed surveys. The COMESA secretariat and UNCTAD held a joint regional meeting for countries that had funded their national surveys. A common reporting format was agreed upon, and will form the basis for the publication of the first COMESA Investment Report in 2011.

f. In conjunction with the United Nations Statistical Division, the unit held a regional workshop on the orientation on the new UN manual on merchandise statistics. The implementation of the recommendations is expected to start in 2011.

g. In 2010, the COMESA Secretariat provided technical assistance to the COMESA Fund on revenue assessments for Burundi and Rwanda. As a result, Rwanda and Burundi were able to successfully submit their Regional Integration Implementation Programmes (RIIP).

h. In recognition of the importance of trade in services, the COMESA Secretariat launched an assessment of trade in services statistics in the COMESA region, which would be finalized in the first quarter of 2011.

Databases – the COMESA Secretariat in conjunction with an affiliate of UNICEF launched an MDG development monitoring database, COMESAInfo. This is in line with an Africa wide collaboration at the AfDB so as to deepen the monitoring process of the MDGs.

In terms of partnerships and collaboration, the COMESA Secretariat has continued to network and strengthen collaboration with the African Development Bank, UNCTAD, UNSD, SADC, EUROSTAT and the AU.

8.2 Challenges

The COMESA Secretariat has very limited regular staff dealing with statistics and most of its statisticians are on short term contracts. This affects the long term planning, and sustainability of the on-going programmes. This state of affairs does not reflect the critical role which the Statistics Unit plays in policy making through evidence-based analysis and empirical research.

8.3 Way Forward

Currently COMESA is working on the restructuring of the

Secretariat. It is hoped that this challenge will be addressed within the overall restructuring programme in order to enhance the process of regional integration through evidence-based policies.

9.1 The Important role played Cross Border Trade

PART 9: CROSS BORDER TRADE

Much of the Cross Border Trade between the neighbouring countries is often carried out by small, "informal" traders and thus, go unrecorded. COMESA believes that if these small traders organise themselves they can participate effectively in the process of deepening regional integration under the COMESA Free Trade Area. It is estimated that about 30 - 40% of the value of regional trade is conducted by informal traders.

The small cross border traders face many problems due to their 'informal' status, which at least deny them a chance to enjoy the duty free access to the neighbouring markets since they do not have the necessary documentation in the form of a 'certificate of origin'. COMESA has therefore developed a twin-pronged approach to assist these small traders. Firstly, it is supporting Member States to introduce a simplified customs procedure for small scale traders with consignments of US$500 or less. Secondly it is assisting traders to organise themselves into effective associations that can engage with governments and regional forums in order to influence trade policies that cater for their needs.

In 2009, COMESA established a Cross Border Trade (CBT) desk at the COMESA Secretariat, which facilitates and coordinates the implementation of the Simplified Trade Regime (STR) as well as help in building the capacity of informal cross border traders. The CBT desk is one of the four components of the EU funded Regional Food Security and Risk Management (REFORM) Programme under the leadership of IGAD. The COMESA element of the REFORM programme seeks to improve food security by promoting the liberalisation of trade in food so that food can flow freely across borders that is, from areas of surplus to deficit ones.

9.2 Simplified Procedures for Cross Border Traders

9.2.1 Progress and limitations

Ten countries agreed to pilot the COMESA Simplified Trade Regime (STR),[4] for which commitments were made in 2009 to launch the STR. However, the three of the EAC countries that were already implementing an almost identical scheme are: Kenya, Uganda and Rwanda. In 2010, only Zimbabwe, Malawi and Zambia implemented the COMESA STR. In other word, the STR is therefore operating in 6 out of the original 10 pilot countries. It is in this connection, that COMESA is taking stock of how the implementation of the scheme is working and how the tools can be improved before launching the scheme in other Member States.

In September 2010, both the EAC and the COMESA STR were subjected to an evaluation and the results of that work were shared between the two organisations. The COMESA study found that the limit of US$500 was too restrictive, and that the list of products to be traded mainly add complication rather than clarity and that, the other areas which were applied, over and above the import duty, discouraged its usage. Finally the application of a fixed processing fee (ASYCUDA fee) for using the documents was found to be punitive for small consignments.

Recommendations to improve the instrument developed by the three implementing countries were made by the meeting called to validate the report before its presentation to the Trade and Customs Committee in November 2010. Additional work will be carried out to improve these recommendations at a high level meeting of the Customs Commissioners in early 2011.

D.R. Congo, which has not yet implemented the FTA has agreed to fast track the implementation of the STR with its Eastern neighbours. In 2011, D.R. Congo hopes to stimulate trade and economic activity within the SME sector by implementing the programme on a unilateral basis.

9.2.2 Implementation of STR

With the implementation of the STR in the southern zone, TIDs were established at the three borders between Zambia and Zimbabwe at the Mchinji and, the Mwami Border post between Malawi and Zambia. These TIDs had the specific remit of supporting the implementation of the STR and assisting in the administration of the documents on behalf of Customs officers. These TIDs were given intensive training in Customs Procedures and for the most part given authority to issue the STR documents on behalf of Customs officials. This has worked extremely well.

9.2.3 Trade Information Desks (TIDs)

4 Malawi, Zambia, Zimbabwe, Uganda, Kenya, Burundi, Sudan and D.R. Congo

The small traders do find the officialdom at border posts intimidating and bewildering. A TID was established on the Congo side of Kasumbalesa[5] in 2009 to provide assistance to such traders and another was established on the D.R. Congo border with Rwanda, and Goma Gisenyi in July 2010.

In August, 2010, the Council recommended that the Customs Authorities in Member States should hence recognise TID as 'clearing agents'.

In 2011, it is expected to establish TID on the borders between Kenya and Uganda, Uganda and Sudan, and Rwanda and Uganda. It is hoped that as the use of the STR picks up the TIDs will be able to introduce a small charge to make their services self-sustaining and allowing them to be managed by the CBTA or other recognised authority.

9.3 Cross Border Traders Association (CBTA)

Box 2: Characteristics of Small Informal Traders and Formation of CBTA

Small informal traders constitute a huge resource in trade. Their status is often seen as informal as the consignments they carry are usually too small to use the normal 'trade' channels and documentation. The lack of proper documentation often leads to harassment. The idea of forming an Association of small cross border traders is to help these small traders improve their image and give them a collective voice.

The first CBTA was established in Lusaka as a regional association of small traders representing traders in the COMESA and SADC region. It initially drew its membership from local and foreign traders in Lusaka. Its intention was to develop branches both within and beyond Zambia. In 2000 the CBTA made a presentation to the COMESA Council of Ministers asking that small traders be recognised and entitled to enjoy the benefits the FTA conferred on the big traders. The COMESA Council of Ministers endorsed the concept of CBTA and support for the implementation of the STR that would benefit these small traders.

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a) COMESA aims to strengthen the existing CBTA and assist in the development of new national CBTAs, and in particular to make them self-reliant institutions that provide service to their members and to be an effective advocacy in trade forums.

b) The CBT desk enabled studies to be carried out in Malawi, Rwanda, Uganda, Kenya, Burundi and DR Congo, which examined the situation of cross border trade and recommended the training need requirements of the small traders and what steps might be taken to form CBTA. Each study was followed by a Validation and planning workshops.

c) Rwanda has gone down the Cooperative route and has brought together 8 newly established CBTAs cooperatives into a Cooperative Union. There are as of now CBTAs in Zambia, Zimbabwe, Malawi, Rwanda and Burundi. On the other hand, D.R. Congo, Uganda and Kenya have as yet only partial coverage at one border point.

d) In August 2010, COMESA hosted the first regional CBTA forum in Lusaka, Zambiato which the above mentioned CBTA were invited.

e) Zambia was assisted in developing a new constitution and holding elections at the beginning of the year.

5 Supported by Trading for Peace project

The Zambian CBTA has to increase its membership in order to become self-sustaining. The Zambian CBTA carried out training in food processing and on basic business techniques for women using their own resources.

f) The Zambia, Zimbabwe and Malawi CBTAs have so far been assisted in the launch of their respective CBTA with publicity and sensitisation.

9.4 Way Forward

a) In 2011, it is expected that the STR will be modified in order to overcome the problems identified by traders and that it will be launched in Sudan and Ethiopia with assistance from the EU funded REFORM project.

b) Support will be provided to DR Congo and its neighbours with assistance from the Trading for Peace project, jointly funded by USAID and Trade Mark South Africa.

c) In 2011, it is expected that National CBTAs will be formed in DR Congo, Kenya and Uganda. The formation of CBTAs will also begin in Sudan and Ethiopia.

d) Where National CBTAs have been formed COMESA expects to facilitate training on the management of these CBTAs and in turn assist them in providing training to their members especially with regards to border procedures.

e) A second Regional CBTA meeting will be organised in 2011, and policies emanating therefrom will be presented to the Council of Ministers.

9.5 Formation of Regional Procurement Market

Enhancing Procurement Reforms and Capacity Project (EPRCP) seeks to promote good governance by fostering efficiency, transparency and credibility in Member States' public procurement systems and harmonizing their procurement systems in order to expand intra-regional trade and promote regional integration. It also helps to enhance skill development capacity among the public officials involved in conducting procurement for their nations.

One of the most laudable achievements of the EPRCP over the last 7years has been to create a critical mass of the Member States to enact distinctive procurement laws upon which public procurement is regulated and processed based on the COMESA procurement Directive that was passed by the COMESA Authority at its Khartoum meeting in March 2003. To date, the project has helped Member States to enact and/or review the existing legislations and regulatory systems in order to modernise them to acceptable compliance levels in 13 Member States. This helped in achieving a relative harmonization level of 68%. Box 3 shows when each of the 13 Member States passed the New Procurement Laws, as well as the number of countries that have passed Regulation and adopted policy and monitoring body.

Box 3: Status of Implementing Procurement Laws, Regulations and establishment of Policy and Monitoring Bodies

Country	New Procurement Law passed (month & Year)	Regulations Passed	Policy and Monitoring Body created	New Systems working
Burundi	Yes – Feb 2008	Yes	Yes	Yes – Oct 09
Comoros	No	No	No	No
Congo D R	Yes – April 2010	Yes –Jun 10	No	No
Djibouti	Yes – July 2009	Yes- May10	Yes	Yes
Egypt	No	No	Yes	No
Eritrea	No	No	No	No
Ethiopia	Yes - Sep2009	Yes- Jun 10	Yes	Yes
Kenya	Yes – Yr 2005	Yes - 2006	Yes	Yes
Madagascar	Yes – Jul 2004	Yes- Yr2007	Yes	Yes
Libya	No	No	No	No
Malawi	Yes – Jul 2003	Yes - 2006	Yes	Yes
Mauritius	Yes – Apr 2007	Yes - 2006	Yes	Yes
Rwanda	Yes – Apr 2007	Yes - 2008	Yes	Yes
Seychelles	Yes – Dec 2008	Yes – 2010	Yes	Yes
Sudan	Yes – Feb 2010	No ?	No	No
Swaziland	No	Yes – Apr08	No	No
Uganda	Yes – Yr 2003	Yes - upd09	Yes	Yes
Zambia	Yes – Dec 2008	No	Yes	No
Zimbabwe	No	No	No	No
Total No. Of Countries to Implement	**19**	**19**	**19**	**19**
No. Of Countries Implementing	**13**	**12**	**12**	**10**
% Implementation	**68%**	**63%**	**63%**	**53%**

Despite the achievements, the challenges still persist and continue to militate against achieving the required levels of regulatory effectiveness and transparent processing of public tenders in the region, Without regard to the structure and quality of the legal framework in the different Member States; it has proved difficult to have Member States to agree on enacting legislation on procurement. However, modernizing the existing anachronistic systems along the internationally acceptable frameworks has been no mean achievement.

A major breakthrough during 2009 was the passage of the Regional Procurement Regulations required for the implementation of the regional procurement market which is a logical progression to the COMESA Directive. The Regulations, which were adopted by the Council of Ministers at Victoria Falls in Zimbabwe in June 2009, were later gazetted and can now be found on the COMESA Website as Volume 15 No. 3. The instrument was definitely a positive development because it now provides the legal basis for introducing the regional market and carrying further modernisation and harmonization of the national procurement systems.

9.5.1 Development of the regional procurement market (cross-border procurements)

Development of the regional procurement market, which is supported by the COMESA Procurement Information Systems (PROMIS) has therefore been at the very centre of the reform enterprise during the year under review. This regional portal is the engine that will facilitate the running of the regional market through a web-based approach on the dissemination and processing of procurement information. Under the first phase of implementation, the system should basically enable Member States to post their Tender notices of regional interest on the regional procurement portal. The second phase of implementation will involve extending the process to cover other stages of the procurement process such as bid submission which will be part of a gradual process of introducing e-procurement into the entire tendering process.

The First mentioned Phase has now taken off with five Member States (Kenya, Mauritius, Seychelles, Uganda and Zimbabwe) having made the initial attempt to post Tenders of regional interest on the PROMIS portal http://promis.comesa.int. The process will continue now that the Focal Point persons have been appointed by Member States. COMESA will continue to engage with them and provide technical support wherever necessary.

9.5.2 Capacity Building

The shortage of professionals in the region who are not only proficient in procurement procedures but also have sufficient skills to apply the legal instruments appropriately and creatively can adversely undermine the integrity and credibility of the procurement system. As a result, a lot of time is being wasted in retendering or bypassing the procedures in order to avoid delays, leading to protracted disputes which have a negative impact on public investment.

In support of national initiatives on capacity building, the Project has conducted Public Procurement Administration workshops which covered, inter alia the scaling up of skill knowledge on multiple and cross-cutting principles inherent in the procurement practice. Training under Phase 1 which covered 15 countries by the end of December 2009 was scaled up during the year under review, and by end of December 2010, the Project had carried out 30 training sessions involving a total of 756 participants.

A parallel, but a very important activity to the ongoing training will be the strategic partnership with selected national and regional training institutions to enable the mass roll-out of procurement training on a sustainable basis, in order to support the ongoing decentralisation and professionalization drive in the Member States. A number of training institutions have now been engaged and further collaboration is expected to continue.

10.1 COMESA Investment Flows

10.1.1 Foreign Direct Investment (FDI) Inflows

PART 10: INVESTMENT

The impact of the global economic and financial turmoil drove FDI in the COMESA region down from US$ 22,367 million in 2008 to US$ 16,831 in 2009, equivalent to a 25 per cent decline. The FDI inflows recorded by the region have shown steady decline from US$ 25,354 million in 2007 to US$ 22,367 million in 2008, and US$ 16,831 million in 2009. The specific and major reason for the decline was due to the contraction in demand and output, which started in the 4Q of 2008 eventually affected all the countries and regions and led to the dramatic falling in commodities prices.

The commodity producers and investors in tourism were the most affected than the other sectors. In 2009, out of US$ 16,831 million of FDI inflows, the service sector dominated, by the telecommunications and transport infrastructures, claimed 49% of the share, while the primary sector (mining and petroleum) represented 45%. The manufacturing sector was the least attractive sector with 6% of the share. Sustained by the expanded activities, the telecommunications industry became the largest recipient of the FDI inflows.

Among the investing economies, the Asian countries (mainly China) are, through joint ventures, involved in the infrastructure development in the COMESA countries, for example, in the Democratic Republic of Congo, China's involved in the construction of roads, and the building of special economic zones (SEZs) in Egypt, Ethiopia, Mauritius and Zambia. These SEZs may boost industrialization and employment, as they are expected to result in improved infrastructure, technology transfer and employment opportunities. But judging by the current experience, the COMESA countries will have to negotiate smart partnership, if these investments are to be useful and contribute to development.

The prospects for FDI inflows into the COMESA region suggest a slow recovery, as global economic and financial conditions are expected to improve slowly and commodities prices to rebound from the lows reached in 2009.

In 2009, the COMESA's share of FDI flows to Africa was (US$ 58,565 million), which represents 29%. Egypt (US$ 6,712 million), Sudan (US$ 3,034 million), Libya (US$ 2,674 million), Zambia (US$ 959 million) and D.R. Congo (US$ 951 million) which are the five top countries claiming the bulk of the of FDI shares.

10.1.2 Foreign Direct Investment (FDI) outflows

The COMESA FDI outflows represented US$ 1,908 million in 2009 compared to US$ 8,117 million in 2008, representing a fall of 76%; which means that in 2008, the COMESA countries invested a lot less abroad. The five top COMESA cross-border investing countries are: Libya (US$ 1,165 million) and Egypt (US$ 571million) with a share of 60% and 30% of total COMESA FDI outflows respectively. The remaining 10% is shared between Kenya (US$ 46 million), Sudan (US$ 45 million) and Mauritius (US$ 38 million).

10.1.3 Intra-COMESA FDI Flows

In 2009, the intra COMESA FDI inflows amounted to US$547.83 million. This estimate excludes results of the surveys that are being analyzed or ongoing in Malawi, Zambia, Kenya, Djibouti, Comoros and Mauritius.

From the data compiled so far, Uganda is the most comprehensive and is the largest recipient of intra-COMESA FDI flows. Kenya's investment in Uganda was worth US$ 229 million, followed by Mauritius whose investment was US$210 million. In 2009, the Libyan investment in Uganda stood at US$ 58.54 million. Madagascar also reported inward FDI from Mauritius of US$12 million. Egypt reported inward investments from Libya and Sudan worth $2.6million and US$2.3 million respectively. Table 10 shows FDI flows and outflows within the COMESA region, while Table 11 indicates the FDI and outward stocks for the COMESA region.

10.1.4 COMESA STATISTICS ON INVESTMENT 2005-2009 by country (Millions of Dollars)

Table 10 - FDI FLOWS

Country	FDI INFLOWS	FDI OUTFLOWS							
	2006	2007	2008	2009	2006	2007	2008	2009	
Burundi	-	-	14	10	-	-	-	-	
Comoros	1	8	8	9	-	-	-	-	
DR Congo	116	1,80	1,727	951	-	18	54	30	
Djibouti	164	195	234	100	-	-	-	-	
Egypt	10,043	11,578	9,495	6,712	148	665	1,920	571	
Eritrea	-	-3	-	-	-	-	-	-	
Ethiopia	545	222	109	94	-	-	-	-	
Kenya	51	729	96	141	24	36	44	46	
.Libya	2,013	4,689	4,111	2,674	-534	3,933	5,888	1,165	
Madagascar	294	777	1,180	543	-	-	-	-	
Malawi/	30	92	170	60	1	1	1	-	
Mauritius	105	339	383	257	10	58	52	38	
Rwanda	16	82	103	119	14	13	14	14	
Seychelles	146	239	252	243	8	26	30	6	
Sudan	3,541	2,436	2,601	3,034	7	11	98	45	
Swaziland	36	37		106	66	2	-23	8	-7
Uganda	400	733	787	799	-	-	-	-	
Zambia	616	1,324	939	959	-	86	-	-	
Zimbabwe	40	69	52	60	-	3	8	-	
Total COMESA	18,157	25,354	22,367	16,831	-320	4,827	8,117	1,908	
Total Africa	57,058	63,092	72,179	58,565	7,171	10,622	9,934	4,962	
Total World	**1,461,074**	**2,099,973**	**1,770,873**	**1,114,189**	**1,396,916**	**2,267,547**	**1,928,799**	**1,100,993**	

Source: UNCTAD World Investment Report 2010

Table 11- FDI STOCKS

Country	FDI inward stock (Millions US$)				FDI outward stock (Millions US$)			
	2000	2007	2008	2009	2000	2007	2008	2009
Burundi	47	48	48	71	-	-	-	2
Comoros	21	26	40	49	-	-	-	-
DR Congo	617	1,512	2,521	3,058	-	-	-	-
Djibouti	40	518	752	852	-	-	-	-
Egypt	19,955	50,503	59,998	66,709	655	1,781	3,701	4,272
Eritrea	337	380	383	383	-	-	-	-
Ethiopia	941	3,620	3,681	3,790	-	-	-	-
Kenya	931	1,892	1,988	2,129	115	199	243	289
Libya	451	6,575	12,834	15,508	1,942	523	10,823	11,988
Madagascar	141	1,830	3,306	3,496	10	6	6	6
Malawi	358	590	627	821	8	20	21	22
Mauritius	683	1,249	1,632	1,889	132	285	348	375
Rwanda	55	170	274	412	-	-	-	-
Seychelles	448	864	1,508	1,114	114	130	68	148
Sudan	1,398	13,828	16,262	19,296	-	-	-	-
Swaziland	536	889	619	809	87	72	59	52
Uganda	807	2,909	4,189	4,988	-	-	-	-
Zambia	3,966	5,375	8,545	9,504	-	-	154	154
Zimbabwe	1,238	1,492	1,544	1,604	234	245	253	253
Total COMESA	32,970	94,270	120,751	136,482	3,297	3,261	15,676	17,561
Total Africa	152,614	393,429	510,511	514,759	44,156	172,752	97,958	102,165
Total World	5,757,360	15,210,560	14,909,289	17,743,408	6,069,882	15,602,339	16,205,663	18,982,118

Source: UNCTAD World Investment Report 2010

10.2 COMESA Common Investment Area (CCIA)

The COMESA investment promotion programme is implemented through the COMESA Common Investment Area (CCIA) whose main objective is to create a good investment environment within the region; promote cross border investments; protect investments and investors; and through its competitiveness, make the COMESA region a destination for FDI where domestic investments are encouraged.

To achieve this objective, the legal and institutional reforms have become the major tools in the implementation of the CCIA. Furthermore, a Regional Strategic Framework on the simplification of procedures of starting business, company licensing, and transparency have been developed. To this end, the Committee on Investment met in Lusaka, Zambia, on 3-4 June 2010 to validate the Regional Strategic Framework, from which a roadmap for its implementation at the national level was developed and adopted by the 38 delegates from the 17 COMESA Member States.

In the meantime, a comprehensive programme based on the World Bank indicators and other indicators to be developed.. The Council of Ministers endorsed the roadmap and decided that the Secretariat should work closely with SADC and EAC. The implementation of the roadmap is being carried out at the Secretariat level and through the Regional Multidisciplinary Centre of Excellence (RMCE) programme with the support of the World Bank Group.

On 22nd November 2010, the Regional Multidisciplinary Centre of Excellence (RMCE) in collaboration with the Secretariat and the World Bank launched the initiative to improve the environment for doing business in Eastern and Southern Africa. It was therefore, agreed that the programme will be conducted in two phases. In the first three years, it will focus on regulatory areas covered by Doing Business indicators. Two years after that, its scope will expand beyond Doing Business indicators, to include broader competitiveness indicators. The rationale for the phased approach is in recognition of the limited capacity and resources of the participating governments and on the need to learn from experience that, simpler project design increases the chances of successful implementation.

10.3 COMESA Business Survey 2009

For the period under review, the COMESA Secretariat conducted a survey based on the investor's perception and needs. Fifteen countries, including: Burundi, D.R. Congo, Djibouti, Egypt, Eritrea, Ethiopia, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe, participated in the survey.

The findings of the survey and the recommendations were validated by the Member States at their meeting in Lusaka, Zambia, on 3-4 June, 2010. Some of the outcomes of the survey include inter alia:

Pillar 1: Governance and political environment:

- Inefficient government/bureaucracy
- Corruption
- Policy instability
- Business licensing and operating permits
- Lack of transparency in the application of rules and regulations
- Tax regulations
- Crime and theft

Pillar 2: Infrastructure efficiency and cost affecting Business:

- Transport infrastructure (inadequate and dilapidated)
- Water and electricity supply and cost
- Telecom efficiency and cost

Pillar 3 Macroeconomic stability:

- Inflation
- Interest rate (high)

Pillar 4 Financial market

- Access to finance/credit
- Interest rate

The survey also showed that only a few COMESA countries have signed the Double Taxation Agreement (DTA) amongst themselves. Mauritius is the first country to sign the DTA, in addition to six COMESA countries, namely; (Ethiopia, Seychelles, Rwanda, Swaziland, Uganda and Zimbabwe). The signing of the DTAs by the other COMESA countries is still under negotiation. The most enterprises that were surveyed wanted their countries to negotiate and sign the Double Taxation Agreements with the other COMESA countries, in order to enhance cross-border investment in the region.

Furthermore, most of the COMESA countries intend to expand their businesses in the other COMESA countries. This underscores the need to promote cross-border investment in the region. To date , only a few countries are involved in investing in other COMESA countries. These countries includes: Egypt, Ethiopia, Kenya, Mauritius, Sudan and Zimbabwe. In this connection, the organisation of trade fair and investment fora will help to promote business activities and interaction between the COMESA partners.

10.4 Way Forward

In order to create an enabling business environment, the following steps are necessary:

a) The World Bank Doing Business indicators and the other relevant parameters should be adopted as the common indicators of progress on improving business, setting up procedures, and costs for all the COMESA countries;

b) Specific task groups should be set up in each country to monitor progress on the utilisation of World Bank Doing Business indicators;

c) Political support for the improvement and harmonisation of the legal, regulatory and procedural frameworks for company start ups, covering registration, licensing and transparency, should be solicited and strengthened;

d) Responsibilities for the management and coordination of efforts to achieve improvement and harmonisation should be allocated and the capacities for the necessary policy advocacy work provided;

e) The establishment of the appropriate institutional structures to support business start ups, including One Stop Shops and Investment Promotion Agencies should be a priority for all COMESA countries. Where they already exist, the case for strengthening and improvement should be considered;

f) All relevant legislation and procedural information related to business start ups should be published on IPA websites;

g) Donor support for the capacity development, institutional and regulatory changes that are needed to improve and harmonise business start up (both registration and licensing) should be sought;

h) The investment information sharing amongst the Investment Promotion Agencies, through the COMESA Regional Investment Agency (RIA), should be encouraged and promoted;

i) The Secretariat should sensitize policy makers at the COMESA RIA and other events in order to get the commitment and political support in the implementation of the Actions plan in line with the creation of an enabling business environment in the COMESA countries.

11.1 Strategic Objective

PART 11: INFRASTRUCTURE DEVELOPMENT

The strategic objective of infrastructure development in the region is to improve the effective operation and to reduce to the cost of doing business and to enhance competitiveness in the regional market as well as in the international market. It is in this context that the development of physical infrastructure is critical in facilitating trade, regional integration and economic development. However, within this context, all the major components under the infrastructure programming which include: transport, information and communication technology (ICT), and energy will have to be addressed. In order to achieve this, three main intervention areas have been identified for the development of infrastructure, which include: Policy and Regulatory Harmonization; Development of Regional Physical Infrastructure; and Trade and Transport Facilitation.

11.2 Constraints Related to Infrastructure

The important role which infrastructure plays in facilitating cost-efficient transactions merits a special attention. The removal of constraints to infrastructure is necessary for improved market access and not only enhances factor mobility, efficient productive capacity, but also ensures the production of goods and services at more competitive prices by reducing the cost of doing business, through policy and regulatory harmonization, facilitation and development of regional physical transport, communications and energy infrastructure. COMESA has therefore opted to address these challenges through a corridor approach in order to have a holistic solution..

11.3 Status of Infrastructure

11.3.1 Transport

a) Civil Aviation

The air transport liberalisation programme in the COMESA region is based on the Yamoussoukro Decision (YD) which was adopted by the African Union (AU) in 1999. The implementation of the YD in the COMESA region was adopted through Regulations for the Liberalisation of Air Transport, which were gazetted through the COMESA Legal Notice No 2 of 1999. Currently sixteen Member States namely: Burundi, Djibouti, D.R. Congo, Comoros, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Sudan, Seychelles, Uganda, Zambia and Zimbabwe are implementing Phase One of the Legal Notice No. 2. Eleven Member States namely; Burundi, Djibouti, Egypt, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia and Zimbabwe are granting the fifth freedom traffic rights to COMESA air carriers.

The COMESA COSCAP Project which is intended to enhance aviation safety in the region has been adopted for implementation in the Eastern and Southern Africa region as well. The project is being developed through three phases which cover all the twenty six countries under the COMESA/EAC/SADC. The Republic of Djibouti is designated as the lead country in the implementation of the COMESA COSCAP; and the Secretariat will work with Djibouti to complete the development and implementation of the COSCAP project.

b) Road Transport

COMESA has over the years developed various transit transport facilitation instruments to address the constraints and bottlenecks for the smooth operations of cross-border and transit transport services. These instruments address the issues of licensing of transit and cross-border transporters, harmonisation of axle load limits, overload control, gross vehicle weight, vehicle dimensions, and road user charges. Following the decisions of the COMESA, EAC, SADC Tripartite Summit which was held in Kampala, Uganda in October, 2008, a strategy has been developed to facilitate the adoption of a harmonised transport facilitation instruments across the entire region.

Over the last three years, COMESA and TTCA, through funding by the USAID have embarked on a pilot project to fast track the implementation of the key transit transport facilitation instruments along the Northern Corridor. In this regard, assessment was undertaken in the countries of the Northern Corridor namely: Burundi, D.R. Congo, Kenya, Rwanda, Southern Sudan and Uganda in order to determine the challenges and constraints which each country is facing in implementing the instruments.

The main challenges identified relate to the issues of legislation and capacity to operationalise the licence at national level. In addition, it is necessary to develop guidelines to harmonise the procedures for the issuance of the carrier licence. The results of the pilot project will be replicated along the other transport corridors in the region.

c) Railways

Over the last three decades, the share of cargo carried by rail has declined drastically resulting in huge operating losses for the railways corporations as well as the high cost of transportation in the region. This has compelled governments to spend substantial public funds in order to bail out the loss making railways. Due to lack of budgetary allocations to undertake maintenance and renewals, the state of both the permanent way and rolling stock have continued to deteriorate and in a good number of cases the branch lines have been closed altogether.

In an effort to improve performance in the railways, the countries have started to adopt new options such as concessioning of the railways, restructuring of management, and in a good number of cases, closure of branch lines. The railway concessionings have been undertaken in Malawi, Zambia, Kenya and Uganda, while closure or suspension of services in some segments and branch lines have been made in Ethiopia, Kenya, Malawi and Uganda,

Under the new development approach, Ethiopia, Djibouti and the five EAC countries, have decided to develop a standard gauge rail networks to replace the existing narrow gauge networks. Among the brand new rail networks being planned in East Africa are the Kagera Basin network covering Burundi, Rwanda and Tanzania and the Lamu Corridor railway which is to serve Kenya, Southern Sudan, and Ethiopia through the port of Lamu in Kenya.

d) Corridor Development and Management

In line with the global approach of enhancing transport and trade facilitation in the developing countries, the Eastern and Southern Africa region has embraced the Corridors as a strategy to develop regional transport infrastructure and to apply harmonised regional policies and regulations. This strategy is expected to designate regional corridors where physical infrastructure in roads, railways, ports, inland terminals and border posts will be given high priority by keeping them in good condition through construction, maintenance and management in order to keep them open for use by the countries served by these corridors.

The COMESA, EAC, SADC Tripartite framework has developed a Pilot Aid for Trade Programme along the North South Corridor in order to implement harmonised policies, regulations, trade and transport facilitation instruments as well as the development of physical infrastructure, including the establishment of one stop border posts and the corridor management institutions in a sequenced manner. The Aid for Trade Pilot programme is to be replicated on the other five major regional corridors in Eastern and Southern Africa.

In order to develop similar programmes, detailed analytical studies were conducted on the Northern and Central Corridors through funding from DFID and USAID. Similar preliminary studies have also been undertaken on the Djibouti/Ethiopia Corridor and the proposed Lamu Corridor. The studies are expected to identify the key constraints in the physical infrastructure and facilitation issues, and to identify which projects need to be implemented in order to overcome these constraints. An investment conference was convened in Nairobi, Kenya in October, 2010 to mobilise funding for the projects that had been identified along the corridors in the East and the Horn of Africa.

The Eastern and Southern Africa region has also embarked on the development of one stop border posts along the corridors to reduce long “dwell times” at border posts. The task in the development of one stop border posts entails the construction of physical facilities; harmonisation of national policies, preparation of model legislation, passing of legislation in Member States; and the preparation of a common operating procedures for all the border agencies. A number of border posts which have been launched, include: Malaba between Kenya and Uganda, and Chirundu between Zimbabwe and Zambia, while others which are at the various stages of development are at: Kazungula, Nakonde, Namanga, Rusumo, Akanyaru, and Gishenyi/Goma.

e) Maritime and Inland Water Transport

The ports in the ESA region recorded mixed results in traffic both in terms of cargo volumes in deadweight tonnes (DWT) and containers in Twenty Foot Equivalent Units (TEUs) handled in 2010 compared to 2009. This may have been due to the effects of global financial crisis which started in 2008. The main challenge in ports continued to be congestion leading to delays for ships and extended high port dwell times for freight leading to delays in cargo deliveries from ports for onward land transport. This is a critical issue which needs to be addressed urgently by the adoption of measures to decongest port terminals through quick deliveries of imports into or out of the ports.

The Shire Zambezi waterways project on the other hand, is intended to be developed as an inland waterway for navigation to provide access to the Indian Ocean especially for the landlocked countries such as Malawi, Zambia and Zimbabwe through the port of Chinde. The contract negotiations carried out by the Joint Technical Committee comprising the three participating states namely: Malawi, Mozambique and Zambia supported by the COMESA and SADC Secretariats, were concluded after a successful due diligence exercise was carried out

The African Development Bank (AfDB) has subsequently responded favourably to the funding request and has undertaken to finance the project through its Water Sector Programmes and also the NEPAD/IPPF windows. The Draft Terms of Reference have been prepared as a result of an AfDB assessment mission to the region in which the Member States and the secretariats of COMESA and SADC participated.

Following the completion of the initial assessment study on what needs to be done on the Lukuga River in order to arrest the increase in the outflow of water as a result of the degradation of the dyke, it was recommended that the facility be rehabilitated by constructing a more robust structure which will regulate the amount of outflow during both the high and low water regimes on Lake Tanganyika. A consultant was commissioned to undertake detailed engineering designs for the construction of a barrage which could regulate the outflow of water.

11.3.2 Energy

The installed capacity of electric power in the COMESA region is about 38,000 megawatts of which, about 73% is thermal and 26% is hydro. The effective generation is however less than the installed capacity by more than 20% due to a combination of factors such as drought, lack of maintenance and rehabilitation.

The percentage of the population that has access to electricity in most of the COMESA Member States, with the exception of Egypt (99%), and Mauritius (99%), varies between 8 to 12% for Uganda, Rwanda and Malawi; 15-25% for Ethiopia and Kenya; Zambia, Swaziland and Sudan are in the range of 20-35% and Zimbabwe 41%. This means that a high percentage of the population is still waiting for the power supply and live in virtual darkness – which is an indicator of the low level of economic development.

The short term and long term measures should therefore be taken to overcome the deficit in power supply in the COMESA region. In this regard, the utility projects which are expected to be operational in the short run, and which are estimated to be around 5,000 megawatts, are among the short term measures that are required to address the current power shortfalls in the COMESA region.

The long term measures include the development, adoption and implementation of an energy master plan and harmonization of energy policy and regulatory framework, which would make the COMESA region more conducive for investment in the energy sector and beyond.

11.4 Key Strategies to Develop Regional Infrastructure

In order to develop the regional infrastructure, the following key strategies will be employed:

a. Develop or review model policies and regulations (for transport, ICT, and energy);

b. Adopt and implement Regional Corridors and One Stop Border Posts Approach (OSBP);

c. Adopt and implement appropriate infrastructure projects for Island Member States;

d. Involve the private sector in the infrastructure development; and

e. Implement a mechanism for the dissemination of information on the development of the infrastructure projects to all the business institutions.

11.5 Key Achievements

Over the years, COMESA has adopted a number of policy model and regulatory guidelines in transport, ICT and energy, trade and transport facilitation instruments, and priority infrastructure projects which the Member States are implementing.

A number of regional associations of regulatory authorities have also been established in order to facilitate policy and regulatory harmonization as well as to foster capacity building. The key achievements are summarized below under each of the three subsectors, transport, ICT and energy.

11.5.1 Transport

In the transport sector the policy and facilitation instruments adopted include the following:

a. The Transport Policy and Strategy prepared and adopted by the Member States under the TCS/PIP project;

b. The Priority Investment Plan for Transport identified, validated and endorsed to mobilize resources and implementation of the next phases of the TCS/PIP programme,

c. Launch of the Joint Competition Authority for YD Implementation;

d. Implementation of the Aid for Trade Pilot Programme for the North-South Corridor;

e. Diagnostic Studies for the Central, Djibouti and Lamu Corridors for the preparation of Aid for Trade Programmes along the corridors;

f. Study for the Transformation of the Northern Corridor into a Spatial Development Initiative (SDI);

g. The transport facilitation instruments fast tracked along the Northern Corridor countries; operationalization of the COMESA Carrier Licence; harmonization of Axle Load Limits, Overload Control Procedures and Vehicle Dimensions with SADC and EAC;

h. Diagnostic studies carried out and reports submitted on the Central; Djibouti and Lamu Corridors to establish the status of the transport infrastructure and the implementation of trade and transport facilitation instruments;

i. Harmonization of the infrastructure programmes with EAC and SADC under Tripartite Framework;

j. Launch of the feasibility study on the Shire Zambezi Waterways project corridor under the COMESA,EAC andSADC Tripartite Framework;

k. Feasibility study for the Great Lakes railway and detailed design for the Lukuga dyke on Lake Tanganyika; and

l. Chirundu One Stop Border Post (OSBP) pilot commissioned and studies for OSBP projects at Beit Bridge, Kasumbalesa, and Nakonde.

11.5.2 Information Communications Technology (ICT)

Under the Information Communications Technology (ICT) sector, the key achievements include the following:

a) The COMESA ICT Policy and Model Bill;

b) Broadcasting Model Policy and Bill;

c) The Associations of Regulators for Information and Communications in Eastern and Southern Africa (ARICEA) has implemented policy guidelines such as spectrum management and monitoring, and is currently conducting a study for an independent secretariat, work programme, communications and marketing strategies;

d) Review of COMTEL Business Plan and Project Information Memorandum; and

e) Installation and commissioning of the VSAT Closed User Group Network in ESA region.

11.5.3 Energy

Under the energy sector key achievements include the following:

a) The COMESA Model Energy Policy Framework was adopted and is now being used by the COMESA Member States to review or develop their national Energy Policy;

b) The Integrated Planning Strategy in the Development of Energy Resources whose main thrust is to assist the COMESA region achieve a higher level of strategic regional co-operation in the use and development of modern energy resources including their infrastructure so as to maximize energy gains in the short, medium and long terms was adopted;

c) Regional Association of Energy Regulators for Eastern and Southern Africa (RAERESA) was launched and operationalized;

d) Some Electrical Standards (covering generation, transmission and distribution) were recommended for adoption;

e) The implementation of some regional energy infrastructure such as Zambia – Tanzania – Kenya, Eritrea – Sudan and Uganda – Sudan power interconnection projects fast tracked.

The key achievements under the energy sector include the formation of the Eastern Africa Power Pool (EAPP) as one of the specialized institutions of COMESA for electric power. In addition, the securing of funds from cooperating partners to implement the key projects are as follows:

a) Technical assistance and capacity building project financed by the European Commission (EC);

b) Regional master plan and grid code study project financed by the AfDB/NEPAD/Infrastructure Project Preparation Facility Grant;

c) Technical assistance for the operationalization of EAPP Coordination Center andIndependent Regulatory body was financed by Norway and;

d) Powering Progress Project was financed by USAID East Africa, among others.

11.6 Challenges/Constraints

A number of challenges arose during the implementation of the COMESA infrastructure programmes which slowed down the achievement of the objectives of the programme.

These include:

a) Long gestation periods in the preparation of projects, and in the development of physical infrastructure to attain the implementation status;

b) Structuring of regional projects to facilitate joint project preparation, design, funding contracting and implementation;

c) Lack of effective participation by the private sector in the development of regional infrastructure;

d) Inadequate legal and institutional framework to enhance/facilitate private sector participation in the regional infrastructure development programmes; and

e) The slow implementation of the agreed facilitation instruments to overcome the constraints arising from the national regulatory and administrative procedures.

The COMESA Information and Networking programme seeks to promote the use and to raise awareness on Information Technology leading to an information society which is key to the development of knowledge-based economies. For the period under review significant strides were made in the implementation of the various programmes.

12.1 San and Virtualization

All previous 22 physical servers have been consolidated into 3 blades allowing for the expansion of IT services resulting in reducing transaction costs, energy and management overhead. It is now possible to restore a faulty virtual server in less than half an hour compared to 2-3 days in the old environment. A Diaster Recovery (DR) storage is in place ready to be set up as replication for business continuity. The significance of the move to virtualisation is that, the COMESA Secretariat has opted for green ICT. This refers to environmentally sustainable computing or IT whose goal is to reduce the use of hazardous materials, maximize energy efficiency during the product's lifetime, and promote the recyclability or biodegradability of defunct products and factory waste.

12.2 ICT Trade Facilitation

For countries to obtain maximum benefit from the ASYCUDA system functionalities, the COMESA Secretariat conducted training in risk management and selectivity in the ASYCUDA system for the DRC Katanga Customs and the Comoros Customs in May – June, 2010. Risk assessment using selectivity in the ASYCUDA system assists the Customs Administrations by facilitating the increased international movement of legitimate cargo while attempting to minimize the movement of illegal goods. This enables the Customs officials to concentrate resources on identifying and examining high-risk conveyances and cargo.

In addition to the linking of the Transit Data Transfer Module (TDTM) to the Regional Customs Transit Guarantee Management Information System (RCTG -MIS), which is now more secure and efficient, the development of a new interface for the Single Administrative Document (SAD) was completed and can now be printed from a web page. The development work on the upload and download of the Transit document (T1) was also completed. The upload of the T1 from the ASYCUDA system allows the capturing of more transit details that include the itinerary of the transit cargo, truck and driver's details. The T1 also lays a foundation for the tracking of the transit cargo as it moves across borders along a transit corridor. The customization of the T1 is done. This latest development has yet to be implemented at the pilot sites (Beitbridge Border Post- Zimbabwe side, Chirundu Border Post- Zambia and Zimbabwe, and at Kasumbalesa Border Post- Democratic Republic of Congo and Zambia)

The technical and business documents were prepared for the purposes of streamlining procedures and guiding developers on the desired enhanced functionality of the TDTM and the RCTG-MIS tools. The integration of the systems is important as it reduces the number of physical interfaces which a user has to navigate before completing a transit transaction. The vision and objective for COMESA and the Member States is to enable the user of the RCTG-TDTM to work from one system - the TDTM, to execute the processes that reside in RCTG and TDTM. The concept has been proved and the full development and implementation is to be undertaken so that updating Carnet/Guarantee details and the status of the transit cargo as it transverses the borders of the various countries along a transit route can be effected in the live environment.

Mobilization and awareness workshops were conducted in the Northern Corridor, the Horn of Africa, Sudan, North – South Corridor and Malawi on the TDTM. However, SADC and COMESA agreed to collaborate in the development and implementation of a joint system - SADC-COMESA Customs Transit Management Information System based on the core COMESA TDTM in the spirit of the Tripartite Framework. The Regional Economic Communities (RECs) also seek to simplify and harmonize Trade facilitation procedures, and present to their Member States a single Transit solution and to optimize resources.

Support work on the TDTM was also conducted in the countries where it had been piloted, namely: D.R. Congo, Zambia and Zimbabwe. In Zimbabwe, the main problem had been with the upload of Transit data to the COMESA server due to poor internet connectivity. In D.R. Congo, the TDTM was reinstalled and the headquarters staff, at Lubumbashi office, were trained on their TDTM roles. The Direction General of Customs and Excise of the Democratic Republic of Congo requested further training for his Staff at Kasumbalesa on the use of the TDTM during an Inter Border Management meeting between Direction General of Customs and Excise of D.R. Congo and the Zambia Revenue Authority, which the COMESA Secretariat attended.

To facilitate the movement by Member States towards the Customs Union, Member States are encouraged to modernize their customs operations through adoption and upgrading of their Automated Customs Systems. A migration strategy from a manual or from a lower version of the Customs Automated Systems was formulated for the benefit of Member States wishing to migrate to higher versions of their Automated Customs systems. Consultations with the interested countries were held in this regard.

12.3 Development and Support of Various Information Systems

a) Regional systems

Proposals for the development of the Cross Boarder Traders Management Information System (CBT-MIS) and the COMESA BizDirectory (an online business directory) were submitted to the annual Sixth IT Technical Committee Meeting which was held in Nairobi, Kenya from 25th to 27th March, 2010 for their consideration and approval. The proposals for the development of the CBT-MIS and COMESA BizDirectory were approved by the Committee and adopted by the Council of Ministers at their meeting in Swaziland.

The COMESA Secretariat has since embarked on the preparation of needs assessment reports for regional applications during the later part of the year. Two reports detailing the needs assessment methodologies for the CBT-MIS and COMESA BizDirectory were produced.

b) Consultant's database

The COMESA Secretariat developed the COMESA Consultants database. The database is a web-based application that will allow the COMESA Secretariat to compile, organize and have ease of access to the curriculum vitaes of regional consultants in their respective fields. The COMESA Secretariat carried out internal training of its staff assigned to work on the database.

c) COMESA Web Portal

The implementation of a marketing strategy for the web portal during the period under review witnessed an increased number of visitors to the site. The site was ranked at position 412,519 world-wide in popularity in 2010, compared to 520,000 in 2009. The site also incorporated use of full multi-media and Social Networking Media. COMESA created their presence on Facebook, Twitter and YouTube. The e-COMESA newsletter on-line subscriber's database grew to over 2000 users. Following the users' requests, the e-COMESA newsletter archive was introduced on the site to allow users access to past editions/ issues of the newsletters. More than 5 thematic blogs initiated by the Trade Division were also carried on the site and received tremendous response.

d) E-Learning Programme

The e-learning programme is being implemented to promote education through the internet in the region. A model platform which is for use by all the Member States has already been installed at the Secretariat. Two courses were successfully run on the platform in 2010.

Following the 2009 Council Decision that the Government of Kenya should lead the programme on behalf of all the Member States, a Memorandum of Understanding was signed between the COMESA Secretariat and the Government of Kenya to that end. An e-learning workshop was also held in 2010 where an e-learning strategy for COMESA was drafted.

e) Free and Open Source Software (FOSS) Programme

The COMESA Secretariat is implementing a programme on Free and Open Source Software (FOSS). A feasibility study on FOSS utilization, feasibility and potential in the COMESA region was done in 2009. The objective was to assist in the development of a FOSS framework for the COMESA region and also to provide a clear way forward for the FOSS programme in COMESA. The study emphasized on the need to have an improvement on the FOSS policy environment, as well as a sustained and functional awareness programme to ensure the capacity building within the region. The study in addition requested the establishment of the FOSS communities where they do not exist and strengthening the existing ones. As a follow up on the report in 2010, the COMESA Secretariat initiated the process of setting up the Regional FOSS Community.

f) Geographic Information System (GIS)

During 2010, COMESA Secretariat initiated the development of a GIS System for the COMESA region. The transport, peace and security layers were identified as the two layers to be initially implemented on the GIS System. The hardware was put in place and the process of acquiring the software was initiated.

g) E-Legislation

Consultancy on draft regulations on electronic transactions was completed during 2010, and will be taken to the Technical Committee for endorsement before being submitted to the Legal Drafting Sub-Committee. It will thereafter go to the Legal Technical Committee and finally presented to the Ministers of Justice.

h) Solving the E-waste Problem

During 2010 COMESA engaged the StEP (Solving the E-waste Problem) Initiative and Basel Convention for collaboration in drawing up the COMESA e-Waste programme. It was proposed that a Memorandum of Understanding be signed between COMESA and the StEP initiative. Terms of Reference have also been prepared for the consultancy to draft a COMESA e-Waste policy.

i) E-Government

The COMESA e-Government portal which was launched in 2009 was reactivated. The COMESA Secretariat took over the responsibility of updating the content on the site. This duty had initially been left to the Consultant who developed the portal. To keep the content current, focal points in each Member States were contacted and requested to provide up-to-date information on the status of e-Government development in their respective countries.

Professionals from the COMESA Secretariat went on a mission to the Estonia e-Governance Academy where they held discussions on how the Academy may provide the required technical assistance in the implementation of the regional e-Governance Academy as well as to conclude an agreement on the proposed Memorandum of Understanding (MoU) with the government of Uganda to set up and host the academy.

j) Procurement Management Information System (PROMIS)

COMESA in collaboration with the EPRCP project worked on the implementation of the PROMIS System. The PROMIS System provides Member States a platform to advertise regional and national procurement opportunities. It also gives suppliers a central place to check for procurement opportunities that exist in the region.

The system has been registered for public access and the Member States have appointed IT and Procurement focal point persons to spearhead its implementation in Member States. The system has been well received by most of the Member States with more than 50 tenders having been uploaded in the last quarter of 2010. A meeting of focal points was held in December 2010 in Ethiopia, where most of the Member States were represented and it was unanimously agreed that the system be fully utilized. The COMESA Secretariat provided training for users in most of the Member States and is providing support for the system. The system will be publicized in 2011 and much more tenders are expected to be uploaded.

13.1 Introduction

PART 13: AGRICULTURE

The COMESA region covers an area of about 8.5 million square kilometre (27% of the total area of Africa), 42% of the area is given as arable land, while 60% is endowed with rivers and lakes. Agriculture is the main economic activity. It accounts for more than 32% of the COMESA GDP, 80% of the labour force, provides 50% of raw material for the domestic industry, and accounts for about 65% of the foreign exchange earnings. The sector remains the backbone and the key engine of future regional economic growth.

13.2 Food Security Situation in the COMESA Region 2010

The food security in the COMESA region in the year 2010 was precarious. Ten countries in the region had serious food shortages. Some countries such as Uganda, Zambia, Malawi and Kenya were expected to be food secure due to good rains. However, even in these countries there were large pockets of food insecure areas especially in traditionally dry pastoral areas such as north eastern Kenya and Northern Uganda. Malawi was different. It was expected to record a food surplus due to government subsidy though reduced rains may lower this.

Eritrea and Djibouti have large parts of their rural populations faced with food insecurity mainly due to poor rains. Estimates by the Famine Early Warning Systems Network, (FEWS NET) show that in 2010, over 10 million people required emergency food aid to alleviate hunger. In general, even countries with good rainfall patterns still face food insecurity for a number of reasons, the main one being lack of income and access to affordable modern farming inputs especially, fertilizers and certified seeds. In addition, other problems include limited access to markets for their produce and hence limited intra-COMESA trade in the staple food crops.

The above notwithstanding, some COMESA Countries did particularly well. For example, in the last four years, Malawi has through sustained government subsidy not only met its own food needs, but has on the other hand also been able to export to its neighbours. Rwanda's agricultural production has grown by 13% and 17% in the last two years.

The food production growth of 2.1% per annum in the COMESA region is below that of the population which has been growing at 3% per annum. As a result, the food supply situation in the region remains generally unstable. In Eastern Africa, poor rains limited cereal production throughout 2009. The 2010 food situation indicated extreme food insecurity in Djibouti, Northern Western Uganda, South-Eastern Ethiopia and in some parts of Kenya. Given the many social problems that the world food crisis has created in the COMESA region, the recommendations are the adoption of short to medium term strategy to protect the poor and the vulnerable without distorting the domestic food economy. On the other hand, the long term "resilience "measures allow farmers to take advantage of production incentives while also stabilizing the economy to prevent vulnerability to future crises and price variability. The efforts being made by the COMESA Secretariat through programmes on food security within the overall framework of CAADP need the total support and collaboration from all the Member States if regional food security is to be achieved.

The COMESA programmes and projects which are to address the food security situation in the region, include:

a) Agricultural Marketing Promotion and Region Integration Project (AMPRIP);

b) Cross Boarder Trade component under the Risk Management and Food Security (REFORM);

c) Scaling up of Conservation Agriculture (CA) under the Climate Change Unit;

d) Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) and;

e) Irrigation Development through implementation of COMESA Irrigation Master Plan to promote investment and enhance profitability and to close the technological gap through capacity building, institutional restructuring, research extension and training.

1.3.2 Fisheries Development in COMESA Region

The COMESA Fisheries Development Strategy was validated by a COMESA Meeting of Directors of Fisheries in Lusaka on 23 – 24 November 2009. The goal of the strategy is to increase and sustain the contribution of fisheries and aquaculture to the region's socio-economic development and food security. The strategy identifies regional priorities and development targets in the sector and defines the roles of stakeholders and approaches for pursuing these activities. It is embedded in the AU-NEPAD Action Plan for African Fisheries and Aquaculture and the CAADP Companion Document on Fisheries, which specifies these frameworks to meet the priorities of the COMESA region. As part of the strategy, Member States agreed on an implementation plan with three priority technical programmes to fast-track the implementation of the strategy. These programmes are:

(i) Fisheries and Climate Change Adaptation

The objectives are:

a) To improve understanding of current and likely future climate change impacts on the region's fisheries through ecosystem-based vulnerability assessments of critical inland and marine fisheries.

b) To enhance adaptation options by identifying, testing and verifying technologies and management practices that can reduce climate vulnerability in freshwater and marine environments; and

c) To strengthen technical and institutional capacities for long-term climate adaptation in the fisheries sector through regional centers of excellence, linkages with regional and international adaptation support programmes and integration with national strategies and action plans.

(ii) Accelerating the Expansion of Sustainable Aquaculture

The objectives are:

a) To substantially increase the production of African aquaculture and its contributions to the region's food security needs and commercial development.

b) To develop and apply viable strategies at national and regional levels to achieve this growth of aquaculture in an economically, socially and environmentally sustainable manner;

c) To scale up emerging successes in aquaculture at different level of investments including integrated aquaculture-agriculture, peri-urban aquaculture and production for exports, targeting small medium scale enterprises.

d) To increase the capacity of private and public sectors for driving the long-term development of the sector in Africa through applied research and technology dissemination.

e) To build a cadre of professional staff in Regional Centers of Excellence in Africa who are equipped with the skills required to use appropriate technologies effectively and work with these to adapt them to the specific ecological, economic, social and institutional contexts faced; and

f) To strengthen the capacity of COMESA Secretariat for regional coordination of programmes in the aquaculture and fisheries sector, within the framework of AU-NEPAD Action Plan for the Development of African Fisheries and Aquaculture.

(iii) Enhancing Regional Trade of Fish and Fish Products.

The expanded concept notes were developed for these programmes and the objectives are:

a) To improve understanding of existing regional trade, recognizing the particular importance of high volume markets for relatively 'low-value products'

b) To identify key opportunities for investing in the pro-poor development of such trade and develop plans with costs together with private, public and civil society sector stakeholders.

c) Specifically, to strengthen the capacity of small and medium scale enterprises. Particularly those headed by women, to access pertinent technologies, information, support services and markets.

d) To improve availability, safeguard the safety and quality of a diversified range of fishery products in Africa rural and urban markets.

e) To strengthen the capacity of COMESA Secretariat and their Member States to support and guide the further development of this trade within the context of regional economic integration and sustainable fisheries management; and

f) To strengthen the capacity of research and training institutions in the region to provide science and capacity building support to these policy and planning processes.

13.3 Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA)

The ACTESA was endorsed by the 13th COMESA Summit in June 2009 as a specialised Agency to:

a) deliver agricultural services which will enable smallholders improve their productivity,

b) add-value to their products and access markets; and

c) promote various market models such as warehouse receipt systems, agriculture commodity exchanges, purchase for progress and access to finance, production and marketing services.

During 2010, which was the first full year of ACTESA's operations, much progress was made in integrating producers into national, regional and international markets. During the period, ACTESA continued to work with her partners, namely: the East African Grain Council and its national chapters, the East African Farmers Federation (EAFF), and Southern Africa Confederation of Agricultural Unions (SACAU) to enable outreach to grassroots farmer groups in a bid to integrating them into commercial markets. In addition, ACTESA continued to work with the key financial partners, namely: USAID, EC, AUSAID, DFID, World Bank, Wold Foood Programme (WFP), AGRA, Swiss Development Agency, Hewlett Foundation and IFDC.

13.3.1 Food Commodity Trade in the COMESA Region:

Following the recommendations of ACTESA and its partners, the Council at its meeting in August 2010 established five clusters for agricultural trade in staple food products as follows:

a. Zambia, Mozambique, Malawi, Zimbabwe, Swaziland and Democratic Republic of Congo;

b. Democratic Republic of Congo, Burundi, Rwanda, Tanzania and Uganda;

c. Uganda, Kenya, Tanzania, Sudan, Ethiopia, Eritrea, Djibouti and Democratic Republic of Congo;

d. Sudan, Egypt and Libya, and

e. Indian Ocean Island Member States.

Pursuant to the designation of clusters by the Council, ACTESA at its 4th Stakeholder Forum in Entebbe, Uganda, agreed amongst other issues, to hold the first meeting of the clusters by mid 2011 at which critical support activities for producers would be concluded.

13.3.2 ACTESA programmatic activities:

During the year, ACTESA continued to implement a number of important programmes that were critical in the commercialization of small producers in the region. The Market Linkages Initiative (MLI) supports the ACTESA Secretariat and also focuses on promoting growth in food staples trade to ensure food security specifically in Malawi, Rwanda, Kenya, Burundi and Uganda. ACTESA initiated discussions with USAID and other partners during the year to agree on modalities for continued support to MLI when the initial contract with the USAID ends after September 2011.

The €20 million COMESA Regional Agricultural Inputs Programme (COMRAP) which is supported by the EC was officially launched on 21 July, 2010 is to be implemented throughout the COMESA region with a greater focus on the 8 landlocked countries, namely: Burundi, Ethiopia, Malawi, Rwanda, Swaziland, Uganda, Zambia and Zimbabwe. The programme aims to increase agricultural productivity through enhanced access to three intertwined factors, namely: finance (credit), seed and fertiliser. The programme's seed component will cover all the 19 Member States. Overall, the programme is expected to assist 3,000,000 smallholder farmers, train 6,000 agro-dealers and have some accredited, train 700 Bank managers on lending to smallholder farmers and pilot weather indexed insurance in at least four landlocked countries by August 2011. The implementation is through the country line ministries and in the country structures such as the national farmers associations, international organizations, sub-regional and international research centres, national research institutions and extension, international and national insurance companies, and regional and national banks.

On 15th March 2010, ACTESA began to work with the Australian Government and the World Bank to design ACTESA's "Strengthening Markets for Regional Trade and Food Security" (SMART-FS) programme. The thrust of the programme will be to help achieve ACTESA's objectives that aim at improving the integration of smallholders into the domestic, regional and global markets through improved policy environment, agricultural and financial services, and capacity building in order to commercialize smallholder farmers. SMARTS FS envisages operating a business model facility that will engage the private sector, public sector and agribusiness.

13.3.3 Natural Products Commodity Marketing:

In line with the Intergovernmental Committee decision that ACTESA includes natural products commodity marketing (honey and other forest products) in its portfolio, ACTESA in collaboration with APITRADE AFRICA held an exhibition from 26-27 October, 2010 in Lusaka whose theme was: "Role of beekeeping in attaining food security in Africa" to show case the potential of the honey and other forestry products.

13.3.4 The African Agricultural Markets Programme (AAMP):

The AAMP, supported by the Department for International Trade (DFID) through the World Bank, is to promote policy dialogue on the key agricultural input and output issues. The programme uses well researched policy briefs to build the capacity of stakeholders in implementing regional agricultural marketing programmes. During the first half of 2010, AAMP conducted training sessions on agricultural reporting for journalists in the region, and a seminar on managing food price variation and an agricultural risk management workshop which was held in Malawi in September 2010. The last such policy seminar, which will take stock of what has worked and what has not in smallholder commercialization would be held in April 2011.

13.3.5 ACTESA Seed Trade Regulations and Harmonization Implementation Programme (ASHTRIP):

ACTESA, with the support of the Swiss Development Agency formulated a 4 year programme to facilitate increased seed trade in the region and the implementation was expected to start in mid 2011.

13.3.6 Regional Livestock and Fisheries Marketing Programme:

ACTESA undertook assessments of livestock marketing value chains for six countries in the Eastern Africa cluster (Ethiopia, Somalia, Kenya, Uganda, Djibouti and South Sudan). Following these assessments, ACTESA will during 2011 design a long-term livestock programme, focusing on developing markets for livestock and livestock products for the region.

13.3.7 Regional Biotechnology and Biosafety Activities:

Biosafety issues do transcend national boundaries. For countries with limited resources, regional cooperation is a realistic option for accessing and gradually building the necessary capacities for the effective implementation of the Cartagena Protocol on Bio-safety. The Protocol (Article 14) provides for countries to enter into bilateral, regional and multilateral agreements and arrangements to manage trans-boundary movement of GMOs.

During 2010, ACTESA focused on holding consultations in Member States on the: COMESA draft on regional bio-safety policies and guidelines which would be presented to policy organs in 2011.

13.3.8 Irrigation Infrastructure Development:

In accordance with the Council's decisions of August 2010 in Swaziland, ACTESA began to work with the Government of Sudan to prepare for a regional irrigation and water management training of trainers course to be held in Khartoum in the first quarter of 2011. The training curriculum was prepared and resource mobilization accomplished with BADEA.

13.3.9 The World Food Programme's Purchase for Progress Programme (WFP-P4P):

One of the key development innovations over the last few years has been the introduction by the WFP of the P4P programme which promotes procurement of commodities from smallholder farmers. During the year, a WFP seconded officer began work at ACTESA in November to help in ensuring efficiencies in the efforts to link smallholders to WFP and other markets.

13.4 The Comprehensive Africa Agriculture Development Programme (CAADP)

The CAADP is the highest policy level framework for the development of agriculture in Africa. CAADP was established by the African Union's New Partnership for Africa's Development (AU/NEPAD) and endorsed by the African Heads of State and Government in July 2003. The overall goal of CAADP is to "Help African countries reach a higher path of economic growth through agriculture-led development", which eliminates hunger, reduces poverty and food insecurity as well as enabling the expansion of export. COMESA has been given the mandate to implement the CAADP agenda within its Member States.

13.4.1 Country CAADP Compacts

An important milestone in the CAADP implementation process is the signature of the CAADP Compact, a document which outlines the country agricultural development policies, strategies, investment programmes and budgets and modalities of implementation as well as monitoring and evaluation. The Compact is endorsed and signed by key stakeholders in the agricultural sector, including the Government, development partners, the private sector, farmer's organisations, the civil society organisations and other Non-State actors. Rwanda was the first country in COMESA and Africa to sign the CAADP compact in March 2007, followed by Burundi and Ethiopia in August 2009.

In 2010, the CAADP implementation in the COMESA region gained increased momentum with four Member States signing the CAADP Compact within a period of 5 months between March and July. These were: Swaziland, Uganda, Malawi and Kenya. This brought the total number of signed Compacts in the region, to seven, after Rwanda, Burundi and Ethiopia. Zambia fixed the date for the compact signature for 18th January 2011.

Among these countries, Rwanda presented its investment plan gap funding proposal to the Global Agriculture and Food Security Programme (GAFSP) in the second quarter of 2010, and has since received a grant contribution of US$ 50 million towards the implementation of the country's agriculture and food security investment programmes. Meanwhile, Rwanda has received financial resources to cover 110% of the resources gap presented at the High Level Business Meeting held in Kigali December 2009, where it presented to the development partners its investment programmes and the financing gap. Uganda, Malawi, Kenya and Ethiopia on the other hand finalised the design of their sector investment plans in the third quarter of 2010. These plans have undergone the Technical Reviews by the independent experts led by the African Union, NEPAD Planning and Coordinating Agency and the COMESA Secretariat.

Uganda and Kenya have held their Post-Compact High-Level Business Meetings, where they presented to the stakeholders and the development partners their respective investment plans and the funding gaps after the Technical Reviews. Through this process, these Member States have become eligible to access gap funding from the Global Agriculture and Food Security Programme (GAFSP) as well as other CAADP related funding institutions, including the African Development Bank (AfDB).

The Democratic Republic of Congo launched the CAADP process in May 2010 and started the process of the stocktaking exercise of the sector, as a step leading to the compact signature. Egypt planned to launch the CAADP in January 2011 and Eritrea would follow soon after. Seychelles has launched its investment plan design process and is working towards organising the Roundtable and Compact Signature in early 2011. The Secretariat continued, to support a number of Member States which had not yet signed the compacts, through technical assistance and support missions, to help them expedite the CAADP implementation process. These include: Sudan and Zimbabwe (missions undertaken in June 2010), Eritrea, Djibouti and Egypt (missions undertaken in October 2010). An intensive engagement with Mauritius was undertaken and further support is planned for the country to complete the compact signature in 2011.

Three capacity strengthening workshops were held, two in Lusaka, Zambia in April and October and one in Kigali, Rwanda in November 2010. These workshops achieved the objective of improving capacities of the CAADP country teams from Member States, composed of key multi-sector and multi-disciplinary stakeholder groups, in order to become the key drivers of change in the implementation of CAADP in their respective countries.

13.4.2 Regional CAADP Compact

The Regional CAADP compact has the objective to provide an agricultural investment framework to the Member States, in areas where an individual country cannot easily make effective investments. Such areas include trans-boundary and multi-country regional investment programmes, with a strong Public Private Partnerships element. These programmes also aim at adding value to the national investment programmes under the national compacts and at strengthening the broad regional integration agenda.

Progress was made in 2010 in the development of the COMESA Regional CAADP Compact and a draft Regional compact was completed and presented to the joint meeting of the Ministers of Agriculture, Environment and Natural Resources, which was held in Lusaka in July 2010. Following the decision of the Ministers meeting, the regional compact is currently under the process of completion to become a Regional Agricultural Investment Framework under the Tripartite arrangement between COMESA, SADC and the EAC.

13.4.3 Focus for 2011

The activities under CAADP will focus mainly on COMESA's strategic objective of enhancing the agricultural competitiveness by building regional capacity and technological capability in the agricultural sector, which will result in increased competitive production and supply of agricultural goods in the regional and international markets. The CAADP activities will further endeavour to address priority cross-cutting issues of environmental protection, climate change as well as gender and youth integration. This will be ensured through support to Member States in implementing CAADP under its four pillars to address issues related to:

(i) Sustainable land and water management

(ii) Improved rural infrastructure and market integration,

(iv) Food and nutrition security and

(v) Use of scientific and technological innovation through research and technology adoption.

The development and implementation of regional programmes along the value chains and with the private sector involvement will enhance competitive regional supply of agricultural products and forge the COMESA regional integration agenda.

The implementation of the CAADP programme at the Secretariat level is expected to significantly improve in 2011 due to the availability of MDTF resources following the signature of the Financing Agreement on 27th August 2010 and the planned recruitment of three additional staff in early 2011, namely: an M&E expert, a Communications Officer and an Administrative Assistant.

13.4.4 The Multi-Donor Trust Fund (MDTF) Child Trust Fund (CTF):

In order to accelerate the implementation of CAADP at country level, the MDTF was established under the management of the World Bank to facilitate the process. A number of development Partners have put funds into the Trust Fund, which have been used to support the various activities in the COMESA region since August 2009. Under the MDTF, the Child Trust Funds were established to support the different institutions in the implementation of the CAADP in their respective areas.

The COMESA CTF Agreement of US$ 4.5 million was signed on 27th August 2010, for a period of three years. These funds will significantly improve the support rendered by the COMESA secretariat to the Member States to expedite the implementation of CAADP.

13.4.5 CAADP Implementation Support Process and CAADP Partnership Platform:

The Development Partners have made a firm commitment to support agricultural development in Africa through the CAADP framework. The CAADP Partnership Platform has been established to bring together the African Governments, the African Union, the NEPAD Planning and Coordination Agency and the RECs, to jointly plan, implement, monitor and review the financing and implementation of the CAADP process in Africa. The Secretariat participated in the PP meeting held in April 2010 in Johannesburg, South Africa. The CAADP Coordinator at the COMESA Secretariat is a permanent member of the CAADP Partnership Platform Planning Committee and attended all the related meetings in 2010. Besides the PP meeting, different CAADP staff participated in diverse planning and thematic technical meetings and workshops in Africa and overseas, organised by and with partners, including among others, the AU, NPCA, Development Partners, and the Farmers Federations in Eastern and Southern Africa.

13.4.6 Agricultural Programmes under CAADP:

In helping the Member States to implement the CAADP process in order to attain the CAADP Compact stage and to implement the Post Compact CAADP agenda at country and regional levels, the COMESA Secretariat established a number of programmes aimed at supporting the region to achieve food security. The programmes were designed to be consistent with the four CAADP Pillars of:

Pillar 1: Extending the area under sustainable land management and reliable water control systems (aimed at increasing overall agricultural output);

Pillar 2: Developing rural infrastructures and trade related capacities for improved market access (to ensure that producers have reliable and remunerative outlets);

Pillar 3: Increasing the food supply chains, reducing hunger and improving responses to food emergency crises; and

Pillar 4: Improving agricultural research, technology dissemination and adoption. This will improve agricultural productivity through improved yields.

13.4.7 The Focal Point for the EU All Agricultural Commodities Programme (AAACP)

In 2010, the COMESA Secretariat was selected as the Focal Point for the EU All Agricultural Commodities Programme (AAACP) for Eastern and Southern Africa region within the framework of PACT II.
This partnership is described as a "twinning arrangement" in the Programme Documents and Global Work Plan for the Period October 2007 to December 2011. An MOU that run until December 2011 was signed in 2010.

The "All ACP Agricultural Commodities Programme" was conceived by ACP Member States and is funded by the European Union. Its overall objective is to improve incomes and livelihoods for the ACP agricultural commodities producers and to reduce income vulnerability at producer and macro levels.

The AAACP programme has its roots in the EU Action Plan on Agricultural Commodities, Dependence and Poverty (COM (2004) 89) and the EU-Africa Partnership for Cotton Sector Development (COM (2004) 87). The Partnership is the outcome of the Paris Forum of July 2004. The EU provided a budget of Euros 45 million at the start of the programme, which will end in December 2011. Out of this amount, one third was earmarked to support the cotton component.

13.4.8 Agricultural Marketing Promotion and Regional Integration (AMPRIP)

The Agricultural Marketing Promotion and Regional Integration Project (AMPRIP) ended December 31st 2010. The regional Food and Agricultural Marketing Information System (FAMIS) is now being piloted in selected countries while a new programme has been developed to enable member countries to fully optimize the benefits of the regional reference laboratories established for animal health, plant health and food safety in Zambia, Kenya and Mauritius respectively.

Work is envisaged where the animal health laboratory at the Central Veterinary Research Institute in Zambia, will be strengthened to support the establishment of compliant SPS protocols to expand beef exports in the Tripartite region (COMESA-EAC- SADC GFTA). The COMESA reference laboratory for plant health at the Plant Health Inspectorate Service (KEPHIS) in Kenya is effectively linked to the Center of Phytosanitary Excellence (COPE) to strengthen member countries' capacities for pest risk analysis (PRA) and plant health diagnosis. The capacity building through COPE and KEPHIS will address SPS/ phytosanitary constraints and increase trade in horticulture and other agriculture products in the region. Another initiative is underway, where COMESA is coordinating the aflatoxin partnership comprising the private sector, development partners and member countries, to pilot a "Green Pass" for maize, and to ensure that all the traded maize meets the requirements of the harmonized regional standards. Member countries should also develop appropriate infrastructure, adopt new technologies and improve the regulatory systems for aflatoxin control and management.

Since most SPS trade barriers are between countries belonging to the various RECs: EAC, SADC and COMESA), the COMESA SPS work programme is cast within the Tripartite framework and with the strong private sector participation. Focus will be on implementing commercially driven projects aimed at addressing existing SPS barriers while piloting mutually agreed certification schemes such as the "COMESA Green Pass". COMESA has taken an active and pro active role in ensuring the SPS Annex of the Tripartite FTA Agreement is well articulated and focused on critical areas necessary for a functional FTA, whilst strengthening coordination and synergies between the RECs.

14.1 Introduction

PART 14: CLIMATE CHANGE

Climate change is increasingly recognized as a challenge to development, particularly in Africa where its effects may be most severe. vulnerability to climate change is considered to be highest in the ESA region due to social, economic and environmental conditions that amplify susceptibility to negative impacts and contribute to the low capacity to cope with and adapt to adverse climatic conditions.

COMESA in collaboration with SADC and EAC has developed a programme of addressing both mitigation and adaptation to climate change. The programme which is in line with the development agenda such as the Paris Declaration for Aid Effectiveness will:

a) Advance and be driven by the African leadership;

b) Reflect the African realities and priorities that take into account poverty reduction and community benefits;

c) Build on the existing African institutions and frameworks (e.g., NEPAD's CAADP, EAP and TerrAfrica);

d) Establish stronger linkages between climate change and the global Environmental Conventions such as the United Nations Convention to Combat Desertification (UNCCD), in order to underscore the linkages between agriculture and land use – the CAADP and UNCCD country processes – UNCCD and Kyoto conventions and so on and;

e) Avoid duplication by building on the existing African led initiatives.

The main purpose of the programme is to support the region's vision and efforts to address the challenges of climate change, including its impact on socio-economic development and poverty reduction. In the long-term, the programme will enhance sustainable natural resources management, food security, livelihoods of the rural populations, facilitate adaptation to climate change, and reduction in greenhouse gas emissions. The overall goal of the programme is to contribute to poverty reduction and economic growth.

Between US$60 million and US$100 million will be invested by the Programme over 5 year period, through a multi-donor funding arrangement, with a US$50 million contribution from Norway including supporting funds from the European Commission (EC), the Rockefeller Foundation, the United States Agency for International Development (US-AID) the United Kingdom Department for International Development (DfID) and others. The Regional Economic Communities (RECs) will then leverage these investments on the ground and during climate change negotiations in order to facilitate Member States' access to the investments (at least US$ 1 billion) needed to make a significant impact on achieving higher and more secure productivity from climate-resilient agriculture for the small-scale farmers in the region.

In December 2010, COMESA and the EC signed a Contribution Agreement in support of the Climate Change programme. In this Agreement, the EC contributed Euros 4 million to COMESA.

14.2 Progress Report

14.2.1 Strengthening Africa's position in international climate change negotiations

The eleventh session of the Ad Hoc Working Group on Long-term Cooperative Action under the UN Framework Convention on Climate Change (AWG-LCA 11) and the thirteenth session of the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP 13) Climate Change Talks that took place from 2nd to 6th August, 2010 in Bonn, Germany and the Climate Change Talks in China, which was held in October 2010. The meetings were organized in preparation for the Sixteenth Session of the Conference of the Parties (COP-16) to the United Nations Framework Convention on Climate Change (UNFCCC) which served as the Sixth Meeting of the Parties (MOP-6) to the Kyoto Protocol held in Cancún, Mexico from the 29th November to 10th December, 2010. Box 4 summarizes the status of COMESA Member States submission to the UNFCCC.

These talks were aimed at consolidating of positions following the Copenhagen Conference that marked the culmination of a two-year negotiating process to enhance international climate change cooperation under the Bali Roadmap that was launched by COP 13 in December 2007. The Talks were attended by over 1,650 participants, including 1154 delegates from Parties, 457 from observer organizations and 42 from the media.

For a long time, the civil society organizations (CSOs) in Africa had been sidelined in the UNFCCC process. But with the COMESA support, the Pan African Climate Justice Alliance (PACJA) was accepted by the AU to represent the voiceless, in particular the vulnerable communities. COMESA supported the CSOs delegates from D.R. Congo, Kenya, Zambia, Burundi and Zimbabwe. Furthermore, COMESA convened a meeting of Climate Change negotiators in Malawi to review the draft negotiation text and consolidate positions ahead of COP 16.

During the COP 16 in Cancun, Mexico, the delegates supported by COMESA were spread and integrated into their respective Country Party groups that were further divided into different groups to follow the different negotiation tracks to ensure that the country's and COMESA's interests were incorporated in the discussions and outcomes. The criteria for assigning delegates to the different groupings were based on their institutional background and relevance of the issue to be followed at the country level.

At country level, the delegates also participated in daily negotiating bloc coordination meetings including the African Group, the Least Developed Countries (LDCs) Group as well as the Group of 77 and China. One of the most important outcomes was a consensus on the Adaptation Fund, and the need to have a decision on Agriculture and the acceptance of REDD+ as a mitigation mechanism.

14.2.2 Stocktaking and documentation of stakeholders and actor-oriented perspectives for analyzing conservation agriculture in Sudan

COMESA in collaboration with the Government of Sudan identified and engaged an expert to take stock of the conservation agriculture activities in the country with the view of drawing lessons from some past experiences on investments on conservation agriculture. The consultant produced the first draft report which would be discussed at the conservation agriculture round table meeting in Sudan.

14.2.3 Convening of Conservation Agriculture workshop in Uganda and Ethiopia

COMESA in collaborations with the Governments of Uganda and Ethiopia convened stakeholders' workshops on conservation agriculture. The meeting in Uganda focused on validating the conservation agriculture stock taking report and charting the way forward for the design and implementation of a practical investment framework on Conservation Agriculture. The Terms of Reference which reflects the national circumstances was drafted and a consultant was to be engaged to design the conservation agriculture investment framework.

In Ethiopia, the Conservation Agriculture stakeholder workshop focused on reaching a consensus among the key stakeholders on the need to upscale conservation agriculture. The Government of Ethiopia has set up a technical committee comprised of the Government and other non-state actors to champion the up-scaling work on conservation agriculture. Furthermore, it was agreed that the Government would take stock of conservation agriculture in the country with a view of using the findings in developing a national wide framework on conservation agriculture, which builds on the CAADP and in particular, the sustainable land management framework

14.2.4 Design of the Conservation Agriculture investment Framework in Kenya and Malawi

COMESA is supporting the design of the investment framework on Climate Change in the Member States. In order to fast track the design of the investment frameworks, COMESA and Member States have embarked on the finalization of the agriculture component of the Climate Investment frameworks. In this regard, Kenya was given support to convene a working group meeting to design the pillars of the Conservation Agriculture investment frameworks. A consultant who was subsequently identified by the Government of Kenya, was engaged by the COMESA Secretariat to design the Conservation Agriculture investment framework by building on the elements identified by the stakeholders. The draft framework was finalized by the Government of Kenya and submitted to COMESA for consideration.

The Government of Malawi engaged a consultant to assist in designing the Conservation Agriculture investment framework, while in Zimbabwe the Government had commenced the design of the Investment framework.

14.2.5 COMESA- SADC-EAC Steering Committee

COMESA convened the three Steering Committee Meetings in Nairobi, Arusha and Gaborone, Botswana. The objectives of the meetings were to review the implementation of the current Grant agreement and to chart the way forward for the implementation of the future Climate Change interventions under the Tripartite framework.

The meeting agreed on the need for closer collaboration between the three RECs. Furthermore, the meetings agreed on the need to upscale the following programmes: Capacity building; MRVs piloting and the engagement of parliamentarians.

Due to the collaboration, EAC, COMESA and SADC have since signed the grant agreement on the Climate Change programme. In this regard, all the three RECs are now on board for the implementation of the Climate Change initiative.

14.2.6 Registration of the COMESA Carbon Fund

COMESA has registered its Carbon Fund in Mauritius and the Board Members held their first Board meeting in October 2010. The COMESA Carbon Fund is structured and designed to encourage broad-based economic development of low carbon and carbon abatement projects throughout the 19 COMESA Member States, the East African Community (EAC) and the South African Development Community (SADC), as well as the neighboring regions, and to therewith provide access to the various international carbon finance markets within a strategic and aggressive investment banking model. The target size of the Fund is approximately US$ 500 million.

14.2.7 Awareness Creation on Climate Change

COMESA supported the Television and Radio programme on Climate Change in Zambia. The programmes were aimed at raising awareness of the general public on the challenges of climate change and how to adapt to its effects. In addition, COMESA and Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN) trained some journalist in Namibia on effective reporting on climate change issues.

In 2010, the COMESA Carbon Fund underwent offshore registration in Mauritius. The Fund will acquire offsets from African land use projects on a large enough scale to be able to channel meaningful streams of revenues to the communities. The COMESA Carbon Fund will fill in the gap as the existing carbon market does not broadly understand or accept offsets from African land use projects.

In 2009-2010, the COMESA region continued with the positive developments in the area of peace and security. In the Great

Box 4: Status of Members States Submissions to the UNFCCC

	Convention on Climate Change Ratification	Kyoto Protocol Ratification	1st National Communication	2nd National Communication	National Adaptation Plan of Action (NAPA)	Website
Burundi	√	√	√	√	√	
Comoros	√	√				
Djibouti	√	√	√		√	
DR Congo	√	√	√	√	√	
Egypt	√	√		√	N/A	√
Eritrea	√	√	√		√	
Ethiopia	√	√	√		√	
Kenya	√	√	√		N/A	
Libya	√	√			N/A	
Mauritius	√	√	√		N/A	
Madagascar	√	√		√	√	√
Malawi	√	√	√		√	
Rwanda	√	√	√		√	
Seychelles	√	√	√		N/A	√
Sudan	√	√	√		√	
Swaziland	√	√	√			
Uganda	√	√	√		√	
Zambia	√	√	√		√	√
Zimbabwe	√	√	√		N/A	√

Source: www.unfccc.org

PART 15: PEACE AND SECURITY

Lakes Region, President Joseph Kabila affirmed, on 7 December 2009, before the two Houses of Parliament meeting that the D.R. Congo (DRC) was at peace with its nine neighbours. The DRC and Rwanda have since then opened embassies and exchanged ambassadors. As further sign of strengthening relations of the two countries, President Paul Kagame of Rwanda attended the 50th anniversary of the independence of DRC on 30th June 2010. The DRC and Uganda have also greatly enhanced their diplomatic and bilateral relations in 2010, which has resulted in exchange of ambassadors in each capital and high level cross border meetings. President Museveni also attended the 50th anniversary of the DRC independence celebrations.

In Burundi, the peace agreement reached among the Burundian parties held ground and is strengthening. The implementation process of the Peace Agreements between the Government and the last rebel movement, the PALIPEHUTU-FNL, was successfully completed with the disarming and demobilization of all the fighters, and the integration of 3,500 of them into the defense and security forces of the country. In DRC, the security situation improved significantly in the eastern part of the country where the main national armed groups, signatories to the Goma Agreement of 23 March 2009, were getting increasingly involved in its implementation.

In the Horn of Africa, in a new positive development, a framework agreement was signed by Eritrea and Djibouti on 6 June 2010, under the auspices of the Emir of the State of Qatar, to resolve through a negotiated settlement, the border conflict between the two countries which erupted in March 2008. The framework agreement entrusts Qatar with establishing a mechanism for the resolution of the border dispute and the normalization of relations between the two countries. In Sudan, several positive developments in the Darfur peace process were witnessed, since the 23rd of February 2010 in Doha, a Framework Agreement to Resolve the Conflict in Darfur between the Government of Sudan and the Justice and Equality Movement (JEM) was signed. The Agreement, which builds on the goodwill agreement of 17 February 2009 between the Justice and Equality Movement (JEM) and the Government of the Sudan, includes the declaration of an immediate ceasefire, a commitment to release prisoners of war and the undertaking to negotiate a final peace agreement by 15 March 2010. Following the signing of the Agreement, the Government of the Sudan immediately released 57 JEM prisoners of war.

The Tenth Meeting of the Ministers of Foreign Affairs, which was held in Ezulwini, Swaziland on 29th August 2010, commended the DRC authorities for the efforts they have made towards the consolidation of peace and national reconciliation processes, as well as for their significant contribution to restoring confidence among the countries of the Great Lakes region. The Meeting also discussed the challenges that faced the region including: the unconstitutional change of government in Madagascar; the rising incidents of piracy off the coast of Somalia and the Gulf of Aden, and the continued armed conflicts in Somalia which are affecting the neighbouring countries.

In Madagascar, on 17 March 2010, the Africa Union Peace and Security Council (PSC) punished the Madagascar government by imposing sanctions on Rajoelina and 108 of his allies for failing to fulfil a power sharing agreement he signed last year with the ousted President. Aid to Madagascar was cut off by donors, and the former military allies who backed him during the coup began to turn against him. These measures and the slowing of foreign investment have worsened the problems of the Indian Ocean island nation. The other significant challenge that faced the region was the effects of the ongoing crisis in Somalia. While Somalia ceased to be a Member of COMESA, the conflicts in that country have continued to adversely affect the neighbouring countries with an influx of refugees, small arms and light weapons, resulting in increased insecurity. Another continuing challenge has been the rise of piracy off the coast of Somalia, which has had a negative impact on the economies of COMESA Member States. As the effects of piracy are global in nature, a Regional Action Plan on Piracy was developed at the First Regional Workshop on Piracy that was held in Seychelles in July 2010 and was adopted by the European Union – Eastern and Southern Africa/ Indian Ocean (EU-ESA/IO) Ministerial Meeting which was held on the 7th of October 2010 in Mauritius. In August 2010, the COMESA Ministers of Foreign Affairs called on all the COMESA Member States to support the regional initiative against piracy and to consider a multifaceted solution to maritime insecurity.

In order to address the challenges facing the region, the COMESA Programme on Peace and Security which established a Committee of Elders in 2009, had four additional eminent persons elected during the Tenth Meeting of the Ministers of Foreign Affairs, bringing the number of members of the Committee of Elders to nine. The newly elected four eminent persons are the following: Ambassador Berhane Ghebray from Ethiopia; Sir James R. Macham from Seychelles; Madame Betty Oyella Bigombe from Uganda; and Ambassador Simbi Veke Mubako from Zimbabwe. The establishment of the Committee of Elders was in response to a Decision by the Seventh Meeting of the Ministers of Foreign Affairs that COMESA should establish a Committee of Elders from the COMESA Region "who would be chosen and deployed by the Office of the Secretary General for preventive peacemaking assignment." The elders will serve for a term of 5 years which will be staggered to ensure continuity.

During the period under review, several achievements were made in implementing the various programmes. Seven new CSOs were accredited to the COMESA programme on Peace and Security in 2010. The COMESA programme continued to implement the "war economy" component of the Conflict Prevention Management and Resolution (CPMR) strategy for Eastern and Southern Africa (ESA) region, which was jointly developed by COMESA, EAC and IGAD. As mentioned above, the First Regional workshop on Piracy for the ESA-IO region was held in Seychelles in July 2010. The workshop adopted a draft regional action plan for piracy and maritime security in the Eastern and Southern Africa and the Indian Ocean (ESA-IO) region; transfer, detention, prosecution, imprisoning and national / regional capability; and capacity building for maritime tasks and support functions. Other high level meetings were also held on Piracy during the last quarter of 2010. The Programme was able to send observer missions to the Presidential elections in Burundi and Rwanda. The aim is to contribute to the legitimacy and credibility of elections as a conflict prevention measure. In Trading for Peace, which targets the Great Lakes region and is aimed at using trade as a mechanism for peace and security, two additional Trade Information Desks were very successfully launched on 16 July 2010 in Goma and Gisenyi (Rubavu) at the border between DRC and Rwanda. The programme aims to build relations between the countries of the Great Lakes Region by focussing on small-scale cross-border traders, service providers and local government officials.

In the new Medium Term Strategic Plan (MTSP) 2011-2015, Peace and Security has become a pillar on its own in recognition of the foundational role of peace and security in building a socially and economically strong regional grouping. In the new MTSP, the strategic objective is to work with Member States to develop and implement effective mechanisms to promote Peace and Security in the sub-region. The five key strategies are to:

a) Ensure to work within the framework of the AU and to ensure collaboration with other regional and international organizations;

b) Strengthen collaboration in all aspects of conflict prevention and peace building at national and regional levels;

c) Develop, harmonize and support the implementation of policies on conflict prevention and peace building;

d) Ensure the sustainability of key institutions and mechanisms in the prevention and resolution of conflicts such as the Committee of Elders;

e) Develop and implement strategies to address security issues such as terrorism and piracy in the sub-region.

The five key interventions are:

(i) Improved collaboration with other regional and international organizations;

(ii) Conflict prevention;

(iii) Conflict resolution;

(iv) Post-conflict reconciliation and reconstruction; and

(v) Security.

As 2010 was declared the Year of Peace and Security (YoPS) by the AU, the COMESA programme on Peace and Security undertook a number of activities to commemorate the YoPS. Following the request by the AU for all the RECs to participate in the Year of Peace, the specific activities undertaken by COMESA include:

(i) a message of support from the COMESA SG on the YoPS was posted on the website;

(ii) brochures dealing with peace and security were printed and handed out at COMESA meetings;

(iii) Two Trade Information Desks for small-scale Cross-border traders were launched in Gisenyi and Goma, and was used by COMESA as the Official Launch for the Year of Peace activities. The Flame of Peace was lit and a Peace football match between the two sides was played;

(iv) A Special Dinner was organized during the Parliamentarian workshop which was held in August 2010 at Victoria Falls, Zimbabwe, aimed at enhancing their role in the fight against the entrenchment of war economies. The dinner which was graced by the President of the Senate of Zimbabwe emphasised the message of peace in particular through the showing of a Drama, with a specific message of Peace. T-shirts were printed and distributed;

(v) during the COMESA Summit the following activities took place to commemorate the YoPS: The Flame of Peace was lit; The Committee of Elders was commissioned; and finally (vi) the International Peace Day, September 21st, was used to sensitize the staff of the COMESA Secretariat on the AU's vision for Peace on the continent and COMESA's participation in the Year of Peace.

COMESA as a regional bloc has continued to complement efforts of the African Economic Community (AEC) and other Regional Economic Communities (REC) in playing an instrumental role in the actualization of the Millennium Development Goals, especially MDG 3 (Promote gender equality and empower women). As the region draws closer to the target timeline of 2015 for the realisation of these goals, concerted efforts are being applied with the objective of working towards the creation of policies, structures, programmes and systems focusing on the attainment of equitable representation of all segments of the society in the designed initiatives.

COMESA Secretariat has increasingly continued to show commitment towards women's economic and social empowerment and the need to integrate gender perspectives in all its existing work. To attain this, it has adopted a twin approach that addresses issues of women's roles in several activities, and the development of the important instruments that guide the organisation in its work.

The COMESA Secretariat has since 2009, implemented various initiatives that enforce gender perspective in all its programmes and at the Member State levels. This has created a level platform for implementation of programmes aimed incorporating a gender mainstreaming focus, starting from the design stages.

As documented in the Member States status of implementation reports, fact finding missions and studies conducted in 2009 and 2010, show that the enacted policies on gender mainstreaming are not necessarily being translated into action plans. There still exists a wide gap between the rhetoric and the realities on the ground. Most of the existing national gender machineries still grapple with challenges of mobilising the necessary human and financial resources to implement and monitor programmes that promote gender equality and women's empowerment. Some of these challenges manifest themselves in the poor attendance of women at decision-making forums such as the COMESA Ministers of Gender, the Summit and other consultative meetings by both Ministers and technical gender officials. The women in the region still remain disadvantaged in terms of access to and control of the economic sectors and resources such as, land, technology, credit, education, training and formal employment. This is due to their subordinate legal status.

It is imperative that the COMESA Secretariat and Member States should continue to stringently adopt deliberate measures aiming at creating an enabling environment for the actual implementation of policies and programmes that foster gender mainstreaming. In order to ensure the effective implementation of programmes that contribute to human development, gender mainstreaming should be applied in all social and economic spheres such as health-related areas like. HIV/AIDS and Malaria, agriculture, trade, governance, peace and security, science and technology, information and communication.

The COMESA region will never be fully developed when more than 50% of its population does not fully participate in, or benefit from its programmes and activities. The exclusion of over 50% of the regions human resource from the mainstream economic activities only leads to sub-optimal utilization of the existing resources.

Therefore, in an effort to keep the gender issues in the development agenda, the COMESA secretariat is currently mainstreaming gender concerns into programmes focusing on HIV/AIDs, based on MDG-6 (to combat HIV/AIDS, Malaria and other diseases); on capacity building initiatives for female farmers in the agricultural sector (MDG-1; eradicate poverty and hunger; integrating women in environmental sustainability initiatives (MDG-7, ensure environmental sustainability); and the development of the COMESA Social Charter, that aims to realise (MDG-2, achieve universal primary education, MDG-4, reduce child mortality rates and MDG-5, improve maternal health), among others.

16.1 The COMESA Gender Strategic Action

The COMESA Gender Mainstreaming Strategic Action Plan, identifies six priority areas, has guided the undertaking of programmes at the Secretariat level and used as a vital tool in the application of a gendered approach to review and design appropriate measures towards attainment of gender equality and equity. The six strategic areas are:

a) Strengthening the Gender Management Systems at national and regional levels;

b) Promoting Economic Empowerment of women through trade and private sector participation;

c) Establishing/strengthening FEMCOM;

d) Promoting Gender Equity and Social Development;

e) Establishing monitoring and evaluation mechanisms; and

f) Mobilising resource.

16.2 Gender Management Systems at National and Regional Level

16.2.1 Status of Implementation of the COMESA Gender Policy at Member State level

The COMESA Secretariat developed guidelines in 2010 to continue assisting Member States in the preparation of progress reports from a gender perspective in line with the COMESA Gender Policy and the COMESA Gender Mainstreaming Strategy and Action Plan.

The guidelines have assisted Member States to develop reports on the status of implementation of the Gender Policy within their respective countries. The Member States presented their reports at the Sixth Technical Committee meeting on Gender which was held in May 2010 at Victoria Falls, Zimbabwe. The reports highlighted the activities undertaken by the Member States in an effort to implement the recommendations of the Gender Mainstreaming Strategic Action Plan.

The reports by national gender machineries from COMESA Member States showed notable progress towards the implementation of the COMESA Gender Policy and the five years Action Plan.

16.2.2 Gender mainstreaming manuals

The COMESA Secretariat finalized Gender Mainstreaming Manuals, and it was recommended by the Ministers responsible for Gender and Women's Affairs during the Ministerial meeting held at Victoria Falls, Zimbabwe, that the manuals should undergo further review by a sub-committee consisting of selected gender experts from five Member States. The manuals will be tailor-made for professionals and managers who are not well-versed in gender mainstreaming practices. The document was subsequently endorsed by the Council of Ministers at the COMESA Summit held in August, 2010 in Swaziland.

16.2.3 Strengthening FEMCOM and Support Women Entrepreneurs

The COMESA Secretariat has signed a Grant Agreement with NEPAD for the establishment of the Business Incubator for African Women Entrepreneurs (BIAWE).

The main objective of BIAWE is to provide support to the African women entrepreneurs by increasing the capacity of small scale business enterprises (SMEs) that run by women in African countries. COMESA has entrusted FEMCOM with the technical responsibility for the actual implementation of the BIAWE pilot project. The expected results of the project will be the empowerment of women entrepreneurs within the COMESA region.

16.2.4 Promoting Economic Empowerment of Women

The CO)MESA Secretariat has finalised a strategy paper for the establishment of women entrepreneurship fund. This activity was undertaken in line with the decision of the Fourth Meeting of Ministers responsible for Gender and Women's Affairs, which as a result, directed the COMESA Secretariat to establish a women entrepreneurship fund in order to strengthen the women entrepreneurs within the COMESA region.

16.2.5 Trading Houses

COMESA has been in constant consultation with Mauritius to undertake a mission whose objective is to appraise the functionality of the trading house in Mauritius and to replicate the structures in all the COMESA Member States. The mission will be undertaken in 2011 in accordance with the decision of the Fourth Meeting of Minister responsible for Gender and Women's Affairs, which was held at Victoria Falls, Zimbabwe in May 2010.

16.3 Development of Agri-business Capacity Building programme for female farmers in the

COMESA region

The implementation of programmes on agricultural and agro-industry by the COMESA Secretariat is guided by the COMESA Gender Policy, the COMESA Treaty, and regional and international instruments. The critical role that the agriculture and agri-business sector plays, both in the economies and in improving the income levels and standard of living of the COMESA population is recognised in Article 147 of the COMESA Treaty. The treaty makes provision for improved agricultural production base for trade and inputs for agro-industry; and working towards the promotion of programmes which are aimed at processing primary agricultural products, in order to enhance their value and create rural employment.

In view of this reality, the COMESA Secretariat embarked on concretising efforts towards implementation of programmes that aim to fully engage the participation of women farmers in the region in the agricultural mainstream. COMESA Secretariat has therefore through its Gender and Social Affairs Division, and with the support of USAID, initiated a programme focusing on increasing opportunities for value addition and market access to female farmers in the region.

The targeted programme activities undertaken included conducting a baseline survey in three COMESA countries, namely: Kenya, Uganda and Mauritius. The survey was conducted in order to assess the levels of female farmers' participation in existing agricultural and agri-business initiatives in the region.

The survey's findings indicate that a more concerted effort at COMESA Secretariat and Member States level is required to address existing challenges of market access, technological obstacles and policy constraints that lead to low agricultural productivity resulting in food insecurity and poverty, especially among women farmers and female-headed households.

The way forward for 2011 includes the identification of specific programme activities by COMESA with regards to capacity building for the female farmers in order to address some of the identified gaps. To realise this goal, the Secretariat will undertake initiatives to identify national and regional partner institutions for collaboration in the implementation of capacity building programmes and also to strengthen the existing ones with a view to coordinating the activities on capacity building for the female farmers.

The main objective of the programme is to integrate and increase participation of the female farmers involved in agribusiness at regional and global value supply chains.

16.4 Promoting Gender Equity and Social Development

The COMESA Secretariat is in the process of developing a COMESA HIV/AIDS Multi-sectoral Programme through the assistance of the Swedish/Norad Grant. The Programme Framework was presented and adopted by the Fourth Meeting of Ministers responsible for Gender and Women's Affairs of Gender further recommended that the COMESA Secretariat should consult other RECs such as EAC and SADC that already have existing programmes on HIV/AIDS, AU and some COMESA Member States, with the objective of harmonizing the programme.

The Embassy of Sweden in Zambia, through its Regional HIV/AIDS Team for Southern Africa has provided additional funds for the finalization of the COMESA HIV/AIDS Multi-sectoral Programme in accordance with the decision of the Fourth Meeting of Ministers responsible for Gender. The implementation of the activities under this programme will commence in 2011.

16.5 Development of the COMESA Social Charter

In order to increase the efforts towards the socio-economic development and cooperation in social and cultural affairs, COMESA Secreatariat has finalized a strategy paper on the Social Charter which was adopted by the Fourth meeting of Ministers responsible for Gender and Women's Affairs and endorsed by the Council of Ministers.

The overall goal of the Social Charter is to integrate the social development perspective into the COMESA Programmes.

16.6 Proposed Focus Areas

The COMESA Secretariat will continue to focus on the following strategic areas:

a) Strengthen the Gender Management Systems at national and regional levels;

b) Mainstream of gender and HIV/AIDS in COMESA programmes and projects;

c) Develop the COMESA Social Charter;

d) Conduct agri-based small scale capacity building programmes for female farmers;

e) Develop proposals to mobilise resources for gender and climate change programmes.

f) Design a model Trading house

g) Mobilisation additional resources for economic empowerment of women entrepreneurs

16.7 Challenges

Although there has been notable progress with regards to the implementation of the Gender Policy among the COMESA Member States, enormous challenge still remains in some Member States, as efforts to implement the Policy have not yet been taken as a major priority. Advocacy and monitoring missions to Member States that are still need to be undertaken with a view of creating awareness on the importance of engendering existing gender policies, programmes, structures and systems.

The creation of gender focal points especially in Member State also remains a challenge. In addition, and as has been emphasized in the previous reports, the challenges of inadequate human and financial has acted as a further impediment in efforts to advance the regional goal of ensuring that the MDG-3 of promoting gender equality and women's empowerment is attained.

COMESA has to:

a) develop a system and capacity for monitoring and evaluation of COMESA programmes;

b) develop a Regional Integration Monitoring mechanism including indicators;

c) design data collection tools; and

d) design a reporting and feedback mechanism.

The COMESA Secretariat during 2010, continued to improve its capacity to monitor and evaluate its programmes. In

PART 17: MONITORING AND EVALUATION (M & E)

order to improve the quality of the periodic reports, efforts have been made to standardise the reporting formats as well as procedures for reporting. The Work Programme and Budgeting System, which has been in use for the last two planning cycles will continue to be used and improved upon. This system will allow the Secretariat to demonstrate a better linkage between the COMESA Medium Term Strategic Plan, Annual Work Programme and Budget; and Monitoring and Evaluation.

The main achievements in 2010 included:

a) Mobilization of funding to the tune of US$ 869,000 from the World Bank, whose financing agreement will run for a period of two and a half years (May 2010-2012) and will be used to "Develop COMESA's Monitoring and Evaluation Capacity to monitor the 2011-2015 Medium Term Strategic Plan implementations";

b) Coordination of the development of the COMESA 2011-2015 Medium Term Strategic Plan (MTSP) which was adopted at the 14th Summit of COMESA Heads of State and Government held in August 2010 in Swaziland;

c) Holding of National Consultative Workshops in Kenya, Zambia, Uganda, Burundi, Sudan and Zimbabwe to sensitize Member States to integrate priorities and objectives of the 2011-2015 MTSP into their National Development Plans and Budgets;

d) Assistance to COMESA Court of Justice in the preparation of the Medium Term Strategic Plan 2011- 2013;

e) Continuous improvement in the programming processes in order to achieve better linkages between the COMESA Medium Term Strategic Plan, Annual Work programme & Budget; and Monitoring and Evaluation.

The main challenges that face the unit are: inadequate human resource capacity; insufficient skills in planning, monitoring and evaluation of the COMESA Secretariat staff; and lack of clear M&E policy. The above issues are being addressed through the extra budgetary resources to hire additional staff with the prerequisite skills as well as through the restructuring process, including the outsourcing of activities.

The main focus for 2011 will be the:

(i) Monitoring and evaluation capacity development

(ii) Designing and implementation of national sensitization campaigns under the guidance of the COMESA Secretariat on the benefits of regional economic integration as part and parcel of Regional Economic Community as well as the MTSP outcomes;

(iii) Technical backstopping of the COMESA Institutions (RIA, CCJ, FEMCOM, LLPI) in order to harmonize planning, programming and reporting procedures; and

(iv) Continue the development of processes and procedures; systems and capacity for M & E of COMESA programmes.

18.1 The COMESA Court of Justice:

The COMESA Court of Justice was established in 1994 under Article 7 of the COMESA Treaty, as an organ for the adjudication on all matters over which it has jurisdiction under the Treaty. It plays a vital and impartial role in ensuring adherence to the rule of law within COMESA; which is enhanced by its autonomy and integrity. The Judges of the Court, who sit on ad hoc basis and the Registrar were appointed in 1998.

The Court which is the second of its kind is modelled on the European Court of Justice. The Court consists of a First instance Division and an Appellate Division. The Court is composed of twelve Judges appointed by the Authority from the 19 Member States. Seven of whom constitute the First Instance Division and Five the Appellate Division. The Judges are appointed for a renewable period of five years. Under Article 20.2 of the COMESA Treaty, the men and women to be appointed must be persons of impartiality, independence, and who hold high judicial offices in their respective countries of domicile or who are jurists of recognized competence. The appointment is merit-based. In this respect, COMESA imposes on the Court the responsibility of being seen by all Member States and other users of the Court to be a fair and transparent Judicial Institution. The COMESA Court of Justice was established, inter alia to promote peace, security and political stability amongst its Member States in order to enhance economic development and prosperity for the people of the Region.

Given the impact of globalization in Africa, economic integration becomes the most viable means for breaking the vicious circle of poverty in Member States. In the fulfilment of such an intricate social and economic objectives, legal problems and disputes, amongst Member States, or between Member States and the individuals, legal and natural, were bound to occur. This may arise either from the implementation of the COMESA Treaty and from the other COMESA institutions or from the main economic transition that takes place on daily basis within the region. This is where the Court of Justice plays its part.

In this way, it ensures that COMESA remains a rule-based organization which contributes effectively towards the process of economic integration by increasing stakeholders confidence in dispute resolution. The Court has already adjudicated on a number of disputes and its decisions had been well received in most of the Member States.

Under Article 34 of the COMESA Treaty, it is imperative that the decisions of the Court are followed not only by litigants who come seeking justice before the Court, but also by national Courts which may be called upon to enforce the decisions of the COMESA Court. The advantage of the Court as alluded to above, is to maintain the rule of law within COMESA, through fair and just resolution of disputes in order to strengthen economic integration, and enhance socio-economic well being of the people in the COMESA Region.

18.2 PTA Reinsurance Campany (ZEP-RE)

The ZEP-RE is one of the autonomous financial institutions of COMESA, which was established to promote economic cooperation among Member States. The Reinsurance Company was established by the agreement signed by the Heads of State and Government on 23 November 1990 and started its business on January 1993.

The available data as at 30th September 2010, showed that ZEP-REs overall performance as of this date compared favourably with that of 2009. The profits improved by 58%, while the shareholders' funds grew by 21%, and the company assets increased by 15%.

18.2.1 Operational Performance as at 30th September 2010

(a) Premium Income Written

For the period ending 30th September 2010 the Company wrote a premium income of US$ 47 million compared to US$ 46,684,214 during the same period in 2009, a growth of 21%.

(b) Assets and Investments

The total assets of the Company grew to US$ 85,547,258 as at 30th September 2010 compared to US$ 73,866,691 during the same period in 2009, a growth of 15.8% in asset.

Investments as at 30th September 2010 stood at US$ 71,276,682 compared to US$ 54,105,005 during the same period in 2009, which was 13.3% increase.

The Company's investments are placed in bonds and bills issued by the governments of the region, deposits in banks in the region including the PTA Bank. The real estate investments currently comprise two commercial buildings in Nairobi, Kenya. The Company had also purchased land in Lusaka, Zambia which it intends to develop into an office block by the beginning of 2011.

The Company was pursuing a policy of diversifying its investments further by putting in more money in other government and corporate bonds of the various Member States of the region.

(c) Claims

Claims incurred by the Company as at 30th September 2010 amounted to US$ 18,603,393 compared to US$ 20,464,616 for the same period in 2009. Since its inception the Company had, by 30th September 2010 paid over US$ 150 million in claims.

(d) Net Profit

Net profit realised as at 30th September 2010 was US$ 5,748,940 compared to US$ 3,631,554 for the same period in 2009, a 58.3% net profit increase.

18.2.2 Company's activities in COMESA Member States

(a) Premiums Written

As at 30th September 2010 ZEP-RE was carrying out business in 17 COMESA Member States namely: Burundi, Comoros, Djibouti, Ethiopia Eritrea, Kenya, Libya, Madagascar, Malawi, Mozambique, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe.

A breakdown of the reinsurance premiums written in the COMESA and Non COMESA regions is shown in the box 5 below: -

Box 5: Breakdown on Premium within the COMESA Region

REGION	30th Sep 2010		30th Sep 2009	
	Gross Premium	Share	Gross Premium	Share
COMESA	34,364,535	73.1%	33,937,924	72.7%
NON COMESA (AFRICA)	6,951,826	14.8%	9,580,825	20.5%
OTHERS	5,709,344	12.1%	3,165,468	6.8%
TOTAL	**47,025,705**	**100%**	**46,684,217**	**100%**

(b) Regional partnerships

As part of its regional integration programmes, ZEP-RE maintains close partnerships with the other COMESA institutions including the COMESA Secretariat, the PTA Bank and the African Trade Insurance Agency (ATI).

18.2.3 Rating of Company's Operations

During the period under review ZEP-RE was rated "AA" (regionally) and "BBB" (internationally) by Global Credit Rating and "B" (Financially) and "bb+" (issuer credit) by AM Best.

The credit ratings are important in the Company's marketing strategy and have helped the company grow its business profile.

18.2.4 Membership and Shareholding

a) Membership Spread

As at September 2010, the Company's membership comprised six (6) governments, fourteen (14) national companies, nine (9) private companies, and one (1) regional organization and the COMESA Secretariat.

b) Shareholding

The total paid up share capital of the company as at 30th September 2010 was US$ 30,514,101 compared to US$ 30,025,995 during the same period in 2009. Total shareholder funds at 30th September 2010 amounted to US$ 42,293,129 compared to US$ 35,016,544 during the same period in 2009.

c) AfDB's membership of the Company

During an extra-ordinary meeting held in Nairobi, Kenya on 17th November 2010, the African Development Bank was admitted into membership of the Company. The African Development Bank will be investing a 15% stake in the Company.

18.2.5 COMESA Member States' participation in the activities of the Company

As at September 2010 the following countries had outstanding issues with the Company: -

(a) Ethiopia

The country made an undertaking during the 14th Council of Ministers meeting in 2002 to the effect that it would be acceding to the Agreement establishing the Company and subscribing to the shares in ZEP-RE. The Company has since been following up with the Member State.

(b) Libya

Following Libya's accession to the COMESA membership, the Member State agreed in principle to participate in the activities of ZEP-RE. ZEP-RE proceeded to invite Libya to accede to the Agreement establishing the Company and subscribe to its shares.

(c) Malawi

Following a visit by the Company to the Member State in 2006 the Government undertook to resolve outstanding issues regarding its participation in the ZEP-RE. The Company has since then followed up with the Member State.

(d) Swaziland

Despite the Agreement establishing the Company having been signed in Mbabane Swaziland on 21st November 1990, the Kingdom of Swaziland is not yet, a signatory to the agreement.

(e) Zimbabwe

During 2010 the Company contacted Member State on the main outstanding issue of business facilitation. But Zimbabwe only allows local residents and registered reinsurers to write business directly from the market. Box 6 summarizes the participation status of each COMESA Member State.

18.3 African Trade Insurance Agency (ATI)

The ATI is a COMESA multilateral financial institution that provides export credit insurance, political risk insurance, investment insurance and other financial products to help reduce business risks and the costs of doing business in Africa. It facilitates exports, foreign direct investment and trade flows within the continent.

COMESA in its role as a building block of the African Economic Community, designed ATI such that, it will serve the whole of the African continent and beyond.

ATI was launched in 2001 with the financial and technical support of the World Bank and the backing of seven African countries. In less than a decade, the ATI has supported over of US$1.2 billion worth of trade and investments across the continent; secured an investment grade rating of 'A' from Standard & Poor's; and expanded membership to more than a dozen African countries. There are also plans to attract non-African Member States by 2011 as well.

This report highlights:

i.

ii. ATI's business performance as at 30 October, 2010;

iii. The increase in the Agency's capital and the expected new equity investment;

iv. The amendment of ATI investment policy grade rating;

v. The amendment of ATI underwriting risk limits

vi. Membership expansion and partnership development; and

vii. Recommendations.

18.3.1 Performance

As at 31st October 2010 the Agency's business performance was as follows:

a) The Agency generated gross written premium in excess of US$2.8 million as at 31 October, 2010;

Box 6: A summary report on the participation status of each Member States is attached

Member State	Signatory to ZEP-RE Agreement	Business Cessions	Membership Participation		Outstanding Issues
			Share Subscription	Shareholders	
Burundi	✓	✓	✓	SOCABU BICOR	NONE
Union of Comoros	✓	✓	×	NONE	Share Capital subscriptions
Djibouti	✓	✓	✓	GOVT OF DJIBOUTI	NONE
D.R. Congo	×	×	✓	SONAS	Accession to the Agreement establishing the Company
Eritrea	✓	✓	✓	NICE	NONE
Ethiopia	×	✓	×	NONE	Accession to the Agreement establishing the Company Share Capital subscriptions
Kenya	✓	✓	✓	GOVT OF KENYA KENYA RE BLUE SHIELD INS MAYFAIR INS APOLLO INS	NONE
Libya	×	×	×	NONE	Accession to the Agreement establishing the Company Share Capital subscriptions Facilitation of business cessions
Madagascar	✓	✓	✓	CMAR NY HAVANA	NONE
Malawi	✓	✓	×	NONE	A. Share Capital Subscriptions
Mauritius	✓	✓	✓	GOVT OF MAURITIUS	NONE
Rwanda	✓	✓	✓	GOVT OF RWANDA SONARWA SORAS	NONE
Seychelles	×	✓	×	NONE	Accession to the Agreement establishing the Company Share Capital subscriptions
Sudan	✓	✓	✓	GOVERNMENT OF SUDAN SHIEKAN INS & REINS JUBA INS UNITED INS	NONE
Swaziland	×	×	×	NONE	a. Accession to the Agreement establishing the Company b. Share Capital subscriptions C. Facilitation of business cessions
Uganda	✓	✓	✓	STATEWIDE INS NIC (U) LION ASSURANCE	NONE
Zambia	✓	✓	✓	GOVT OF ZAMBIA ZSIC ZSIC	NONE
Zimbabwe	✓	✓	✓	ZIM-RE	Facilitation of business cessions

b) The Gross exposure[6] increased from US$186 million in FY09 to US$352 million as at 31 October, 2010;

c) The net exposure[7] increased from US$98 million in FY09 to US$136 million as at 31 October, 2010;

d) The ATI provided investment insurance for transactions valued at US$853 million;

e) The Agency supported exports worth over US$76 million.

f) With regard to capital increase, the Agency's paid-in capital had increased from US$86 million to US$96.1 million following the payment of equity capital by new shareholders;

g) The Expected capital increase for the existing Member States and the projected new equity investment from new Member States stand at US$101.5 million;

6 The gross amount of insurance underwritten
7 The net amount of insurance underwritten

h) Taking into consideration changes in the economic, financial, political and social environment affecting risks and returns, the Agency's Board of Directors considered and approved the amendment of the ATI Investment Policy on 26 November, 2010. In accordance with Article 9 of the ATI Treaty, the revised investment policy was established after considering: the preservation of capital, return on investment, long-term growth of capital, liquidity and risk management;

i) In addition, the Board of Directors considered the current underwriting risk limits policy and decided to increase the project limits as a percentage of ATI's capital and reserves on a net exposure basis in order to allow ATI to retain more risk for its own net account. This will allow the ATI to support larger projects. Box 7 on the revised project limits provides detailed and clear limits as a percentage of ATI capital and reserves and the risks covered.

Box 7: The revised project limits are as follows:

18.3.2 Membership expansion and partnerships development

Products	***EXISTING Limit as a % of ATI's Capital and Reserves (current $ equivalent)* on a Net Exposure basis.***	***PROPOSED Limit as a % of ATI's Capital and Reserves (current $ equivalent)* on a Net Exposure basis.***
Political Risk Insurance	*5% or US$7.5 million, whichever is higher***	*7.5% or US$10.0 million, whichever is higher***
Sovereign, Sub-Sovereign and Parastatal Obligor Non-payment Insurance	*5% or US$7.5 million, whichever is higher***	*7.5% or US$10.0 million, whichever is higher***
Single Obligor Credit Risk Insurance	*5% (US$3.75 million)*	*7.5% (US$5.0 million)*
Whole Turnover Credit Risk Insurance – Exposure to Single Obligor	*2% (US$1.5 million)*	*3% (US$2.5 million)*
Comprehensive cover – both credit and political risk	*Not currently documented in the current policy but in practice capped at US$ 3.75million*	*The lower of Political Risk Insurance or Single Obligor Credit Risk Insurance*
Political Violence Excess of Loss Reinsurance	*Not currently documented in the current policy but in practice capped at US$ 3.75million*	*US$ 5million*
Stand Alone Terrorism & Sabotage	*Not currently documented in the current policy but in practice, zero retention*	*US$ 5million*

a) With regard to membership expansion and partnerships development, the Board of Directors considered and approved on 18 August, 2010 the membership applications from the Republic of Cote d'Ivoire and the Republic of Togo. Cote d'Ivoire has already negotiated financial support with the World Bank for the purpose of buying equity in ATI.

b) In addition, the Republic of Zimbabwe submitted its membership application on 6 September, 2010 and the Agency's Board of Directors considered and approved Zimbabwe's membership application on 26 November 2010.

c) Under the partnership development, the ATI had by 31st October concluded and signed a Memorandum of Understanding with the Saudi Export Programme of the Saudi Fund for Development. The cooperation between the two institutions would mainly be a risk sharing arrangement for insuring and reinsuring international trade transactions.

18.3.3 Increase in the Agency's Capital and Expected New equity Investment

a) Capital Stock and Number of Shares per Shareholder as at 31st October 2010

As indicated above, the Agency's paid-in capital has increased from US$86 million to US$96.1 million in 2010. The increased capital will further improve the Agency's ability to satisfy the demand for its products and services.

In accordance with the foregoing, the new capital stock and the number of shares per ATI Member is as shown in the Box 8.

Box 8: New Capital Stock and Number of Shares per ATI Members

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
Africa Re	100,000,	1
COMESA	100,000	1
Atradius	100,000	1
PTA Bank	100,000	1
SACE	10,000,000	100
ZEP-RE	100,000	1
TOTAL	**96,100,000**	**961**

b) Expected Capital Increase/New Equity Investment

The expected capital increase for an existing Member State and the projected new equity investment from the new Member States are shown in Box 9:

Box 9: Expected Capital Increase and Projected New Equity Investment

Country	Source of funding	
	IDA (WB)	ADF (ADB)
Ghana	US$15 million	US$9 million
Benin	US$7,5 million	US$7,5 million
Cote d'Ivoire	US$12.5 million	US$12.5 million
DRC	US$7,5 million	US$7,5 million
Togo	US$7,5 million	US$7,5 million
TOTAL	US$ 50 million	US$ 51.5 million

18.4 The Eastern and Southern Africa Trade and Development Bank (PTA Bank)

18.4.1 Establishment

The Eastern and Southern African Trade and Development Bank [the PTA Bank] was established as a financial intermediary in 1985 pursuant to the provisions of the 1981 Treaty creating the Preferential Trade Area for the Eastern and Southern African States. The Bank is one of the financial institutions that was created to support COMESA's regional integration initiative.

18.4.2 Objectives

The Objectives of the Bank are:

a) To provide financial and technical assistance and to promote the social and economic development of Member States;

b) To promote the development of trade among the Member States conducted in accordance with the provisions of the COMESA Treaty of financing activities related to trade;

c) To further the aims of COMESA by financing projects designed to make the economies of the Member States more complementary to each other;

d) To supplement the activities of national development agencies of the Member States through joint financing operations or lines of credit; and

e) To co-operate with other institutions and organizations which are interested in the economic and social development of the COMESA Member States.

184..3 Shareholders and Shareholding

The Bank has nineteen (19) shareholders, which include sixteen (16) COMESA member countries, namely: Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Seychelles, Uganda, Zambia and Zimbabwe; two (2) non-COMESA member countries, namely: Tanzania and the Peoples' Republic of China, which is a non-regional member, and the African Development Bank (AfDB) which is an institutional shareholder. The shareholding structure of the Bank as at 31st October, 2010 is as shown in Box 10 below.

Box 10: Shareholders and shareholding 2010:

SHAREHOLDER	SHARES SUBSCRIBED	%AGE OF TOTAL
Burundi	1,230	2.36
China	3,400	6.53
Comoros	54	0.10
Djibouti	54	0.10
Egypt	5,340	10.25
Eritrea	240	0.46
Ethiopia	5,340	10.25
Kenya	5,340	10.25
Malawi	1,320	2.53
Mauritius	1,566	3.01
Rwanda	1,248	2.40
Seychelles	270	0.52
Somalia	318	0.61
Sudan	4,920	9.45
Tanzania	5,214	10.01
Uganda	3,600	6.91
Zambia	4,082	7.84
Zimbabwe	5,540	10.64
African Development Bank	3,000	5.76
	52,076	**101**

18.4.4 Business Operations and Portfolio

a) Windows of Financing

During the period under review the Bank still maintained and utilized two windows of business to fulfil its objectives: Project and Infrastructure Finance and Trade Finance. The emphasis on Infrastructure Finance arose because of the catalytic role which the infrastructure development can play in the region. The project and Infrastructure Finance therefore provides medium to long-term facilities which include: loans, guarantees, leases, lines of credit; and others. The trade finance on the other hand provides short term facilities which include issuance and confirmation of letters of credit, pre-shipment or post-shipment loans, syndicated lending, bills discounting, structured finance and lines of credit to mention but a few. Within the two windows, the Bank continuously updates and enlarges its range of products in an effort to adequately address the requirements of its target beneficiaries in the COMESA region.

b) Results of Operations

As at 31 October 2010, the financial results show that the Bank has performed very well, posting a net profit of US$ 15.834 million for the year to October 2010 which compares favourably with US$ 14.032 million for the same period in 2009. As regards operational activities, Boxes 11, 12 and 13 show the results achieved for the year up to October 2010.

Box 11: Project Finance Approvals for the year up to October 31, 2010

Sector	No. Of Projects	Amount (US$)	% of Total
Agri-business	3	6,538,000	4
Hospitality, Tourism & Hotels	3	16,000,000	10
Telecommunication	1	15,000,000	9
Manufacturing & Heavy Industries	4	32,000,000	20
Real Estate	1	10,000,000	6
Transport & Logistics	4	82,466,000	51
Totals	16	162,204,000	100

Box 12: Project Finance Commitments for the year up to October 31, 2010

Sector	No. Of Projects	Amount (US$)	% of Total
Agri-business	2	5,538,000	7
Telecommunication	1	15,000,000	19
Real Estate	2	16,000,000	20
Transport & Logistics	4	42,466,000	54
Total	9	79,004,000	100

Box 13: Project Finance Disbursement for the year up to October 31, 2010

Sector	No. Of Projects	Amount (US$)	% of Total
Agri-business	2	1,914,226	2
Energy	1	921,101	1
Health Services	1	1,361,092	2
Hospitality, Hotel & Tourism	7	25,014,690	31
Manufacturing & Heavy Industries	6	9,372,924	11
Mining & Quarrying	1	792,655	1
Real Estate	1	1,655,490	2
Telecommunication	3	15,905,124	19
Transport & Logistics	3	24,671,573	30
Totals	**38**	**81,608,876**	**100**

c) Trade Finance Operations

The Bank's Trade Finance Department is mainly involved in financing short term and self liquidating transactions across the various sectors within the import and export trading activities. The overall Trade Finance performance for the year upto October 2010 was greatly supported by the Import Finance Facilities for the procurement of petroleum products, agricultural chemicals and fertilizers. The Bank recorded significant business within the agri-business sub-sector in general and agri-exports in particular. The actual performance for Letters of Credit volumes for the year upto October 2010 stood at US$ 696 million which compares favourably to results for the year upto May 2010 which stood at US$ 228 million. The cash Disbursements for the year upto October 2010 stood at US$ 121 million indicating a big leap from our last report in May 2010 which stood at US$ 17.6 million. The guarantees underwritten for the report period stood at US$7.32million. Overall, despite the negative effects of the Credit Crunch, Trade Finance had a successful year as Total Disbursements for the year upto October 2010 stood at US$ 773 million. Finally the Total Trade Fees for the year upto October 2010 also stood at US$ 15 million which was mainly attributable to the fee-earning financing structures that the Department had put in place in financing the transactions.

Those sectors that drive economic growth and also stimulate development in other sectors still remain the priority areas of focus for the Bank's intervention. The economic vibrancy subsisting in each country and the level of development capital supply at any time determine the availability of opportunities for the Bank's intervention. Hence, uniformity or parity in intervention or exposure cannot be expected for all the sectors or countries.

The Bank however continues to give attention to the SME sector by down-selling or wholesaling facilities through lines of credit to the financial institutions that have sufficient local presence to be able to effectively administer and manage a portfolio of loans of a smaller size. The SME financing is a product that the Bank is currently developing to augment its current intervention.

18.4.5 Resource Mobilisation

a) Facilities Available for Lending

A cardinal mandate of the Bank is to leverage on its Balance Sheet and mobilize financial resources from the international market for investment in commercially viable businesses in the region.

The Bank therefore continues to lay emphasis on mobilizing resources from both international and local money markets in order to meet the demand for debt capital in the Member States. The level of resources available at any one time varies from period to period depending on the actual utilization and in some cases, on repayments available for further drawing. Hence resources nominally available at any one time may not remain available for a long period. However, the Bank ensures that, at all times, there is a good mix of resources available for lending between the short and long term windows. Despite the global financial crisis and the accompanying credit crunch, the Bank continued to receive support from its international funding partners; as a result, there was no significant impact on its lending operations. However, there was generally a general notable increase in the cost of borrowing which was experienced across the entire banking industry.

At the regional level, the Bank mobilized local currency resources in a number of Member Countries through issue of bonds to support its lending operations as well as to play its part in the development and deepening of the capital markets in the region. As part of this effort, the Bank issued a local currency bond in Uganda in October 2009 which was subsequently listed on the Uganda Stock Exchange. This is part of a Uganda Shilling 40 billion bond programme which will be issued in tranches. This is the second local currency bond by the Bank in Uganda. The first was issued in 1999 and which has since been fully retired. The proceeds of this bond programme will be used by the Bank to fund its investments in Project and Trade Finance activities in Uganda in the various sectors of the economy, including manufacturing, mining, tourism, energy, construction, and so on. The Bank has plans to issue similar instruments in the other Member Countries when the capital market conditions in those countries allow.

a) The Eurobond

In November 2010 the PTA Bank raised US$ 300 million through the issuance of a Eurobond at the Luxembourg Stock Exchange. The Standard Bank Group Ltd, through its subsidiary the CFC Stanbic and London-based HSBC Holdings Plc acted as book runners for the Eurobond sale.

The Eurobond was 113 % oversubscribed by international investors attracting bids worth US$ 638 million against the US$ 300 million the bank was seeking to raise. This is the first time an East African issuer has raised money in the international market. The funds will be deployed in financing projects and trade in the Bank's Member States.

c) The General Capital Increase (GCI)

In support of its strategic objectives and targets, the shareholders approved the Bank's First General Capital Increase (GCI) in June 2007. This decision was a major milestone in the evolution of the Bank and places it among the largest development financial institutions in Africa. The key elements of the GCI include: an increase in the authorized capital from US$ 544 million to US$ 2 billion, an increase in the subscribed capital from US$ 345 million to US$ 1.08 billion and an increase of the paid-in capital from US$ 118 million to US$ 236 million. Besides boosting its capital adequacy, the increased capital will go a long way to enhance the confidence levels of the Bank's business partners and facilitate increased business collaboration.

The GCI exercise has received tremendous support with some shareholders subscribing to their allocated capital ahead of the allowed time of five years. Those who have not yet subscribed have reported having put the necessary treasury mechanisms in motion to ensure that they pay their respective portions.

d) International Rating

The Bank has continued to enjoy favourable the ratings from the rating agencies which has considerably improved its corporate profile in the international markets. Currently, the Bank has an “A1+” local currency short term rating and an “AA” local currency long term rating. In addition, the Bank has a “BB -” international long term rating from the Global Credit Rating Agency (GCR).

Furthermore, Fitch has accorded the Bank a “BB” long term rating and a “B” short term rating. The Bank will aim to safeguard and improve on these ratings in order to remain competitive in the market.

Recently, the PTA Bank received a rating of Ba1 from Moody’s, which places it among the highly rated development banks in the continent. Moody’s also cited “the strong shareholder support, proven resilience to shocks, which is supported by the Bank’s strong liquidity and its ongoing efforts to strengthen governance and risk management” as one of the key drivers for the positive rating.

18.5.1 Branch Offices

Over the years the Bank has decentralised its business with the view to get closer to its customers in the COMESA region. By December 2010, the bank had three branches namely: one in Bujumbura, Burundi which is also the headquarters, Nairobi, Kenya, and Harare, Zimbabwe. Since the opening of the Harare office in February 2008, the Bank has continued to strengthen its presence with improved market access. It is anticipated that this will enhance its operations and intervention in Zimbabwe and the neighbouring countries through closer and more efficient monitoring of its portfolio.

18.6 The COMESA Clearing House

18.6.1 The Clearing House

The COMESA Clearing House has made considerable progress in the promotion of the Regional Payment and Settlement System (REPSS) since its official launch at the 13th Summit of COMESA Heads of State and Government held at Victoria Falls in June 2009. Interests have also been shown by the business communities of China, India, Malaysia and the United Arab Emirates to use REPSS for their trade and investment transactions in the region. The Clearing House continues to monitor through its wider mandate on the promotion and expansion of trade and economic activities in the region.

It should equally be noted that REPSS enables importers and exporters to pay and receive payments for goods and services through an efficient and cost effective platform. It is built on open standards, hence accessible to Non-Member States. The COMESA’s vision is to make REPSS the single gateway for the Central Banks in the region to effect payment.

REPSS (i) Guarantees prompt payment to the exporter - at the latest by the next day that the importer deposits the required amount at its Central Bank; (ii) Builds trust amongst traders, which leads to increase in intra-regional trade; (iii) Drastically reduces the transaction costs of intra-regional trade; (iv) Levels the playing field by getting all commercial banks to deal directly with one another, without having to go through banks outside the region; and (v) Eliminates the need for confirmed Letters of Credit and ultimately gets trade transactions to be effected on open accounts.

18.6.2 Regional Payments and Settlements System (REPSS)

The current implementation of REPSS is as follows:

a. Live BICs registration on the Closed User Group (CUG) and Relationship Management Application (RMA) that have replaced the former Bilateral Key Exchange (BKE) establishments are in place for the Central Banks of Kenya, Madagascar, Malawi, Mauritius, Rwanda, Swaziland and Zimbabwe. Live RMAs are also in place for the Central Banks of Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Swaziland, Tanzania, Uganda, Zambia and

Zimbabwe;

b. Live and Test Environments have been set up to run in parallel to allow for those Central Banks that did not go through the First Test Pack to do so whilst the System operates in live mode;

c. Settlement Accounts have been created by the Settlement Bank (Bank of Mauritius) for all the Central Banks that are members of the Clearing House namely: Burundi, Comoros, Djibouti, DR Congo, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Swaziland, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe. These accounts are activated immediately after signature of the agreement with the Settlement Bank and pre-funding of the respective accounts. Some Central Banks have pre-funded their accounts at the Bank of Mauritius;

d. Agreements between (i) the Settlement Bank and each Central Bank; and (ii)) COMESA Clearing House and each Central Bank are in place for the Central Banks of Comoros, Congo D.R., Malawi, Mauritius, Rwanda, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. The other Central Banks are in the process of signing these Agreements; and

e. Whilst REPSS will initially transact in US Dollars and Euros, it has also been agreed to include the following additional currencies to be used as and when needed: UK Pounds (GBP), Switzerland Francs (CHF), Japanese Yen (JPY) and South African Rand (CAR).

After consultations with stakeholders and in view of the different market conditions and the charges currently being levied by the commercial banks in Member States, it has been decided that for direct money transfers, an upper limit of charges will be applied by each Central Bank.

Fees for the facility are assessed on a percentage basis. Initial charges for the system are 0.25% (0.2% for CCH and 0.05% for the Central Bank) of the value of the transaction, with a minimum charge of US$ 20 or Euro equivalent. The maximum charge for non-trade transactions (direct money transfers) differs from country to country depending on the prevailing market conditions.

With regards to the elimination of the need for confirmed letters of credit, under REPSS, the requirement by the exporter for confirmation of the letter of credit by a first class International Bank falls away as Central Banks are directly involved in REPSS and provide all the assurances required by the exporter to have its commercial bank deal directly with the importer's Bank.

The Central Bank Governors, at their annual meeting held in Khartoum, Sudan in November 2010, decided that Central Banks should prefund their US$ and Euro accounts at the Settlement Bank, to the tune of US$ 100,000 and Euro 100,000 respectively.

In order to ensure that there will be no failure in settlement, a Settlement Guarantee Fund will be setup with the assistance and funding from Regional Banks and Financial Institutions – the Afrexim Bank, the African Development Bank, the PTA Bank, the Arab Development Bank, and the Islamic Development Bank – for the funding of the Settlement Guarantee Fund.

Following the feedback and inputs received from the participants, the Clearing House has implemented the following:

a) The consolidation of the REPSS operations with a view to removing maximum manual interventions, the COMESA Clearing House Bank Identifier Code (BIC) COCUZWHA, which was previously hosted at FinX/Bankserv SWIFT Service Bureau has been successfully transferred to the Bank of Mauritius;

b) The testing of the Bank of Mauritius hardware and platform for the transfer of REPSS Software to the Settlement Bank was completed in order to facilitate the transfer of REPSS Operations to the Settlement Bank premises;

c) The relocation of hilst REPSS main site to the Bank of Mauritius Headquarters, while Backup and Disaster Recovery Sites are being established at other locations in Mauritius and in the Mauritius

Island of Rodrigues; and

d) The testing of Live Mode were in the process of being carried out with all the Central Banks, and REPSS which was fully operating out of Mauritius and Rodriguez.

REPSS was being aggressively promoted and marketed, as directed by the Summit of the COMESA Authority of Heads of State and Government, the Council of Ministers and the COMESA Committee of Governors of the Central Banks. It was, in this context, being promoted amongst major traders, commercial and merchant banks and the trade financing institutions of the COMESA region.

18.7 COMESA Regional Investment Agency (COMESA RIA)

18.7.1 Third COMESA Investment Form, Dubai

As a result of the recent financial crisis and shifts in global economic power, COMESA in particular and Africa as a whole finds itself in a stronger position and as an attractive destination for investment, as the economies keep growing and diversifying.

In order to sensitize people on the investment opportunities in the COMESA region and Africa at large, the COMESA RIA organized the 3rd COMESA Investment Forum which brought together 800 delegates from over 65 countries. The forum facilitated and promoted dialogue between the business leaders and policy makers with a view to identifying the frameworks needed to spur economic growth in the COMESA region and Africa. The forum also emphasised the measures that should be undertaken to create a favourable business climate which will deepen economic integration, including a comprehensive regulatory reforms.

a. During the Gulf Road Show (11th - 17th December, 2010), the COMESA RIA held consultations with the Dubai Chamber of Commerce and Industry to hold the 4th COMESA Investment Forum in 2011. The COMESA Secretary General upon further consultations with the Dubai Government and the Dubai Chamber of Commerce set the date for the investment forum to be held on the 23rd - 24th March, 2011. The 4th COMESA Investment Forum was therefore to be organized by the COMESA Regional Investment Agency in collaboration with the Dubai Chamber of Commerce & industry, under the patronage of H.H. Sheikh Mohammed Bin Rashid Al Maktoum, UAE Vice President and Prime Minister, and the Ruler of Dubai.

a.) Objective and Aims of the Forum

The primary objective of the Forum will be to ensure a greater flow of Foreign Direct Investments (FDI) to the COMESA Market. In achieving this objective, the Forum aims to:

a. Market the investment opportunities in the COMESA region and in the Member States;

b. Promote awareness and inform investors, businessmen, International organizations and others of the latest developments in the COMESA Member States and to discuss challenges, mechanisms and strategies to facilitate the flow of FDI;

c. Create a platform for the GCC Businessmen to interact with the COMESA officials and businessmen, in order to attract more FDIs from the GCC to the COMESA Member States;

d. Introduce the various stakeholders (COMESA Member States leaders, Investment Promotion Agencies, relevant authorities, international organizations, financial institutions and others) to the business communities and to facilitate a dialogue on the new investments to be undertaken at the regional and national levels;

e. Promote trade to and from COMESA Member States as a gateway to increase investment, by creating awareness of the COMESA products, imports, exports and trade procedures;

f. Introduce new initiatives to increase the in flow of investments including: Private Equity, Venture Capital and others; and

g. Create a database of contacts for investors, consulting firms, banks and FDI supporting partners.

b.) Major themes of the Summit

The 2011 investment summit will focus on 5 major themes: Finance, Infrastructure, Trade, Agriculture and Logistics. The forum has been specifically designed to promote interaction between investors, business leaders and senior policy makers. It is a unique platform for forging genuine business partnerships, and interaction with the key players on the ground and to update knowledge on the latest developments across the COMESA states and Africa as a whole.

c.) Expected outcomes of the Forum

Among the expected outcomes and benefits of the Investment Forum are:

i. Highlights the benefits that accrue to the business community from the integration of the COMESA Member States

ii. Establishment of long-lasting joint ventures and partnerships with the local business community and international businesses

iii. Increased investments in the region arising from the identified sectors;

iv. A road map of action (recommendations) before the next investment forum;

v. Strengthening of regional integration through cross border trade, and inter-regional business partnerships

vi. Recognition of COMESA's top businesses and the setting of standard for the business community.

18.7.2 Capacity Building of COMESA Investment Promotion Agencies

a) Winning FDI through Effective Investment Facilitation (Nairobi, 26-28 October, 2010)

The World Bank Group in cooperation with the COMESA RIA organized a three-day workshop with the theme: "Winning FDI through Effective Investment Facilitation" for senior Investment Promotion Agencies (IPAs) and professionals in COMESA Member States on October 26th – 28th, 2010 in Nairobi, Kenya. The objective of the workshop was to upgrade the skills and systems of the IPAs to provide world-class investment facilitation by attracting more investors and converting their inquiries into investment projects. The workshop was organized basically to help IPAs win new FDIs and to significantly improve results for the upcoming GIPB 2011 with respect to two components:

b.) Training in online and off-line facilitation

i. One-on-one coaching by a promotion expert for each IPA, based on its performance in the Global Investment Promotion Benchmarking Report 2009, to develop an Action Plan for implementing the recommendations and;

ii. Leading practitioners and international experts to lead the workshop discussion by stimulating and through effective group exercises, discussions, and presentations. Ten COMESA Investment Promotion Agencies were sponsored to attend the workshop.

18.8 COMESA and Leather Products (COMESA LLPI)

The COMESA Leather Institute LLPI which is an autonomous institution of COMESA was established by the signing of the Charter by the Member States on 23 November 1990. It has a Board of Directors appointed by the COMESA Council of Ministers to manage, administer and determine the policy of the Institute in accordance with the provisions of the Charter. It has its headquarter in Addis Ababa, Ethiopia and it has its own office building, which was commissioned in May 2007.

18.8.1 Objectives:

Its objectives are to:

a) Promote cooperation among LLPI Member States in the training of personnel for the leather industry at the various levels of the value chain.

b) Advance research and the development of raw hides and skins, work methods, indigenous chemicals and materials used in the manufacture of leather, testing, evaluation and the development of local raw materials such as chemicals for tanning.

c) Enhance investment and trade competitiveness throughout the leather value chain from animal rearing to hides and skins production, leather processing and manufacturing and their trade at national, regional and international levels.

d) Collect and disseminate information on leather and leather products in the sub-region, transfer of technology and new leather and leather products designs.

e) Provide consultancy and extension services in the sub-region for the leather and leather products industry.

f) Facilitate other activities in the area of leather and leather products which are in line with the COMESA Treaty and in particular the Protocol.

18.8.2 Challenges

COMESA LLPI has a major challenge of mobilising financial resources. This has been subject to decisions and decisions at many COMESA policy organs meetings. During 2010, only 4 countries out of nine, paid their annual subscriptions and these are Ethiopia, Kenya, Malawi and Sudan paid their contributions.

For the period under review COMESA/LLPI actively participated as co-organizer and Exhibitor, at the All African Leather Fair (AALF) 2010, whose Third Edition, was held on 20th – 22nd January 2010, in Addis Ababa, Ethiopia and was organized by the Ethiopian Leather Industries Association (ELIA), including the Ethiopian Ministry of Trade and Industry (MoTI), UNDP, UNIDO and USAID.

The Institute sponsored the participation of one representative each from its country units of the following Member States: Kenya, Malawi, Rwanda, Sudan, Uganda and Zambia. The (AALF) 2010 Fair was attended by the sector's stakeholders and professionals from 44 countries worldwide. The exhibits put on show by these participants, highlighted the activities and the current development of the leather industry in the COMESA region. In addition, the COMESA/LLPI implemented several activities under the PACT II Programme and actively participated in several meetings and workshops, in a number of member countries.

18.8.3 Resource Mobilization

During the period, the LLPI and the COMESA Secretariat worked together to mobilise resources for the institute. By September 2010, the LLPI had submitted three documents for funding of projects and programmes namely:

a) Pre-Slaughter Defects, Analysis and Regional Project Formulation in Selected Eastern African Countries (Kenya, Rwanda and Uganda);

b) Development of Regional "CFC-COMESA Collection" for Leather Products: Through Product Development Package; and

c) Implementation of the LLPI Medium Term Strategic Action Plan (MTSAP) for the Development of COMESA Regional Leather Industry (2010 – 2015).

18.9 FEMCOM

18.9.1 Objective

The Federation for the National Association of Women in Business in Eastern and Southern Africa (FEMCOM) is a COMESA institution that aims to promote the full and equal participation of the Women Entrepreneurs in the economic activities of the Member States.

18.9.2 Establishment of the Secretariat

In line with the decision of the COMESA Summit meeting in

Nairobi, in 2008, the FEMCOM established its Secretariat in Lilongwe, Malawi in April 2009 in fulfillment of the COMESA mandate, and as an important aspect of the broader vision and strategy of creating a Common Market by 2015, and eventually the Monetary Union and Economic Community by 2018. Furthermore, this development is an implementation of one of the priorities of the five year COMESA Gender Mainstreaming Strategy and Action Plan: Priority Area no. 3 on establishing or strengthening FEMCOM.

18.9.3 Medium Term Strategic Plan 2009-2014

During 2010, the FEMCOM Secretariat continued with the implementation of some of the activities contained in its 2009-2014 Medium Term Strategic Plan, the Council and the Authority decisions. The achievements made during the period under review include: the technical advisory services which was given to Burundi on the Bank credit model; and working with the PTA Bank to promote women in Business which led to the Bank in providing credit guarantee schemes to facilitate access of credit loans to women entrepreneurs and youth in business. Under the COMESA/CIDA funded, PACT II/ACCESS Programme, FEMCOM in partnership with ITC organized two workshops one in Zambia and another in Swaziland for women entrepreneurs on market and export management skills.

The strengthening of the FEMCOM secretariat and the national chapters, focused on the upgrading of the FEMCOM website, development of the communication strategy for visibility of FEMCOM for corporate identity. In 2011, FEMCON will focus on the implementation of business incubators and electronic trading houses.

The FEMCOM Secretariat was appointed to be a member of the Private Sector Steering Committee of the 4th UN conference on LDCs

18.9.4 FEMCOM's Vision and Mission

The core vision of FEMCOM is "to be recognized worldwide as one of the most effective organizations promoting the interests of women entrepreneurs in Africa". Furthermore, its mission is to develop women in the COMESA region through programmes that promote, encourage and serve the needs of women and their businesses, working smart in collaboration with the relevant partners. In fact, the Charter establishing FEMCOM makes it clear that its specific niche within the COMESA's regional integration agenda is women entrepreneurship in general and women in business in particular.

18.9.5 Priorities

The FEMCOM priority is to strengthen and to ensure that it is engaged in trade and investment activities with a corporate and business mindset. It will, in addition enhance its partnership with the COMESA Secretariat and build alliances with the cooperating partners in order to spearhead resource-mobilization, up-scale capacity and policy development so as to empower Women in Business. The strategic marketing and profile brand management will be initiated to enhance effective communication and public relations strategy.

18.9.6 FEMCOM's Achievement and Way Forward

The operationalisation of the activities of the FEMCOM Secretariat in Lilongwe, Malawi include: the signing of the Host Agreement between the Government of Malawi and COMESA; the organization of the Annual General Assembly meeting; and the implementation of the 2009-2014 FEMCOM medium term Strategic Plan.

At the Member State level, the FEMCOM chapters continue to organize capacity building by providing training for their members; participate in national, regional and international trade fairs and exhibitions; and to actively lobby their governments for greater recognition and access to resources.

The access to credit and policy-decision-making for the FEMCOM members has improved resulting in the passing of national laws and the formulation of policies and programmes that address the issues that affect women entrepreneurs, in the majority of the COMESA Member States.

18.10 The COMESA Business Council

Chapters Twenty three and Twenty four of the COMESA Treaty mandated the Member States to develop the private sector and enhance the visibility and participation of women in business and policy dialogue. The treaty recognizes the private sector as the backbone of a vibrant economy and as the engine to sustainable growth, and the driver of regional wealth creation. It should be noted that COMESA Business Council (CBC)'s advocacy position is further strengthened through constitutional agreements which allows it to take part in the meetings of the Technical Committees and at the Intergovernmental Committee level.

18.10.1 Achievements

In 2010, CBC successfully organized the Sixth COMESA Business Forum, where 500 public and private sector representatives participated, as well as 16 out of the 19 COMESA Member States.

The Business forum which took place prior to the Summit of Heads of State and Government represented a regional declaration to the Heads of Summit which was adopted as a consensual report of the Regional Private Sector. The declaration clearly articulated the commitment of the CBC Board, to reduce the costs of doing business and to promote private sector development by setting up sectoral committees under the CBC to advocate on the key policy agenda; urged Member States to accelerate the signing of the CAADP National compacts; encouraged the financial institutions to set up flexible schemes to access finance for the development of the SMEs; called on the Member States to support the establishment of the Regional SME policy; and requested COMESA to set up a financial mechanism that supports Women in Business.

In addition, in August 2010, the CBC General Assembly was held on the sidelines of the Business Forum and the Heads of State Summit. At that meeting, the CBC adopted a new constitution and elected a new board of eight members from Malawi, Egypt, Uganda, Zimbabwe, Burundi, Zambia, Mauritius and Djibouti. The General Assembly pledged its commitment to the CBC and recognized it as the voice of the COMESA private sector. The CBC Board consists of highly qualified people from the region who are committed in moving the CBC agenda forward.

18.10.2 Policy advocacy

In the spirit of nurturing regional and international stakeholder partnerships, the CBC signed an agreement with the China-Wuhan Business Community through the China Chamber for the Promotion of International Trade; and consolidated its partnership with the Indian Business Community through the Federation of the Indian Chamber of Commerce and Industry. It should be noted that as at the end of December 2010, the CBC had signed a total of five Memorandum of Understanding (MoUs) with the regional and international stakeholders.

On resource mobilization, CBC formally recognizes the overall objective of achieving self-sustainability, and in this regard, efforts have been made to work with two development partners, namely: the USAID and ACBF. The membership recruitment is underway and the Member State and the private sector representatives of Malawi, Zimbabwe, Djibouti and Egypt have tabled expression of interest.

Although it is envisaged that CBC shall in the long run be self sustaining, the COMESA Secretariat is still providing technical support. In August 2010, a full time CBC coordination desk was established at the COMESA Secretariat in Lusaka, Zambia

Under the guidance of the CBC Board, a Mid Term Strategic Plan 2010-2013 was adopted during the review period. The Board will adopt the annual work-plan and form the Administrative and sector- based technical committees representing technical trade policy positions for the private sector. The strategic plan forms the work-plan 2011.

The COMESA Liaison Office in Brussels continues to play a supporting role for the COMESA Secretariat in its relations with the European Commission and its Member States in the

PART 19: THE COMESA BRUSSELS LIAISON OFFICE (BLO)

monitoring of projects and programmes financed by the EC. In cooperation with the Secretariat of the ACP Group of States and other ACP-EU structures, particularly the different ACP-EU PMU Facilities, the COMESA Brussels Liaison Office ensures the regular follow-up of the programmes financed by the Intra-ACP Funds as well as on the issues related to multilateral trade at ACP level. During the period under review, the COMESA BLO focused its efforts on four major areas: 1) Resource mobilisation (2) Enhancement of Development cooperation (3) Multilateral trade, and (4) EPA (ESA-EC) negotiations.

19.1 Resource Mobilisation

Under the Chapter, Resource Mobilisation, the Office played an important role in the identification and mobilisation of resources for some projects related to the consolidation of Regional Integration, particularly at the Regional level.

The following resources have been mobilised for COMESA Projects namely:

a) The RAERESA workshop for Energy Regulators with the support of ACP-EU, PMU and Pro€Invest Facility was organised with an amount equivalent to Euros 200,000;

b) The Tripartite COMESA-EAC-SADC+IGAD Conference on Infrastructure Development and Trade Facilitation, was organized in Nairobi on 28-29 October 2010. It was supported initially by Pro€Invest which is part of ACP-EU PMU facility with an amount of about 650,000 Euros. The other donors such as DFID and CITADEL also came on board.

c) The workshop on capacity building for Trade negotiators “to build capacity and improve trade policy formulation and implementation of the Customs Union and the integration of its members into the multilateral trading system”, was held in Nairobi in June 2010 with the support of the ACP MTS Programme for an amount of Euros 200,000;

d) Technical assistance to the COMESA Secretariat for the appointment of a trade expert to carry out the functions of CTA to the ESA Configuration for the EPA negotiations phase II, for an amount of Euros 199, 980;

e) The COMESA Regional Agriculture Inputs Programme (COMRAP) was signed by the Europe Aid Co-operation Office on 4th May 2010 for an amount of Euros 20 Million. For this project, COMESA was the first ACP region to benefit from this kind of support because the COMESA BLO was fully involved in the preparatory consultations which was held in Brussels in 2008 between EC, WB, FAO, UNDP and the other international organizations in quick response to the food price crisis. Thanks to the COMESA BLO, the Secretariat of COMESA was regularly briefed during the preparatory work on the Facility and subsequently a Regional project was submitted for financing.

f) At the National level, the mobilisation role played by the COMESA BLO was to provide support during the steering committee meetings of the ACP-EU PMUs Facilities for the projects submitted through the COMESA Secretariat or directly by Member States. During the period under review, the COMESA BLO made the necessary follow-up on the projects submitted by Member States, namely: Burundi, Djibouti, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Seychelles, Zambia and Zimbabwe. The projects concerned were submitted to the ACP-EC Facilities: Pro€Invest and TradeCom. Some of these projects are already and/or are under execution while others are still being analysed. The COMESA BLO continuously makes the necessary follow-up. In this connection, the BLO would like to call upon the Member States to identify and submit projects related to the trade multilateral issues, including the issues of WTO accession to the ACP-EU MTS Programme, which is a new PMU Facility, providing support to all ACP MS on the multilateral trade multilateral.

g) Missions were undertaken to Tenerife, Spain, and Burkina Faso where ACP Group of States and EU were discussing issues related to the 10th EDF programming resources, EPA Negotiations, Climate Change, MDGs, Commodities-sugar, cotton, bananas and so on; and the 2nd Revision of the Cotonou Partnership Agreement which had been signed in Ouagadougou (Burkina Faso) on 22 June 2010. The BLO also attended the 3rd Africa-EU Summit which was held in Tripoli (Libya) at the end of October, 2010 where the key issue of discussion was the role of the RECs in strengthening economic development within Africa.

h) For the Conference on Infrastructure Development and Trade Facilitation project, the COMESA BLO played a key role in the mobilisation of potential investors from the EU Member States, the European Investment Bank, as well as other Partners that are based in Europe.

i) During the period under review, the resources mobilised with the help of the COMESA Brussels Liaison Office amounted to Euros 21,249,980 for the above-mentioned projects and activities, including Euros 20,000,000 for the COMRAP project, which will be executed by ACTESA.

19.2 Enhancement of Development cooperation

With regards to the enhancement of Development Cooperation, the Office continues to maintain a good working relationship with the European Commission, its Member States, the ACP Secretariat, and the AU Permanent Mission in Brussels, as well as with the other RECs represented in Brussels (ECOWAS, UEMOA, and ECCAS/CEMAC) and also with other International Institutions represented in Brussels. As a result of its presence in Brussels, COMESA has increased its Intra-ACP financing. All the projects that have been submitted to these institutions have been monitored effectively.

In collaboration with the Permanent Mission of the African Union in Brussels, various consultative meetings are organised for the African Missions in Brussels and other Regional Economic Communities "RECs" which are represented in Brussels (ECOWAS, UEMOA and ECCAS/CEMAC) in order to adopt a common position at different at Ambassadorial level meetings with the ACP Group, or when joint ACP-EC meetings are organised and also when Africa-EU Strategy and Plan of Action are discussed with the different actors.

In the context of the European Commission "EC", consultative meetings were held regularly with the DG Dev., EuropeAid Co-operation Office and the ACP Secretariat with regards to the COMESA Projects which are submitted at the Regional level and/or at the national level through the COMESA Secretariat concerning the programming of the 10th EDF and Intra-ACP funds, while other meetings with the DG Trade and DG Dev are regularly held on the issue of EPA negotiations, and especially on the remaining contentious issues.

Regular consultations are also held between the COMESA Brussels Liaison Office and the ACP-EU Facilities: Pro€Invest, TradeCom, the ACP MTS Programme, the AAACP Programme as well as with other partners which are based in Europe (CFC, OIF, Commonwealth Secretariat and EIB), on projects and /or programmes submitted by the COMESA Secretariat and /or its institutions for financing.

In connection with the regular consultations between the COMESA Secretariat, the EC and the ACP-EU PMUs Facilities, the BLO facilitated 3 tripartite [COMESA-EC-Pro€Invest] coordination meetings which were organised in Lusaka from 5 to 6 July 2010, and in Nairobi in September and October 2010. The meetings were in preparation for the Tripartite COMESA-EAC-SADC+IGAD Infrastructure Investment and Trade Facilitation Conference which was held in Nairobi on 28-29 October 2010.

The Liaison Office plays a central role in the dissemination of information to the Ambassadors of the COMESA Member States which are represented in Brussels, on the status of implementation of the Decisions adopted by the Council and / or the Summit at the various meetings of the COMESA Policy-making organs and also on the progress in the EPA negotiations. The same is regularly done for the Diplomatic Missions of the Tripartite Group of the COMESA-SADC-EAC Member States in order to keep them abreast with the progress being made in the preparatory work on the establishment of the Free Trade Area within the transition period as agreed by the Kampala Summit in October 2008. This is important for our Representatives in Brussels, the EU as well as the major partners of COMESA, in order for them to be able to speak with one voice during their daily interaction with the EC and /or ACP Group of Ambassadors on the COMESA projects and programmes that are financed by the Intra-ACP funds.

19.3 Multilateral Trade

With regards to the follow up and /or representation on issues related to multilateral trade, the Liaison Office participates actively in the meetings organised at the level of All ACP at the ACP Secretariat in Brussels and occasionally by the WTO in Geneva. The Office also holds regular consultations with the new ACP-EU Facility called ACP MTS Programme for the financing of Projects and /or activities related to multilateral trade that are submitted by the COMESA Secretariat.

During the period under review, the ACP MTS Programme supported a "COMESA workshop on capacity building and to improve trade policy formulation, the implementation of Customs Union, and the integration of its members into the multilateral trading system" in the amount equivalent to Euros 200,000. The training workshop for the COMESA Member States was organised in Nairobi from 7 to 11 June 2010 with the participation of two delegates from each Member State. The four other COMESA Projects which are still under consideration by the PMU and the BLO are continuously being reviewed. But the project related to TRIPS and Public Health (paragraph 6 of the WTO DOHA Declaration) was approved for an amount of Euros 200,000 and its implementation was scheduled to begin in February-March 2011.

19.4 EPA negotiations

In connection with the EPA negotiations between ESA and the EC, the Liaison Office continue to work within the Regional Technical Team and was involved in the organisation of the joint ESA-EC informal Ministerial meeting which was held in Brussels on 14 April 2010. The COMESA BLO participated in the ESA technical meeting held at Chisamba, Zambia, from 28 to 30 June 2010 to prepare a Regional position on the outstanding issues that was to be submitted and to be discussed with the EC at a later date.

The BLO, also participated in different other ESA and/or ESA-EC-EPA meetings which were held in Lusaka, July 2010; Manzini, Swaziland in August 2010 and Harare, Zimbabwe in December 2010. The Office continued with its follow-up on matters related to the Regional positions on the contentious issues with the EC and the ACP Group.

On the issue of the support provided by BLO to the IRCC, the Office monitored the IRCC projects that were supported by EU AidCo and EC-DG Dev, and kept the IRCC Secretariat informed about the progress. The BLO attended two IRCC meetings: one in Nairobi (March 2010) and another in Mauritius in November 2010. The Office continues to follow-up on the IRCC projects with the EC and ACP Secretariats.

During 2010, COMESA continued to work with its development partners in various areas.

PART 20: PARTNERSHIPS

20.1 Cooperation with the European Union (EU)

EU is still COMESA's main development partner. The 10th EDF Regional Integration Support Programme (RISP) which replaced the 9th EDF RISP on the 1st July 2010 built the new Programme based on the achievements of the 9th EDF RISP in strengthening the capacity of ESA-IO regional organisations and the Members States in the implementation of their regional integration agenda.

The RISP'S coverage has been widened to include EAC, IGAD and IOC. The Programme is being implemented through a single Contribution Agreement between COMESA, as the lead Regional Organisation and the European Commission for that specific initiative. The RISP will put particular emphasis on the coordination and implementation of regional policies at the national level.

The budget under 10th EDF is Euro 40 million. In addition to this, RISP2 Contribution Agreement which includes a component of Euros 10 million will be used in the preparation of the North-South Corridor pilot project. The Programme is due to end in June 2013, after which the support for another phase of the RISP might begin.

EU is also financing a new project on, Regional Political Integration and Human Support Programme (RPIHSSD), in order to enhance Democracy, Governance, and Human security in EAC and IGAD in the amount equivalent to Euros 1,605,000.

Furthermore, the EU is financing another project on Regional Food Security and Risk Management (REFORM) which is meant to contribute to the sustainable reduction of vulnerability to food insecurity and poverty in the COMESA Members States and to develop and support Cross Border Trade Associations (CBTAs) in 10 Member States as well as to facilitate the implementation and improvement of the Simplified Trade Regime (STR) which is designed to assist the small traders. The financial agreement in the amount of €2.391 million has been used for the implementation of the project for one year, and has another one year upto the end of June 2011.
Finally, the EU is financing the EC-funded All ACP Agricultural Commodities Programme (COMESA Focal Point for Eastern and Southern Africa Region) whose objective is to strengthen the stakeholders' capacity to develop and implement sustainable commodity strategies; with a view to improve the incomes and livelihoods of the producers of the traditional or other agricultural commodities so as to reduce vulnerability. This is being carried out by five International Organisations namely: CFC, FAO, ITC, UNCTAD, World Bank together with the EU Coordination Unit (CU) and the ACP Programme Steering Committee (PSC). The total budget for the project amounting to € 45 million is shared by the five international organisations and the EU- CU was for the period September 2007 to December 2011.Approximately Euro 1 million was allocated to Eastern and Southern Africa (ESA) Region. The COMESA secretariat is the Focal point for Eastern and Southern Africa region as a result of the twinning arrangement with the ITC. The Focal Point operation is to be done through the PACT II programme in order to develop synergies with the project.

20.2 Cooperation USAID

In 2009/2010 USAID/East Africa continued to support COMESA through direct funding and by implementing programmes that complement the COMESA agenda. The Funds were used to support programmes in areas that are of common interest to both COMESA and the USAID namely to:

(i) Increase regional and international trade;
(ii) Improve food security and end hunger in Africa; and
(iii) Increase regional stability and integration.

In order to reduce the level of involvement in the management of the different agreements, it was agreed that COMESA and the USAID should have an integrated agreement that incorporates all the activities that will be funded by the USAID in future. Therefore, for the financial year 2009/2010 the funding from the USAID was allocated through the Integrated Partnership Assistance Agreement (IPAA). The on-going agreements ran concurrently until they expired by end September 2010.

The following direct funding to COMESA were signed during the period 2009/2010:

- The Integrated Partnership Assistance Agreement (IPAA) – US$1,493,000 will be funded incrementally every year for the next three years until 2012. The funding will be of two types namely:

a) Direct funding to COMESA for the activities to be implemented by the Secretariat and its Organs,

b) COMESA Complementary Programmes that are funded by USAID through other partners, but which yield results to the COMESA overall programme for example, COMPETE

- The COMESA Regional Economic Trade and Integration Programme (CRETIP) - US$964,142 which was signed on the 5th February, 2010 and expired in September 2010 while the remaining balance was used for salaries under the new IPAA and for a couple of the remaining programme activities under the CRETIP namely: VSAT supply and installation; the business climate survey; and the corridor development Initiative.

- The Strategic Objective Grant Agreement (SOAG) - US$71,160 which is a direct funding to the COMESA activities and to support evaluation of the CAADP programmes in the Member States that are yet to complete their CAADP Compact.

- Trading for Peace (TfP) - US$ 100,000 was signed in February 2010. The overall objective was to improve the relationship amongst the cross border traders; service providers; local government officials; and to strengthen the capacity of the COMESA Secretariat and Member States so as to improve trade and security. The TID was used to setup two information desks (TID) at Goma and Gisenyi DR Congo-Rwanda borders

- Strengthening Markets and Regional Trade Food Security (SMART-FS) - US$543,058 was the for activities of the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA). The support of SMART-FS to ACTESA will strengthen the agricultural market-linkages and increase agricultural trade through three main components, which directly reflects ACTESA's objectives namely:

1) To improve the policy environment and competitiveness of the staple food sector;

2) To improve and expand the market facilities and services for staple foods; and

3) To build ACTESA's institutional capacity. This new agreement was signed in August 2008 and will expire September 2011.

The COMESA Secretariat has been in continuous consultation with the USAID Competitiveness and Trade Expansion (COMPETE) project through Work Planning Meetings which identified areas and specific activities for implementation, under the COMESA Work Plan for 2010. The COMPETE project operates mainly in Eastern and Central Africa focusing on economic growth and food security, and stimulating trade and competitiveness in both regional and global markets. The COMPETE Project targets the improvement of efficiency of the selected corridors in East and Central Africa as part of the United States Government commitment to the WTO "Aid-for-Trade Agenda".

During the last quarter of 2010 both COMESA and USAID signed a new agreement under the IPAA for US$ 16.7 million of which US$ 4,286 million will be a direct funding to COMESA for the financial year 2010/2011. Both parties have agreed to work together by focusing on activities in the areas of trade and investment, infrastructure, agriculture, food security, environment and conflict mitigation and reconciliation.

20.3 Cooperation with DFID

After the signing of an MOU between DFID and the Tripartite task force (COMESA, SADC and EAC) in London at the beginning of 2010, the COMESA Mission also held the first Investment Committee Meeting with DBSA and negotiated the release of £67 million for the Tripartite Trust Account. In addition, towards the end of March 2010, DFID allocated a grant of £ 2,600,000 to COMESA to finance Trade Mark activities which were to be implemented by end of June 2010.

20.4 Cooperation with World Bank

A Grant Agreement of US$ 869,000 was signed on 11th May 2010, between the World Bank and COMESA regarding the Development of COMESA's Monitoring and Evaluation (M&E) Capacity to monitor the Medium Term Strategic Plan (MTSP) Implementation. The financing agreement runs for two and a half years (May 2010 to mid 2012) with the objectives to build COMESA's capacity in M&E to help in the development of a results-focused Medium-Term Strategic Plan (MTSP) for the period 2011-2015 and to strengthen the alignment of national M&E systems with the MTSP M&E systems for key regional priorities and outcomes. For this purpose, National Consultative workshops as an input to the finalization of the MTSP have been undertaken in Kenya, Uganda, Burundi, Zambia, Sudan and Zimbabwe.

The Comprehensive Africa Agriculture Development Programme (CAADP) framework receives support from the World Bank managed Multi-Donor Trust Fund. (MDTF), with contributions from different donors. The Fund has currently a global total of US$ 40 million and has recently approved US$ 4.5 Million to support CAADP implementation in the COMESA region for the 3-year period from July 2010 t0 June 2013. COMESA has initiated the CAADP implementation Round Table process in 15 of its 19 Member States. To-date the eight COMESA countries that have signed the national CAADP Compacts are: Rwanda, Burundi, Ethiopia, Swaziland, Uganda, Malawi, Zambia and Kenya.

20.5 Cooperation with African Development Bank (AfDB)

AfDB conducted a mission to the COMESA Secretariat, to prepare an 'Implementable Action Plan to strengthen the Secretariat's capacity to design and to implement the Regional Infrastructure, as well as Trade and Trade Facilitation projects under "Implementable Action Plan for Strengthening the Capacity of COMESA". the outcome of the mission was an agreement between COMESA and AfDB on the following:

- To Explore the launching of the COMESA Transport and Energy Networks to allow for peer experiential learning and sharing of best practices; which will be complemented by a Knowledge Management and Sharing Platform (ICT) for Databases and online access to key documents;
- To explore the customization and implementation of a training workshop on Private Public Partnerships (PPP), as a follow-up to the planned pilot PPP Training with the WAPP;
- To explore the preparation of Training workshops on Project Preparation from inception to bankable stage, including Project Proposal writing, Reporting and Donor Intelligence; and
- Presentation by AfDB of an Implementable Priority Action Plan spanning a 3-year period and comprising a limited number of priority activities geared towards specific tangible results.

20.6 Cooperation with the African Union

The COMESA Secretariat actively participated in the Coordination Committees of AU-RECs-ECA-ADB which were held in Libreville (Gabon) on 13-15 January 2010, and in Zanzibar (Tanzania) on 4-8 November which called upon the AU to harmonize and coordinate programmes and activities on Peace and Security, Minimum Integration Programme, and to discuss issues concerning the Implementation of the Protocol on relations between AU and RECs.

20.7 Accredited Special Representatives to COMESA

The British High Commissioner presented his credential letter to the COMESA Secretariat in 2010, making the United Kingdom the seventeenth Country which has a Special Representative to COMESA. The current list of accredited Special representatives include: USA, France, India, China, Germany, Italy, Russia, Cuba, Brazil, Norway, Finland, Denmark, Sweden, Japan, EU, Palestine and the United Kingdom.

20.8 New Partners

COMESA continues to diversify partnerships with different countries and regions of the world . Pursuant to this objective COMESA undertook an official mission to Riyadh (Saudi Arabia) from 2nd to 6th April 2010 which held discussions with the different Saudi Officials, and the Chamber of Commerce. In particular, a Memorandum of Understanding (MOU) was signed with the Gulf Cooperation Council (GCC) Secretariat. The Memorandum of Understanding was not only limited to cooperation in the areas enumerated below, namely: promotion of trade in goods and services; exploring the feasibility of negotiating a Preferential Trade Arrangement; promotion of investment in the COMESA region in the sectors of agriculture, manufacturing, infrastructure including energy development; but also in the dissemination of information on economic, social, educational and cultural developments in both regions in a manner which meets the needs of the targeted users in the regions.

20.9 Bilateral Partners (India, Brazil)

a) India

A COMESA Delegation visited India during the period 14-16 November 2010 and discussed with the Indian Government the need to promote Capacity Building in Africa, by locating Institutes in some African countries. The particular seven COMESA Countries that will host these Training Centres are: Libya (Vocational Training Centre), Egypt (Vocational Training Centre), Uganda (India-Africa Institute of Foreign Trade (IAIFT), Ethiopia (Vocational Training Centre), Kenya (Human Settlement Institute), Rwanda (Vocational Training Centre), and Burundi (Vocational Training Centre and India-Africa Institute of Education, Planning and Administration (IAIEPA). The building of these Training Centres will be totally financed by the India government including the first three years of their Administration.

The delegation was further informed that the Government of India will be offering African products Duty and Quota Free access to its markets, and that the Indian Private Sector and Business Community are keen to strengthen links with their African counterparts.

b) Brazil

COMESA and Brazil are currently exploring to cooperate in the production of Bio-fuel. The cooperation which will encourage Brazil to transfer technology through the use of its technical personnels will enable the COMESA countries to diversify and develop their sources of energy and export commodities.

20.10 Partnerships

During 2010, COMESA continued to benefit from its Cooperating partners and donors as indicated by the signing of different grants, as well as the actual disbursement of grants. The main ones were:

1) The funding of Euros 11.5 million under the Financial Agreement between the European Commission and the COMESA Secretariat which was signed in March 2010 and marks the continuation of the IRCC (IRCC2) support. The project will finance the work of the Secretariat in support of the Inter-Regional Coordinating Committee (IRCC).

2) Under the 10th EDF, the signing of a grant (contribution agreement) of Euros 50 million between the European Commission and the COMESA Secretariat was done in December 2010 as continuation of the Regional Integration Support Programme (RISP) to advance the economic integration agenda in the ESA-IO region.

3) A grant of Euros 1.6 million to support the Plan of Action to be undertaken by COMESA was signed under the 10th EDF Regional Political Integration and Human Security Programme (RPIHSP).

4) The European Commission signed a Grant of Euros 5.6 million to start the activities of the Regional Muli-Disciplinary Centre for Excellence (RMCE), which is a regionally owned training and advisory centre for capacity building and as a hub of expertise for the regional development activities of COMESA, the East African Community (EAC), the Inter-Governmental Authority on Development (IGAD), and the Indian Ocean Commission (IOC).

5) The ACP-EU PMU Pro€Invest Facility financed the RAERESA workshop for Energy regulators for an equivalent of Euros 200,000.

6) The Pro€Inves supported the organization of the Tripartite COMESA-EAC-SADC+IGAD Conference on Infrastructure Development and Trade Facilitation in Nairobi on 28-29 October, with an amount of about

Euros 650,000.

7) The EuropeAid Co-operation Office on 4th May 2010 signed a grant of Euros 20 million in support of the COMESA Regional Agriculture Inputs Programme (COMRAP).

8) Under the USAID funding, several projects grants were also signed. These included:

a) The COMESA Regional Economic Trade and Integration Programme (CRETIP) – US$2,421,600.27 signed on the 5th February 2010.

b) Trading for Peace (TfP) - US$100,000 signed in February 2010.

c) Support for CAADP activities US$85,800.00

d) During the last quarter of 2010 both COMESA and USAID signed a new agreement under the IPAA for US$16.7 million of which US$4,286 million will be for the direct funding to support COMESA during the financial year 2010/2011.

9) End of March 2010, DFID allocated a grant of £2,600,000 to COMESA to finance Trade Mark activities which were to be implemented by the end of June 2010.

10) A Grant of US$4.5 million from the World Bank managed Multi-Donor Trust Fund (MDTF) with contributions from different donors was approved to support the implementation of CAADP in the COMESA region for the 3-year period from July 2010 to June 2013.

11) A Grant Agreement of US$869,000 was signed on the 11th May 2010, between the World Bank and COMESA Secretariat for the Development of COMESA Monitoring and Evaluation (M&E) Capacity to monitor the implementation of the Medium Term Strategic Plan (MTSP).

12) The different donors contributed fund for the COMESA Climate Change Programme. These were: US$1 million from Norway; US$500,000 from USAID; US$500,000 from the Rockefeller foundation, and Euros 4 million from the European Commission under the Global Climate Change Adaptation.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

REPORT OF THE SECRETARY GENERAL

INTRODUCTION

The Secretary General presents his report and the audited financial statements of the Common Market for Eastern and Southern Africa Secretariat for the year ended 31 December 2009.

REGISTERED OFFICE ADDRESS AND PRINCIPAL PLACE OF BUSINESS

Common Market for Eastern and Southern Africa (COMESA)
Ben Bella Road
P O Box 30051
Lusaka

ACTIVITIES

Establishment

The Common Market for Eastern and Southern African ("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 COMESA. In 2009 its membership was 19 states.

Article 3 of the COMESA Treaty provides that "The aims and objectives of the Common Market shall be:

(i)to attain sustainable growth and development of the Member States by promoting a more balanced and harmonious development of its production and marketing structures;

(ii) to promote joint development in all fields of economic activity and the joint adoption of macro-economic policies and programmes to raise the standard of living of its peoples and to foster closer relations among its Member States;

(iii) to co-operate in the creation of an enabling environment for foreign, cross border and domestic investment including the joint promotion of research and adaptation of science and technology for development; and

(iv) to co-operate in the promotion of peace, security and stability among the Member States in order to enhance economic development in the region.

Membership and Bureau

2009 Bureau of COMESA

The 2009 Bureau constituted :-

Zimbabwe	**-**	***Chairman***
Swaziland	**-**	***Vice Chairman***
Kenya	**-**	***Rapporteur***

The full list of the member States of COMESA is contained in note 5 to the financial statements.

Budget

The 2009 Programme budget amounting to COM $9,030,232 (2008 COM $8,211,711) was approved by the Twenty Fifth meeting of the Council of Ministers in December 2008. The technical program budget priorities were the launch of the COMESA Customs Union; launch of the Regional Payments and Settlement System (REPSS); adoption of the Regulations on Trade in Services and the Guidelines for the Negotiation of Services; establishment of the Committee on Customs Union; preparation of the draft Tripartite Free Trade Area (FTA) Agreement and its Annexes; continued negotiations on Economic Partnership Agreements (APAs) with EU; launch of the One-Stop-Border Post; conclusion of the institutional architecture of the COMESA Infrastructure Fund and the operationalisation of the COMESA Adjustment Facility. Detailed reports on the sectoral performance of these programmes are contained in the 2009 Annual Report.

Chairman's review of the year

In his review of the year, the Chairman of the COMESA Authority, His Excellency Robert Mugabe, President of the Republic of Zimbabwe hailed the year 2009 as a historical one in terms of COMESA regional integration and the milestones achieved towards that, particularly the launch of the Customs Union at Victoria Falls in June 2009. The launch of the Customs Union showed the world that the spirit of integration was priority for all member countries and demonstrated purpose and drive towards that noble goal. He further highlighted other key milestones such as the region's launch of the Regional Payments and

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

REPORT OF THE SECRETARY GENERAL (CONTINUED)

Settlement System (REPSS), adoption of the Regulations on Trade in Services and the Guidelines for the negotiation of Services.

He commended the follow-up work on the historic 2008 Tripartite Summit of COMESA-SADC-EAC Heads of State and Government, which in 2009 reached the stage of a draft Tripartite Free Trade Area (FTA) Agreement and its Annexes, which were submitted to individual countries. He highlighted that, when launched, the COMESA-EAC and SADC Tripartite Free Trade Area will constitute the largest free trade area in Africa with combined population and GDP of 527 million people and US$624 billion respectively, thus realising a major leap forward in the realisation of our founding fathers' dream for continental integration.

Another milestone was reached in December 2009 with the launching of Africa's first One-Stop-Border Post between Zambia and Zimbabwe at Chirundu. Chirundu Border Post became the first multiuser and fully symmetrical One-Stop-Border Post and this was achieved after harmonisation of relevant legislation between the two countries allowing border customs and immigration authorities to operate outside their territories.

The Chairman further noted that the global financial crisis which originated in 2007 negatively impacted on most of our economies through declining commodity prices, decreasing remittances from abroad, reduced credit lines and subdued demand for our products on the world market.

He urged our countries to learn from the external shock and draw closer in regional integration terms to resist any such future shocks. There is renewed hope for the growth of our economies given the signs of the receding economic crisis.

Another key milestone for the year was the conclusion of the institutional architecture of the COMESA Infrastructure Fund hosted by Mauritius and the operationalisation of the COMESA Adjustment Facility, set up to compensate member states for loss in revenue arising from joining Customs Union. Burundi and Rwanda benefited from this facility to the tune of Euro 4.4 million and Euro 10.3 million respectively in 2009. This, he said, should calm down fears about revenue losses since the Adjustment Facility will compensate member states for losses realised from aligning to the COMESA Common external tariff.

He praised Africa for achieving another historic feat by going to the 2009 Copenhagen Conference on Climate Change with one voice. Finally, the Chairman thanked our cooperating partners for their all weather financial support to our integration programmes. He also thanked the Secretariat for its distinguished work in supporting the COMESA Authority.

Co-operation with development partners

The year 2009 has been marked by the continuous support to the COMESA Regional Integration Agenda by our traditional development partners such as the: European Union (EU), United Sates Agency for International Development (USAID), Department for International Development (DFID), Norwegian Agency for Development Cooperation (NORAD), World Bank, African Development Bank (AfDB), Canadian International Development Agency (CIDA), Swedish International Development Cooperation Agency (SIDA), Common Wealth Secretariat (COMSEC), Food and Agriculture Organisation (FAO), World Trade Organisation (WTO) World Food Programme(WFP), Common Fund for Commodities (CFC), Rockefeller Foundation, Hewlett Foundation, IFDC, Alliance for a Green Revolution in Africa (AGRA), Pro-Invest, Non-Tariff obstacle (NTO), Universal Postal union (UPU), US Trade and Development Agency (USTDA), Deutsche Gesellschaft Technische Zusammenarbeit (GTZ), International Development Research Centre (IRDC), multilateral and bilateral partners . It has also witnessed the strengthening of official relations with new partners within the Gulf region. Undoubtedly, the most outstanding event during the year 2009 was the enormous support extended to the COMESA Climate Change Initiative which enabled COMESA to take a lead position in the Copenhagen negotiations.

In addition, the COMESA Secretariat continues to show its commitment towards working closely with other Regional and Continental organisations towards the achievement of the ultimate Goal of creating the African Economic Community as stated in the Abuja Treaty through the implementation of the Minimum Integration Plan (MIP).

Cooperation with the European Union

The EU still remains the lead cooperating partner of COMESA and indeed for all the RECs. The 17th IRCC meeting which met in Zanzibar, Tanzania on 12 and 13 January 2009, reviewed the status of implementation of all the 9th European Development Fund (EDF) projects. The review came up with a positive assessment of the programmes, thereby confirming the merits of using the COMESA Contribution Agreement as a modality for implementation (COMESA Contribution Agreement adheres to the internationally recognised standards).

Cooperation with USAID

To alleviate the increasing level of involvement in managing the different agreements, COMESA proposed that in the future, USAID should have an integrated agreement that incorporates all the activities that it funds. USAID and COMESA discussed this proposal at length and both have agreed to implement the proposal by developing the Integrated Partnership Assistance Agreement (IPAA) which is a three year programme that will consolidate all the USAID resources to COMESA into one agreement.

The new IPAA was signed at the end of September 2009, and the implementation letters were signed in November 2009. The amount of funds under IPAA is US$ 1.493 million. This first phase of the programme will end in September 2010.

Cooperation with the African Development Bank (AFDB)

The AfDB has finalized its new strategy on assistance to regional integration and has put a plan in place to revise its cooperation with the COMESA Secretariat. In the meantime, the two of the ADB supported COMESA projects are being implemented, namely: the Agricultural Marketing Promotion and Regional Integration Project (AMPRIP); and the Enhancing Procurement Reforms and Capacity Building Project.

Cooperation with the World Bank

COMESA is still consulting with the World Bank on how to benefit from the newly developed Regional Integration Assistance Strategy (RIAS). This notwithstanding, the World Bank is managing the funding provided by DFID to support African Agricultural Markets Programme (AAMP) which is now part of the Alliance for Common Trade in Eastern and Southern Africa (ACTESA). During the North-South Corridor Conference on 6th April, 2009, the World Bank Group launched a multi-donor trust fund called Trade Facilitation Facility (TFF) to help countries improve their competitiveness and to reduce trading costs by improving infrastructure, transport logistics and customs procedures.

Cooperation with the Department for International Development (DFID)

DFID has continuously supported COMESA programmes such as the strengthening of the FTA, the development of the Customs Union, and the enhancement of policies in agricultural inputs/outputs through the Africa Agricultural Markets Programme (AAMP).

Cooperation with United Nations Economic Commission for Africa (UNECA)

UNECA and COMESA have reviewed the Multi- Year Action Plan which they developed in 2008 and in which they prioritized a few of the projects for immediate implementation. In 2009, UNECA offered COMESA financial assistance in the amount of US$ 68 000 which was used to pay the consultants who prepared a list of sensitive products and tariff alignment which are critical in the implementation of the Customs Union.

Cooperation with the African Union

COMESA has continued to actively participate in all the AU meetings and to provide inputs whenever requested. For instance, COMESA participated in developing a Continental Minimum Integration Programme (MIP), to enhance the integration effort and how it can be applied.

Cooperation with NORAD

NORAD in Collaboration with the Swedish Government is supporting the implementation of the COMESA HIV and AIDS Multisectoral Programme.

Cooperation with bilateral partners (Norway, Sweden, Germany)

Concerning the bilateral partnership, COMESA has secured the support of the Swedish Government to implement the HIV and AIDS Multisectoral Programme. The Norwegian Government on the other hand supports the Climate Change Initiative while the assistance of the German Government is to finance the Trading for Peace Project under GTZ programme.

Cooperation with new partners (Gulf States)

The COMESA Regional Investment Agency (RIA) organised a mission to the Gulf region from 10 to19 December, 2009, with the objective of introducing the COMESA Member

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

REPORT OF THE SECRETARY GENERAL (CONTINUED)

States as a destination for investment for the business community of the Gulf States.

The COMESA delegation visited Saudi Arabia, in 2009. During the mission, meetings were held with the Islamic Development Bank (IDB) and the Jeddah Chamber of Commerce and Industry (JCCI). Memoranda of Understanding (MoU) were signed between COMESA and the two institutions.

The second visit was to Bahrain. With its highly developed communication and transport facilities, Bahrain is home to numerous multinational firms with businesses in the Gulf. The COMESA delegation held a meeting with the Bahrain Chamber of Commerce and Industry (BCCI). The mission also visited Bahrain's International Investment Park, which provides a framework for future collaboration, and was established through the MoUs signed between COMESA RIA and the various Chambers of Commerce and Industry in the Gulf.

Countries accredited to COMESA

During 2009, Sweden, Japan, EU and Palestine had their Special Representatives to COMESA accredited. This brings the number of countries that have Ambassadors to COMESA to 16, namely; USA, France, India, China, Germany, Italy, Russia, Cuba, Brazil, Norway, Finland, Denmark, Sweden, Japan, EU and Palestine.

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 11.5% while the lower ceiling is 0.9%. Council last reviewed the formula in May, 2002 and was revised in 2005 to take into account the admission of Libya into COMESA. It was decided that the formula continues to apply as it had stood the test of time.

Income

(i) Income arising from Member States contributions was COM $ 8,930,234 (2009: COM $8,111,711). The assessment of each Member State is shown in the notes to the financial statements.

"(ii) As at 31 December 2009, the arrears of contribution to the COMESA Budget stood at COM $ 11,075,886.

(iii) In line with the decision of the second Summit of the COMESA Authority, the interest arrears at the end of 2009 financial year accrued at 1 percent amounting to COM $ 60,171 (2008: COM $114,331). The details are shown in the notes to the financial statements

Expenditure

The out turn on 2009 budget was COM $ 7,836,744 or 84% of the budget (2008: COM $ 7,306,223 or 87% of the budget).

Surplus for the year

"The 2009 excess of income over expenditure of COM $ 1,102,615 (2008:COM $1,038,021) has been transferred to the Accumulated Fund. This was after writing off; Depreciation of COM $ 213,825; exchange losses of COM $ 20,755 and adding grant amortization of COM $ 48,634.

Bank balances and cash

"As at 31 December 2009 cash at bank was COM $ 16,630,414 which included contributions to COMESA fund of COM $ 4,058,426, PTA Travellers funds of COM $ 945,722 and Staff Provident Funds of COM $ 2,337,280. For a complete list of bank and cash balances, please refer to note 22 of the financial statements.
"

Accumulated fund

"At 31 December 2009 the Accumulated Fund stood at COM $ 22,761,182 (2008: COM $ 21,650,951).

External auditors

Messrs Deloitte & Touche were appointed as COMESA auditors at the twenty Seventh meeting of the Council of Ministers on Administrative and Budgetary Matters on 7 December 2009 and served the first of their two year term in 2009.

SINDISO.N.NGWENYA
SECRETARY GENERAL

Lusaka, Zambia
Date: 16th November,2010

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Common Market for Eastern and Southern Africa (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 COMESA. The organisation currently has a membership of 19 states. The address of its registered office and principal place of business are shown in the report of the Secretary General on page 1. The principal activities of the Secretariat are as follows:

(i) to attain sustainable growth and development of the member states by promoting a more balanced and harmonious development of its production and marketing structures;

(ii) to promote joint development in all fields of economic policies and programmes to raise the standard of living of its people and to foster closer relations among its member states;

(iii) to co-operate in the creation of an enabling environment for foreign, cross border and domestic investment including the joint promotion of research and adaptation of science and technology for development;

(iv) to co-operate in the promotion of peace, security and stability among the member states in order to enhance economic development in the region;

(v) to co-operate in strengthening the relations between the Common Market and the rest of the world and the adoption of common positions in international for a; and

(vi) to contribute towards the establishment, progress and the realisation of the objectives of the African Economic Community.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements has been prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

2.2 Basis of preparation

The financial statements have been prepared on the historical basis of accounting. The principal accounting policies adopted are set out below:

2.3 Revenue recognition

2.3.1 Contributions

Contribution income represents contribution receivable from member states. Contributions receivable are recognised as income in the year that assessments are raised and are based on the Council of Ministers approved assessment.

2.3.2 Rental income

Revenue from the leased property is recognised when all the following conditions are satisfied:

h the amount of revenue can be measured reliably; and

h it is probable that the economic benefits associated with the transaction will flow to the entity;

2.3.3 Interest income

Interest income represents interest received on bank accounts held with various banks and interest charges on outstanding contribution from member states. Interest income from member states is recognised when received and interest income from member states is recognised when incurred.

2.4 Translation of foreign currencies

The financial statements of the Secretariat are presented in COMESA Dollar ('COM $') (its functional currency). For the purpose of the financial statements, the results and financial position of the Secretariat are expressed in COMESA Dollar ('COM $'), which is the functional currency of the Secretariat and the presentation currency for the financial statements.

As at 31 December 2009, 1 COM $ = 1 United States Dollar (at 31 December 2008: 1 COM $ = 1 United States Dollar).

In preparing the financial statements of the Secretariat, transactions in currencies other than the Secretariat's functional currency (foreign currencies) are recorded at the

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

NOTES TO THE FINANCIAL STATEMENTS (continued)

rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

2.5 Property, plant and equipment

Leasehold buildings are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent impairment losses. Fixed and movable plant and machinery, fixtures and fittings and motor vehicles are stated in the statement of financial position at cost less depreciation.

Assets under construction are carried at cost, less any identified impairment loss. Such assets are initially shown as capital work in progress and transferred to the relevant class of assets when commissioned. Cost includes professional fees and where necessary, borrowing costs.

Depreciation is charged directly to profit or loss.

Depreciation is charged to write off the cost of property, plant and equipment over their estimated useful lives on a straight line basis, at the following annual rates:

Leasehold properties	2.5%
Motor vehicles	20%-30%
Office equipment	20%
Furniture and fittings	10%

Capital work in progress is not depreciated.

Management believe the current estimates of useful lives to still be appropriate and to apply the same useful life to the assets.

Management have determined that componentising items of property, plant and equipment would not result in material differences in the assets' carrying values and consequently, this has not been done. In the opinion of Management, the Secretariat does not have significant plant and equipment with components that can be identified which have different useful lives.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Property, plant and equipment (Continued)

At each reporting date, the Secretariat reviews the carrying amounts of its tangible and other assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.6 Provisions

Provisions are recognised when the Secretariat has a present obligation as a result of a past event, and it is probable that the Secretariat will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Secretary General of COMESA is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information in respect of the Common Market for Eastern and Southern Africa Secretariat (the "Secretariat") which have been audited by the independent external auditors, Messrs Deloitte & Touche and their report is shown on pages 7 and 8.

The Secretary General is also responsible for the systems of internal control. These are designed to provide reasonable but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Secretary General to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the Secretary General:

h the statement of comprehensive income is drawn up so as to present fairly the surplus of the Secretariat for the financial year ended 31 December 2009;

h the statement of financial position is drawn up so as to present fairly the state of affairs of the Secretariat as at 31 December 2009; and

h the financial statements have been prepared in accordance with Generally Accepted Accounting Principles.

Signed on behalf of COMESA by:

Sindiso Ngwenya

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat), which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in accumulated fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Secretary General's responsibility for the financial statements

The Secretary General is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the financial statements present fairly the financial position of the COMESA Secretariat as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting principles.

DELOITTE & TOUCHE

DATE: 16th November,2010

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2009

COM $			
	NOTES	2009	2008
REVENUE		**9,132,922**	8,506,476
Member states contributions	4	**8,930,234**	8,111,711
Other income	5	**202,688**	394,765
OPERATING EXPENDITURE			
Division expenditure			
Administration	6	**(2,146,404)**	(1,926,256)
Secretary General	7	**(1,696,375)**	(1,737,489)
Meetings	8	**(976,344)**	(625,934)
Consultancy	9	**(895,567)**	(1,037,646)
Trade, customs and monetary harmonisation	10	**(507,809)**	(420,992)
Infrastructure development	11	**(460,846)**	(408,825)
Investment programme and private sector development	12	**(436,326)**	(430,273)
Information networking	13	**(434,057)**	(442,120)
Finance	14	**(283,016)**	(277,188)
Total division expenses		**(7,836,744)**	(7,306,723)
OPERATING SURPLUS		**1,296,178**	1,199,753
Other charges			
Depreciation	15	**(213,826)**	(202,490)
Net exchange losses		**(20,755)**	(11,873)
Amortisation of grant	22	**48,634**	52,631
Surplus for the year		**1,110,231**	1,038,021

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

STATEMENT OF FINANCIAL POSITION at 31 December 2009

COM$			
	NOTES	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	15	**727,537**	608,673
Investments	17	**304,600**	304,600
		1,032,137	913,273
Current assets			
Loans and advances	18	**1,985,646**	563,486
Contributions receivable	4	**11,075,886**	11,547,407
Contributions receivable for Chief Technical Advisor	19	**275,995**	323,995
Bank and cash balances	20	**16,630,414**	16,497,896
		29,967,941	28,932,784
TOTAL ASSETS		**31,000,078**	**29,846,057**
FUND BALANCE AND LIABILITIES			
Funds and reserves			
Accumulated fund		**22,701,182**	21,590,951
Capital reserve	21	**60,000**	60,000
Total accumulated fund and reserves		**22,761,182**	21,650,951
Non current liabilities			
Capital grants	22	**59,808**	108,442
Retirement benefits	23	**2,369,941**	2,034,000
		2,429,749	2,142,442
Current liabilities			
Account payables	24	**5,766,162**	6,052,664
Bank overdraft	25	**42,985**	-
		5,809,147	6,052,664
Total liabilities		**8,238,896**	8,195,106
TOTAL EQUITY AND LIABILITIES		**31,000,078**	**29,846,057**

The responsibilities of the Secretary General with regard to the preparation of the financial statements are set out on page 4. The financial statements on pages 9 to 28 were approved by the COMESA Secretariat on 5 November 2010 and were signed on its behalf by:

Secretary General

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COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

STATEMENT OF CHANGES IN ACCUMULATED FUND for the year ended 31 December 2009

COM $			
	Accumulated fund	Capital	
		Reserve	Total
Balance at 1 January 2008	**20,552,930**	**60,000**	**20,612,930**
Surplus for the year	1,038,021	-	1,038,021
Balance at 31 December 2008	**21,590,951**	**60,000**	**21,650,951**
Balance at 1 January 2009	**21,590,951**	**60,000**	**21,650,951**
Surplus for the year	1,110,231	-	1,110,231
Balance at 31 December 2009	**22,701,182**	**60,000**	**22,761,182**

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

STATEMENT OF CASH FLOWS for the year ended 31 December 2009

COM $			
	NOTES	2009	2008
OPERATING ACTIVITIES			
Surplus for the year		1,110,231	1,038,021
Adjusted for:			
Interest income		(243,344)	(443,929)
Dividend income		(5,609)	-
Gain on disposal of property, plant and equipment		(19,258)	-
Depreciation expense	15	213,826	202,490
Amortisation of grant	22	(48,634)	(52,631)
		1,007,212	743,951
Movements in working capital:			
(Increase) decrease in loans and advances		(1,422,160)	476,403
Decrease (increase) in contribution receivable		471,521	(2,364,550)
Decrease in contribution receivable for Chief Technical Advisor		48,000	48,000
Increase (decrease) in retirement benefits		335,941	(176,978)
(Decrease) increase in accounts payable		(286,502)	805,835
Net cash generated from (used in) operating activities		154,012	(467,339)
INVESTING ACTIVITIES			
Payments for property, plant and equipment	15	(334,889)	(177,843)
Proceeds from disposal of property, plant and equipment		21,457	-
Interest received		243,344	443,929
Dividend received		5,609	-
Net cash (used in) generated from investing activities		(64,479)	266,086
FINANCING ACTIVITIES			
Capital grants received	22	-	34,322
Net increase (decrease) in cash and cash equivalents		89,533	(166,931)
Cash and cash equivalents at beginning of the year		16,497,896	16,664,827
Cash and cash equivalents at end of the year		16,587,429	16,497,896
Comprised of:			
Cash and bank balances		16,630,414	16,497,896
Bank overdraft		(42,985)	-
		16,587,429	16,497,896

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Common Market for Eastern and Southern Africa (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 COMESA. The organisation currently has a membership of 19 states. The address of its registered office and principal place of business are shown in the report of the Secretary General on page 1. The principal activities of the Secretariat are as follows:

(i) to attain sustainable growth and development of the member states by promoting a more balanced and harmonious development of its production and marketing structures;

(ii) to promote joint development in all fields of economic policies and programmes to raise the standard of living of its people and to foster closer relations among its member states;

(iii) to co-operate in the creation of an enabling environment for foreign, cross border and domestic investment including the joint promotion of research and adaptation of science and technology for development;

(iv) to co-operate in the promotion of peace, security and stability among the member states in order to enhance economic development in the region;

(v) to co-operate in strengthening the relations between the Common Market and the rest of the world and the adoption of common positions in international for a; and

(vi) to contribute towards the establishment, progress and the realisation of the objectives of the African Economic Community.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements has been prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

2.2 Basis of preparation

The financial statements have been prepared on the historical basis of accounting. The principal accounting policies adopted are set out below:

2.3 Revenue recognition

2.3.1 Contributions

Contribution income represents contribution receivable from member states. Contributions receivable are recognised as income in the year that assessments are raised and are based on the Council of Ministers approved assessment.

2.3.2 Rental income

Revenue from the leased property is recognised when all the following conditions are satisfied:

h the amount of revenue can be measured reliably; and

h it is probable that the economic benefits associated with the transaction will flow to the entity;

2.3.3 Interest income

Interest income represents interest received on bank accounts held with various banks and interest charges on outstanding contribution from member states. Interest income from member states is recognised when received and interest income from member states is recognised when incurred.

2.4 Translation of foreign currencies

The financial statements of the Secretariat are presented in COMESA Dollar ('COM $') (its functional currency). For the purpose of the financial statements, the results and financial position of the Secretariat are expressed in COMESA Dollar ('COM $'), which is the functional currency of the Secretariat and the presentation currency for the financial statements.

As at 31 December 2009, 1 COM $ = 1 United States Dollar (at 31 December 2008: 1 COM $ = 1 United States Dollar).

In preparing the financial statements of the Secretariat, transactions in currencies other than the Secretariat's functional currency (foreign currencies) are recorded at the

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

NOTES TO THE FINANCIAL STATEMENTS (continued)

rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

2.5 Property, plant and equipment

Leasehold buildings are stated in the statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent impairment losses. Fixed and movable plant and machinery, fixtures and fittings and motor vehicles are stated in the statement of financial position at cost less depreciation.

Assets under construction are carried at cost, less any identified impairment loss. Such assets are initially shown as capital work in progress and transferred to the relevant class of assets when commissioned. Cost includes professional fees and where necessary, borrowing costs.

Depreciation is charged directly to profit or loss.

Depreciation is charged to write off the cost of property, plant and equipment over their estimated useful lives on a straight line basis, at the following annual rates:

Leasehold properties	2.5%
Motor vehicles	20%-30%
Office equipment	20%
Furniture and fittings	10%

Capital work in progress is not depreciated.

Management believe the current estimates of useful lives to still be appropriate and to apply the same useful life to the assets.

Management have determined that componentising items of property, plant and equipment would not result in material differences in the assets' carrying values and consequently, this has not been done. In the opinion of Management, the Secretariat does not have significant plant and equipment with components that can be identified which have different useful lives.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.5 Property, plant and equipment (Continued)

At each reporting date, the Secretariat reviews the carrying amounts of its tangible and other assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.6 Provisions

Provisions are recognised when the Secretariat has a present obligation as a result of a past event, and it is

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivables can be measured reliably.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the Secretariat's statement of financial position when the Secretariat becomes a party to the contractual provisions of the instrument.

(i) Financial Assets

Financial assets are classified into the following specified categories: Contribution receivable and other receivables and cash and cash equivalents. The classification depends on the nature and purpose of the financial assets and it determined at the time of the initial recognition.

Rental receivable and other receivables

Contribution receivable and other receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of financial assets

The Secretariat assesses at each reporting date whether there is objective evidence that a financial asset or Authority of financial assets is impaired. A financial asset or a Authority of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or Authority of financial assets that can be reliably estimated.

The criteria that the Secretariat uses to determine that there is objective evidence of an impairment loss include:

- Breach of loan covenants or conditions;

- Cash flow difficulties experienced by the employee especially where they have left employment.

For certain categories of financial asset, such as other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Secretariat's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Derecognition of financial assets

The Secretariat derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or its transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Secretariat neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Secretariat recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Secretariat retains substantially all the risks and rewards of ownership of a transferred financial asset, the Secretariat continues to recognises the financial

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

NOTES TO THE FINANCIAL STATEMENTS (continued)

asset and also recognises a collateralised borrowing for the proceeds received.

(ii) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(ii) Financial liabilities (Continued)

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

The accounting policies adopted for specific financial liabilities are as set out below.

Staff obligations and other payables

Staff obligations and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Secretariat derecognises financial liabilities when, and only when, the Secretariat's obligations are discharged, cancelled or they expire.

2.8 Grants

Capital grants represents the value of assets vested in the Secretariat by the multilateral and bilateral cooperation partners without charge to the Secretariat. Capital grants are deferred and credited to the statement of comprehensive income in equal annual installments over the expected useful life of the related assets. Separate financial statements are prepared for the specific projects funded by cooperation partners.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

n the application of the Secretariat's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

3.1 Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Estimates of asset lives, residual values and depreciation methods

Property, plant and equipment are depreciated over their useful life taking into account residual values. Useful lives and residual values are assessed annually. Useful lives are affected by maintenance programmes and future productivity. Future market conditions determine the residual values. Depreciation is calculated on a straight line bases which may not represent the actual usage of the asset.

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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ACRONYMS

ACRONYMS

ACBF	-	African Capacity Building Foundation
ACE	-	African Commerce Exchange
ACTESA	-	Alliance for Commodity Trade in Eastern and Southern Africa
ACP-EUPMU	-	African Caribbean Pacific – European Union Project Management Unit
AfDB	-	African Development Bank
AGOA	-	Africa Growth and Opportunity Act
AGRA	-	Alliance for Green Revolution in Africa
AFCAC	-	African Civil Aviation Commission
AFRAA	-	African Airlines Association
AMCEN	-	African Ministerial Conference on Environment
AU	-	African Union
ARICEA	-	Association of Regulators of Information and Communications for Eastern and Southern Africa
ASYCUDA	-	Automated System on Customs Data
ATI	-	African Trade Insurance Agency
BABA	-	Buy African Build Africa
BADEA	-	Arab Bank for Economic Development in Africa
CA	-	Conservation Agriculture
CAADP	-	Comprehensive Africa Agriculture Development Programme
CCA	-	Corporate Council on Africa
CCCL	-	COMTEL Communications Company Limited
CDE	-	Centre for 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
COMRAP	-	COMESA Regional Agriculture Inputs Programme
COMTEL	-	COMESA Telecommunications Company
(CMR).	-	Customs Management Regulations
CNS/ATM	-	Communication Navigation Surveillance Air Traffic Management System
CRETIP	-	COMESA Regional Economic Trade and Integration Programme
CSR	-	Common Statistical Rules
CTN	-	Common tariff nomenclature -
DFID	-	Department for International Development (U.K.)
EAC	-	East African Community
EDF	-	European Development Fund
EPA	-	Economic Partnership Agreement
EU/ACP	-	European Union/African Caribbean Pacific
ESALIA	-	
ESA-IO	-	Eastern and Southern Africa (and Indian Ocean Region)

ESAF	-	Enhanced Structural Adjustment Facility
FDI	-	Foreign Direct Investment
FEMCOM	-	Federation of Associations of Women in Business in Eastern and Southern Africa
FEWS NET	-	Famine Early Warning Systems Network
FTA	-	Free Trade Area
GIS	-	Geographical Information System
GPTC	-	General Posts and Telecommunications Company
HCP	-	Harmonized Consumer Price Indices
IATA	-	International Airlines Travel Association
ICAO	-	International Civil Aviation Organization
ICT	-	Information and Communications Technology
IGAD	-	Intergovernmental Authority on Development
IMO	-	International Maritime Organization
IOC	-	Indian Ocean Commission
IPA	-	Investment Promotion Agencies
IPAA	-	Partnership Assistance Agreement
IRCC	-	Inter Regional Co-ordinating Committee
LLPI	-	Leather and Leather Products Institute
LAAICO	-	Libyan African Arab Investment Company
LDC	-	Least Developed Countries
MDTF	-	Multi-Donor Trust Fund
MEFMI	-	Macroeconomic and Financial Management Institute for Eastern and Southern Africa
M&E	-	Monitoring and Evaluation
MFN	-	Most Favoured Nation
MFA	-	Multi Fibre Agreement
MoU	-	Memorandum of Understanding
MTSP	-	Medium Term Strategic Plan
NAOs	-	National Authorizing Officers
NAPS	-	National Association for the Prevention of Starvation
NDRA	-	National Drug Regulatory Authority
NGO	-	Non-Governmental Organization
NEPAD	-	New Partnership for Africa's Development
NORAD	-	Norwegian Agency for Development
NTOs	-	National Telecommunications Operators
OIF	-	Organisation International de la Francophonie
OPIC	-	Overseas Private Investment Corporation
PACT II	-	Programme for Building African Capacity for Trade
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
Pro€Invest	-	EU-ACP partnership programme developed and undertaken by the European Commission on behalf of the ACP countries
RAERESA	-	Regional Association of Energy Regulators for Eastern and Southern Africa
RECs	-	Regional Economic Communities

RIA	-	Regional Investment Agency
RIFF	-	Regional Integration Facilitation Forum
REFORM	-	Food Security and Risk Management
RIIP	-	Regional Integration Implementation Programme
RISP	-	Regional Integration Support Programme
RISM	-	Regional Integration Support Mechanism
RMCE	-	Regional Multi-Disciplinary Centre for Excellence
RPIHSP	-	Regional Political Integration and Human Security Programme
RTAs	-	Regional Trade Agreements
SADC	-	Southern Africa Development Community
SDI	-	Spatial Development Initiative
SNCC	-	National Congolese Railways
SPS	-	Sanitary and Phyto-Sanitary (Measures)
STR	-	Simplified Trade Regime (STR -
SWAP	-	Sector Wide Approach Programme
TDA	-	Trade and Development Agency
TID	-	Trade information desk
TfP	-	Trade for Peace
TRAESA	-	Telecommunications Regulators Association for Eastern and Southern Africa
UNCTAD	-	United Nations Conference on Trade and Development
UNDP	-	United Nations Development Programme
UNECA	-	United Nations Economic Commission for Africa
UNESCO	-	United Nations Educational Scientific and Cultural Organization
USAID	-	United States Agency for International Development
USTDA	-	US Trade and Development Agency
USTR	-	US Trade Representative
VSAT	-	Very Small Aperture Terminal
WIB	-	Women in Business
WCO	-	World Customs Organization
WMO	-	World Meteorological Organisation
WTO	-	World Trade Organization
ZEP-RE	-	PTA Re-Insurance Company