



INTEGRATING TRADE AND INVESTMENT REGIONALLY

1998 ANNUAL REPORT



**COMTEL
COMESA
Telecommunications
Interconnectivity Network
and Tariff
Harmonisation**



**AN AFRICAN
TELECOM SOLUTION
FOR THE COMESA
MEMBER STATES**

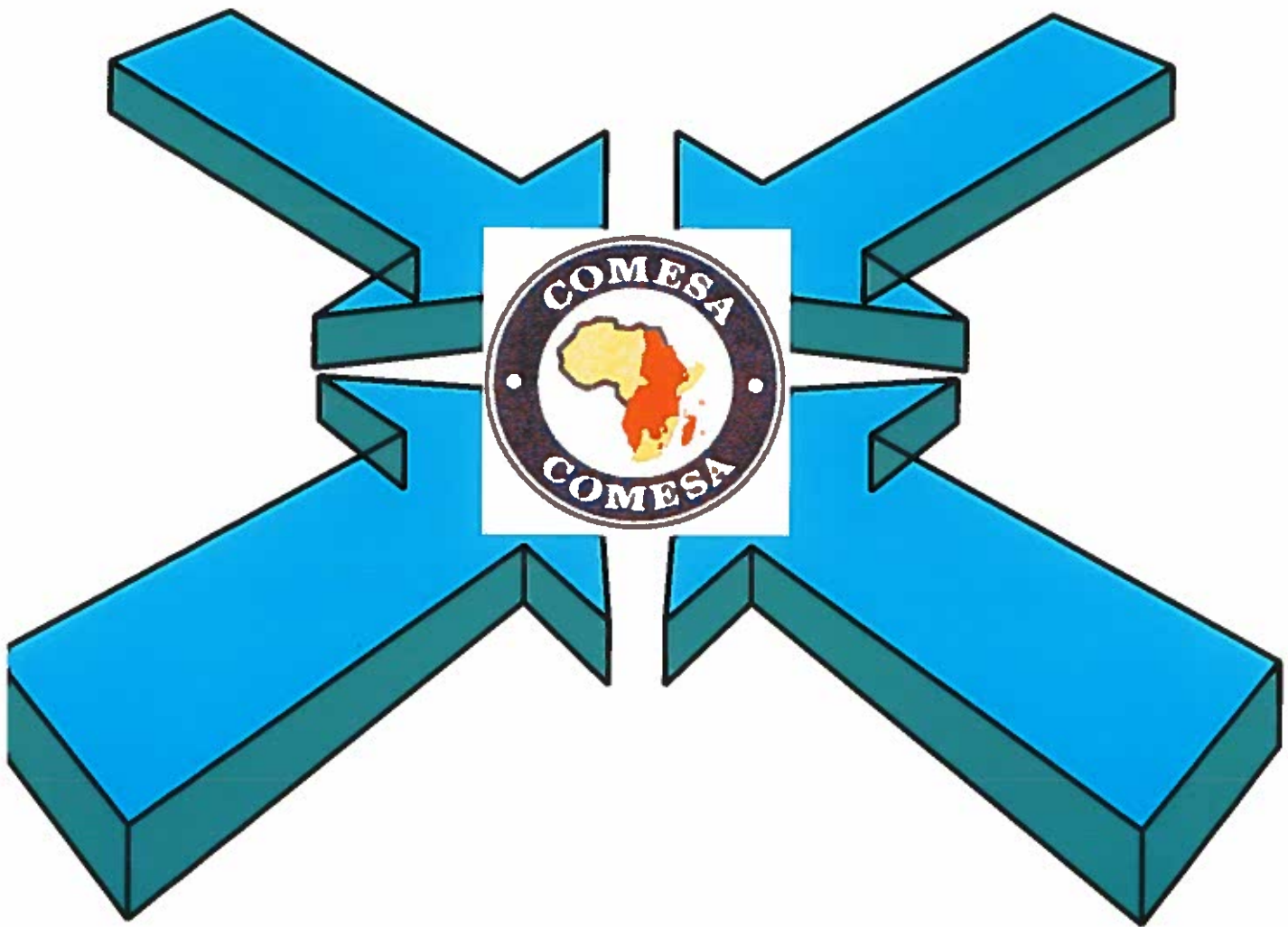


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COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA





1998 ANNUAL REPORT



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Letter of Transmittal by the Secretary General



The Chairman of the Authority of Heads of State and Government of the Common Market for Eastern and Southern African States and President of the Republic of Zambia
Lusaka, Zambia

Mr President

In accordance with the provisions of Article 17, paragraph 8 of the Treaty Establishing the Common Market for Eastern and Southern Africa (COMESA), I have the honour and pleasure to submit to you the Annual Report for COMESA for the year ended 31st December 1998. The Report covers the successes and general activities of COMESA in the region's integration efforts and highlights the position of the COMESA in today's increasingly globalised world economy.

Please accept, Mr President, the assurances of my highest consideration and esteem.

Erastus J O Mwencha, MBS
SECRETARY GENERAL

Foreword by the Chairman

It is a special pleasure for me, as Chairman of the [Common Market for Eastern and Southern Africa COMESA), to introduce the Annual Report for the year 1998 for our cherished organization.

The Annual Report vividly demonstrates the solid progress that bears testimony to our common resolve to change the status quo in order to improve the standards of living of our people and to guarantee a better future.

Our regional arrangements have focused on promoting co-operation and integration that would enhance sustainable growth and development. Our decision on 1 April 1997 to focus on the COMESA agenda on trade and investment continued to pay dividends in 1998. We are nearer to our dream goal of a Free Trade Area, with more Member States implementing the programme. The target date is 31st October 2000. We need to accelerate the process, especially for the countries still lagging behind.

Because of our focus and tangible results, COMESA is gaining support from the international community. We are grateful to the World Bank, USAID, the EU and other partners that extended support to COMESA.

The appointment of the Secretary General and core team gave the Secretariat a new dynamism and focus. The acquisition of new headquarters and the automation of the Secretariat were done in 1998. At our Summit in Kinshasa, we also broke new ground. We completed the process of establishing the Court of Justice by appointing the President of the Court, the Judges and the Registrar. This is an important role in ensuring that our integration arrangements are rules-based, predictable and transparent.

The PTA Bank continued to play a critical role in mobilizing investment funds. The Bank's lending is mainly in the private sector. Through its programmes, several projects in the manufacturing, tourism, trade and other services such as industries, have been financed. Several jobs have also been created for the unemployed in our Member States.

COMESA also continued to witness expansion in membership. The accession of Egypt as a full member and the rejoining of Djibouti and Seychelles, augur well for the realization of the African dream of uniting the Cape to Cairo. It is my sincere hope that the rest of the Member States in Eastern and Southern Africa will work in harmony for the sake of African unity and the African Economic Community.

Just as those above have been a fair measure of hope, there were some disappointments. Regional conflicts continue to pose real challenges to our integration efforts. We also witnessed terrorist campaigns in our region that killed, wounded and caused loss of property in Nairobi, Dar es Salaam and Mombasa.

Our Member States have started to feel the full impact of globalization: the recent widespread economic crisis provides compelling evidence that global forces, transforming nations and people, pose real challenges in technology,



trade, finance, information and investment. We need to strive together by building a better common future. The way forward is to integrate our economies to the global economy and COMESA is perhaps the best vehicle for that assures more trade and more growth.

We need more investment resources; we need to crystallize our vision for a common investment area, and we need to focus our efforts on concrete results as we did in 1998.

The remarkable progress of 1998 gives us genuine hope that together we can hasten to improve the quality of life for about 400 million people in COMESA by bringing hope and opportunities in the next millennium.

It has been a pleasure and a challenge serving as the Chairman of COMESA and I am indeed grateful for the support and co-operation of our Member States and my fellow Heads of State and Government.

Let us build on this strong foundation by marching forward with more determination.

Frederick J T Chiluba
PRESIDENT OF THE REPUBLIC OF ZAMBIA
AND CHAIRMAN OF THE COMESA AUTHORITY
OF HEADS OF STATE AND GOVERNMENT



COMESA at a Glance

Demographics Statistics

Total Area	12.88 million square kilometres
Population	380 million (1998 estimate)
Population growth rate, average	2.45%
Population density, average	29 persons per square Km
Life Expectancy, average	52 years
Infant mortality, per 1000 live births	77
Child malnutrition, % of children under 5 years	24
Access to safe water, % of population	52
Gross Primary Enrolment, % of school age population	80
Illiteracy, % of population over 15 years of age	32

Macro-economic Statistics

GDP, at current prices	US\$155 billion (1997) US\$165 billion (1998 estimate)
Nominal GDP growth	3.14 % (1998 est.)
Total COMESA Exports	US\$23.97 billion (1998)
Total COMESA Imports	US\$38.83 billion (1998)
Intra-COMESA Exports	US\$2.1 billion (1998 est.)
Intra-COMESA Imports	US\$2.1 billion (1998 est.)
Total COMESA Trade	US\$58.88 billion (1997) US\$62.80 billion (1998)
Total External Debt	US\$130 billion (1998 estimate)
COMESA per capita debt	US\$ 340 (1998 estimate)

Part 1 - Global Economic Environment

Global GDP and Trade

The globalisation of the world economy continued in 1998. Both output and trade continued on the positive growth trend set since the early 1990s. While world output and trade declined in 1996, they reached the decade's peak in 1997. 1998, however, recorded slower growth partly due to the financial crisis that beset the Asian economies and reverberated through most of the world economy. Global Gross Domestic Product (GDP) has been estimated to have grown at about 2% in 1998, representing a lower rate of growth compared to growth registered in 1997 at 4.1%.

Global trade, in volume terms, is estimated to have grown by only 4% in 1998 compared to 10% in 1997 and the decade's average of 6.5% growth. Trade values registered even lower growth at about 3% in 1997 and lower rates were projected for 1998. The Asian financial crisis, which depressed demand, and the appreciation of the US dollar against major European currencies in 1997 and early to mid 1998 coupled with weaker commodity prices and the economic downturn in Japan contributed to this phenomenon. Projections for global trade for 1999 indicate a moderate growth rate in volume, and much healthier rate in value terms arising from anticipated commodity price rises, some recovery in Asia and Japan and continued positive growth in Europe.

On a region by region basis, trade performance varied significantly. While Europe, North and Latin America recorded positive growth in trade of varying degrees, Asia's trade shrank in 1998. Africa's merchandise exports comprised mostly primary commodities. The decline in commodity prices in 1997 and 1998 continued to condemn Africa to the bottom of the global growth table, but overall GDP performance was quite impressive.

Performance of Sub-Saharan Africa³

The economies of sub-Saharan African countries grew remarkably over the last 4 years.

- Real GDP grew by an average rate of 4% per cent a year during 1995-98, showing a rise from less than 1½ percent during 1990-94. Per capita output rose at an average annual rate of 1 percent during 1995-98, compared with an average decline of 2¼ percent a year during the first half of the 1990s;
- After peaking at 47 percent in 1994, annual inflation dropped to 10 percent in 1998;

- The overall fiscal deficit (excluding grants) fell from almost 9 percent of GDP in 1992 to less than 5 percent in 1998.

The excellent performance is attributable to the adoption of and consistence in market-oriented economic policies in most sub-Saharan countries. It is believed that performance would have been higher had it not been for a number of adverse external factors totally beyond the control of African governments. The fall in the world prices of several commodities, the impact of El Niño and the adverse effects of the international financial crisis all contributed to dampen the positive growth of sub-Saharan African economies. Civil strife in some sub-Saharan countries, in particular the Democratic Republic of Congo and Angola, also seriously affected economic activity in 1998. Nevertheless, a good number of countries including Ethiopia, Mauritius, Mozambique, Rwanda, and Uganda experienced annual per capita GDP growth averaging well above 4 percent during 1995-98.

Structural Reforms

COMESA countries continued to pursue structural reforms: price controls have been abolished or liberalised; most public sector monopolies have been dismantled and many state enterprises privatised; non-tariff barriers have been eliminated and import duties lowered; exchange rates have been freed and unified; and direct controls on bank credit have been eliminated and market-determined interest rates established. Most COMESA members are pursuing not only IMF-type Structural reforms but also fast-track liberalisation measures under the Cross-Border Initiative, CBI - a trade and economic initiative comprising 14 COMESA countries plus Mozambique and supported by the World Bank, the African Development Bank and the European Union.

Structural reform for sub-Saharan countries is not only necessary for sustained economic growth and prosperity, but also to ensure these countries adjust and adapt to the irreversible tide of globalisation which bring about a complex, regulated and more competitive world economic set-up. It is hoped that structural reform will eventually lead to sustainable development depending less and less on the ever-dwindling volume of official development assistance (ODA).

Trade liberalisation and WTO

In spite of the lower global economic performance and the deteriorated global economic scenario, Africa continued to pursue trade liberalisation and general structural economic reforms. Policy reversals, which would normally be expected under such depressed conditions, were uncommon. This demonstrated the firm belief of even weak economies in Africa in the superiority of open and liberalised economic policies over autarky.

In COMESA, member States continued to promote and implement trade liberalisation by reducing tariffs, eliminating non-tariff barriers, adopting and imple-

IMF estimates
WTO's Annual Report for 1998
Extracted from an article by Stanley Fischer, Mohsin S. Khan, and Ernesto Hernández-Catão, 1998, "Africa: Is This the Turning Point?" IMF Paper on Policy Analysis and Assessment 98/6 (Washington).



menting trade-facilitating measures in documentation, transit procedures, statistical rules and the overall orientation of their economies.

Globally, the World Trade Organisation (WTO) continued to provide the impetus for trade liberalisation. Membership of the organisation rose to 133 with one additional country having completed its accession process and set to become the 134th member in early 1999.

COMESA and WTO

COMESA is one of the 109 recognised regional trade arrangements under the WTO. COMESA was notified to WTO on 29th June 1995 under the Enabling Clause¹. As at December 1998, it was the only regional trade arrangement in Africa notified to WTO². Of the 21 COMESA member States, 16 are members of WTO³. Two are observers whose membership accession is under consideration. Being a notified regional arrangement, members are allowed to extend trade preferences among themselves but are not obliged to comply with WTO's Most Favoured Nation (MFN) rule with respect to goods from third countries. The grouping is currently seeking observer status to the WTO's General Council and selected committees.

The regional grouping is following developments in the global economic arena with keenness as new issues evolve. The signing of new agreements - *the Agreement on Trade in Financial Services and the Agreement on Telecommunication Services including the Declaration on Trade in Information Technology Products* - have introduced extra dimensions to international trade that need careful scrutiny by member States before signing or acceding to them. The controversial provisions of the proposed *Multilateral Agreement on Investment*, particularly MFN and National Treatment provisions for foreign investment, have been so vigorously opposed and are still seen as undesirable by most least developed and developing countries.

COMESA members, like other LDCs⁴, still await the effective implementation of measures contained in Ministerial decisions, notably the *Decision on Measures in Favour of Least-Developed Countries*, secondly the *Singapore Ministerial Declaration* adopted at the 1st Ministerial Conference and thirdly, the *Comprehensive and Integrated WTO Plan of Action for the Least-Developed Countries*, also adopted at the 1st Ministerial Conference in Singapore on 13th December, 1996.

The WTO Plan of Action for the Least-Developed Countries and the Guidelines for WTO Technical Co-operation emphasize the urgent need for human and institutional capacity building both in the public and private sectors of LDCs as a way of ensuring the speedy, effective and sustainable integration of LDCs and developing countries into the global economy.

¹ Tokyo Round Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries.

² This excludes trade agreements between Egypt and the EC of 1977 (GATT Art. XXIV), the Tripartite Agreement involving Egypt, India and Yugoslavia of 1968 (Enabling Clause) and the Global System of Trade Preferences (Enabling Clause).

³ Refer to COMESA and WTO at Appendix I.

COMESA urges full and comprehensive implementation of these decisions and measures.

As part of its activities to strengthen the capacity member States in WTO matters, COMESA held the first series of several training workshops for public and private sector personnel from the member States. The workshop was partly funded by the USAID under Limited Grant Scope Agreement signed with COMESA September, 1998.



Signing of the Limited Scope Guarantee Agreement (LSC) between William Daley, Secretary of State for Commerce of the United States of America and the COMESA Secretary General, Erastus J.O. Mwemcha

Asia-Africa Co-operation and the US Africa Trade and Opportunity Bill

As the rules-based system of the WTO takes full hold, traditional trading arrangements are being challenged and African countries are exploring alternative means of maintaining their share of the global market. Trade preferences under the Lomé Convention, and its various protocols, between the European Union of 15 States and 71 African, Caribbean and Pacific States is coming under increasing pressure. Alternative and complementary schemes such as those proposed under the Tokyo International Development Conference (TICAD) and the Seoul Framework of Co-operation are seen as welcome and timely interventions.



Endangered Exports

Propositions for further African-American co-operation and greater market access for African products in the US market are also seen in similar light. It is in this vein that COMESA supports the US Africa Trade and Opportunity Bill and appeals to American legislators to give fair and speedy consideration for its enactment.

Part II - History, Structure and Objectives of COMESA

COMESA's History

The Common Market for Eastern and Southern Africa (COMESA) is a regional integration grouping of 21 African sovereign states, namely Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe, which have agreed to promote regional integration through trade development and to develop their natural and human resources for the mutual benefit of all their peoples.

COMESA was established in 1994 to replace the Preferential Trade Area for Eastern and Southern Africa (PTA), which had been in existence since 1981 within the framework of the OAU's Lagos Plan of Action and the Final Act of Lagos. The PTA was established 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 to create an economic community.

In 1978, at a meeting of Ministers of Trade, Finance and Planning in Lusaka, the creation of a sub-regional economic community was recommended, beginning with a sub-regional trade area which would be gradually upgraded over a ten-year period to a common market until the community had been established. To this end, the meeting adopted the "Lusaka Declaration of Intent and Commitment to the establishment of a Preferential Trade Area for Eastern and Southern Africa" and created an Intergovernmental Negotiating Team on the Treaty for the establishment of the PTA. The meeting also agreed on an indicative time-table for the work of the Intergovernmental Negotiating Team.



PTA Heads of State Summit

Subsequently, a meeting of Heads of State and Government was convened in Lusaka on 21st December 1981 at which the Treaty establishing the PTA was signed. The Treaty came into force on 30th September 1982 after it had been ratified by more than 7 signatory states as provided for in Article 50 of the Treaty. The PTA Treaty envisaged its transformation into a Common Market and, in conformity

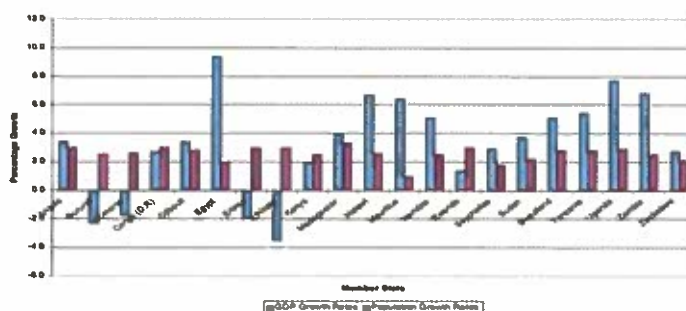
with this, the Treaty establishing COMESA was signed on 5th November 1993 in Kampala, Uganda and was ratified a year later in Lilongwe, Malawi on 8th December 1994.

Main Objectives of COMESA

The COMESA Treaty, which sets the agenda for COMESA, covers a large number of sectors and activities. However, the fulfilment of the complete COMESA mandate is regarded as a long-term objective and, for COMESA to be effective as an institution, it has defined its priorities within its mandate, over the next 3 to 5 years, as being *Promotion of Regional Integration through Trade and Investment*. The role of the COMESA Secretariat is to take the lead in assisting its member States to make the adjustments necessary for them to become part of the global economy within the framework of WTO regulations and other international agreements. This is to be done by promoting "outward-orientated" regional integration. Within this framework, the aims and objectives of COMESA are to create and maintain:

- a full free trade area guaranteeing the free movement of goods and services produced within COMESA and the removal of all tariffs and non-tariff barriers;
- a customs union under which goods and services imported from non-COMESA countries will attract an agreed single tariff in all COMESA states;
- free movement of capital and investment supported by the adoption of common investment practices so as to create a more favourable investment climate for the COMESA region;
- a gradual establishment of a payment union based on the COMESA Clearing House and the eventual establishment of a common monetary union with a common currency; and
- the adoption of common visa arrangements, including the right of establishment leading eventually to the free movement of bona fide persons.

Figure 1 Estimated GDP and Population Growth Rates in 1998





COMESA's Organisational Structure

COMESA is made up of the following:

The Authority of Heads of State and Government

It is the supreme Policy Organ of the Common Market, responsible for general policy, direction and control of the performance of the executive functions of the Common Market and the achievement of its aims and objectives.

The Council of Ministers

Council is responsible for which policy decisions on the programmes and activities of COMESA, including monitoring and reviewing of its financial and administrative management.

The Intergovernmental Committee, the IC

This is a multi-disciplinary body composed of permanent secretaries from the member States responsible for the development and management of programmes and action plans in all the sectors of co-operation, except in the finance and monetary sector. The Committee makes recommendations to Council for decisions.

Technical Committees

These comprise experts in various fields and are responsible for the various economic sectors and for administrative and budgetary matters. The Committees make recommendations to Council through the IC.

The Secretariat

Headed by the Secretary General as its Chief Executive Officer, the Secretariat provides technical support and advisory services to the member States in the implementation of the Treaty. Towards the end of 1997, the COMESA Authority initiated the process of reorganisation and restructuring of the Secretariat with the objective of making it more effective in facilitating the implementation of COMESA programmes. This restructuring and reorganisation exercise was carried out and completed 1998. It assisted in refining and reaffirming the Secretariat's role and its strategic options in pioneering the Member States' endeavours in attaining a fully integrated region. As part of the restructuring, the Authority, at the June 1998 Summit in Kinshasa, confirmed the appointment of a new Secretary General, appointed an Assistant Secretary General and several divisional heads, including a Chief Internal Auditor. The Secretariat has its operational headquarters in its own building in Lusaka, Zambia.



Inauguration of the COMESA centre by Mr F.J.T Chiluba, President of the Republic of Zambia and Chairman of the COMESA Authority

The Consultative Committee of the Business Community and other Interest Groups

These provide a link and facilitate dialogue between the business community and other interest groups and organs of the Common Market.

The Committee of Governors of Central Banks

The Committee manages the COMESA Clearing House and ensures implementation of the Monetary and Financial Co-operation programmes.

The Court of Justice

The COMESA Court of Justice (which replaces the PT Tribunal, the PTA Administrative Appeals Board and the PTA Centre for Commercial Arbitration) is regarded as a significant development of COMESA as it establishes COMESA as a rules-based institution. The Court of Justice, which is temporarily housed at the Secretariat in Lusaka, was formally brought into being at the COMESA Authority's Summit in June 1998 in Kinshasa, the Democratic Republic of Congo. The Registrar of the Court and the seven Judges of the Court were appointed then. All the Judges hold high judicial offices in their own countries and are appointed for a renewable period of 5 years.

The Court of Justice shall adjudicate and arbitrate on among other matters, unfair trade practices, interpretation of the Treaty and protocol provisions and ensure that member States uniformly implement and comply with agreed decisions. Decisions of the Court on the interpretation of the provisions of the COMESA Treaty have precedence over decisions of national courts.

The Court has been established to ensure the proper interpretation and application of the provisions of the Treaty and to adjudicate any disputes that may arise among the member States regarding the interpretation and application of the provisions of the Treaty.

COMESA's Independent Institutions

In order to accelerate economic development and enhance the active participation of the private sector in regional integration initiatives and programmes, COMESA has established independent institutions to provide trade and development finance, provide insurance services and to offer technical and technological expertise and training in key economic sectors of the region. Private sector development is vigorously promoted as evidenced by support towards the establishment and operations of private sector organizations for the region's businesspersons. To ensure accountability, transparency, fairness and equity, COMESA has also set up a dispute settlement and resolution mechanism by establishing the COMESA Court of Justice. COMESA's independent institutions are:

The Eastern and Southern Africa Trade and Development Bank (popularly known as the PTA Bank)

The PTA Bank was established in 1985 to mobilize financial resources for the promotion of regional and national projects to assist in the market integration process and reduce economic disparities between member States. Total cumulative trade and development finance of the PTA Bank stood at over US\$60

million at the end of 1997. The authorized capital stock of the Bank is just under US\$400 million. More than one-third of this amount is paid-up and two-thirds is callable. In addition, two-thirds of the total authorized capital stock is for subscription by the member States and one-third is reserved for subscription by non-COMESA institutions. The African Development Bank joined as a non-regional member in June 1991.

The Bank provides both short and long term development finance. It also provides pre and post-shipment trade finance, both for intra-regional as well as extra-regional trade promotion. The Bank's base is Kujumbura, Burundi, but it is currently operating out of Nairobi, Kenya temporarily.

The COMESA Clearing House

During the time when most countries in the region operated behind a wall of high tariff and non-tariff barriers and strict exchange controls, the operations of the Clearing House were, for many, the only way in which cross-border PTA/COMESA trade could be transacted.

However, with the liberalization of current accounts and repeal of exchange control regulations by almost all member States, the utilization of the Clearing House declined during the years 1993-1996, and for all practical purposes, ceased in 1997.

Recognizing that the Clearing House provided a very valuable and much sought after service to the region during the 1980s, and did this extremely well with no accrued arrears, the COMESA Central Bank Governors reassessed the operations of the Clearing House. Accordingly, the Governors requested that a study be done to examine the future role of the Clearing House. The study was conducted in August 1997 under the direction of the newly appointed Executive Secretary, and with the technical and financial assistance of the DAU/ECA Secretariat, the World Bank and the Commission of the European Union.

The study identified three priority areas of possible activities:

- the running of a clearing operation (Fast Payments Facility - FAP);
- the establishment of a regional export credit guarantee system covering political, or country, risk (Regional Political Risk Guarantee Facility (Africa Guarantee Facility - AGF); and
- to act as a regional SWIFT Centre.

These three activities have been endorsed as areas of further study by the Bureau of Central Bank Governors, which acts on behalf of the Committee of COMESA Central Bank Governors, the governing body of the Clearing House. During 1998, the Clearing House management in conjunction with COMESA senior staff, devoted a lot of resources to garnering support for the three priority areas.

The Leather and Leather Products Institute

The Institute provides training for factory personnel, technical and technological support for the region's leather industry. The Institute is based in Addis Ababa, Ethiopia.

The Eastern and Southern Africa Business Organisation (ESABO)

ESABO is a forum for the region's business community which acts to promote the interests of its members, notably the private sector businesspersons. As economies undergo structural adjustment programmes including privatisation and general economic reform, the business sector wants to ensure that government actions and policies do not disadvantage them. It also plays an advocacy role for its members both in national economic policy matters as well as in regional integration and global economic issues.

The Federation of National Associations of Women in Business (FEMCOM)

FEMCOM promotes the activities of women entrepreneurs in the region. It offers business training and orientation to members and non-members alike. It forges linkages for the region's businesswomen with their counterparts in other parts of the world - encouraging collaborative effort among its members, sharing of synergies and undertaking joint initiatives. The Association undertakes advocacy for women entrepreneurs, networking with collaborative institutions, business information dissemination and capacity building in various business fields.

During 1998, the Secretariat, through the Women In Business section undertook an inventory of all collaborative institutions on the ground in the member States and introduced the concept of tele-centres among women business executives as one of the means of getting them into the service sector. This initiative is being undertaken in collaboration with UNIDO. It also organised a High-level Policy Symposium on Gender, Equity and Social & Economic Empowerment of Women in April 1998 in Lusaka as part of its advocacy activities. The seminar was funded by UNDP.

Institutional Linkages and Co-operation with Partners

There are a number of other regional organisations within the eastern and southern African region but which fall within the geographical extent of COMESA. These are the East African Co-operation (EAC) comprising Kenya, Tanzania and Uganda; Inter-Governmental Authority on Development (IGAD) comprising Djibouti, Uganda, Ethiopia, Sudan, Kenya, ... and Eritrea; the Indian Ocean Commission (IOC) made up of Mauritius, Seychelles, Madagascar and Comoros; and the Southern African Development Community (SADC) comprising Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

COMESA maintains excellent working relations both formally and informally with all of the regional organisations mentioned above. Memoranda of Understand-

ing have been signed with the EAC and IGAD, such that these two organizations have agreed to adopt and implement the COMESA Trade Liberalization and Facilitation Programme. A similar Memorandum of Understanding was also being formalized with the Indian Ocean Commission (IOC) at year end. Formal co-operation was also initiated with the Economic Community of West African States (ECOWAS).



Dr Tekeste Ahebray, Executive Secretary of the Intergovernmental Authority and Development and Mr. Erastus J.O. Mwencha, COMESA Secretary General, sign an agreement of understanding

In 1998, COMESA continued to cultivate productive relations with various partners. Relations with the Organization of African Unity/African Economic Community (OAU/AEC), the UN Economic Commission for Africa (ECA), the Secretariat General of the ACP States and the African Development Bank grew stronger. At the international and multilateral levels, relations with World Bank, International Monetary Fund, World Customs Organization, the Commonwealth Secretariat, the International Fund for Agricultural Development (IFAD), the Common Fund for Commodities (CFC), the Food and Agricultural Organization (FAO) and IDRC were further strengthened.

Similarly, COMESA enjoyed, in 1998 as in previous years, excellent relations with the European Union, which provides substantial support for various programmes and projects; with the United States government through the Agency for International Development (USAID) which also funded a number of activities in 1998; the United Nations Development Programme through the International Trade Centre UNCTAD/WTO and the United Nations Industrial Development Organization (UNIDO). Among the other key bilateral co-operating partners of COMESA in 1998 were the government of the Federal Republic of Germany and the Japanese and British governments.

Part III - Economic Integration: Towards a Free Trade Area

Trade Liberalisation

As a regional trade arrangement, COMESA seeks to establish a Free Trade Area by October 2000 and a Customs Union by the year 2004. COMESA members have agreed to attain a Free Trade Area through the gradual reduction of tariffs on intra-regional trade. The agreed rates and timeframe for tariff reduction are:

October 1993	October 1994	October 1996	October 1998	October 2000
60%	70%	80%	90%	100%

As at the end of 1998, 13 out of the 21 members had effected tariff reductions of 60% or more. Specifically, 1 country (Madagascar) published the 90% tariff reduction during 1998, 8 countries (Comoros, Eritrea, Kenya, Mauritius, Sudan, Tanzania, Uganda and Zimbabwe) had published the 80% tariff reduction by year end, 1 country (Malawi) the 70% reduction and 3 countries (Burundi, Rwanda and Zambia) the 60% reduction¹.

Djibouti joined COMESA in 1998 and was in the process of ratifying the COMESA Treaty as at year end. Once ratified, the country would effect the 90% tariff reduction. The Seychelles joined COMESA in 1997 and is committed to effecting tariff reductions.

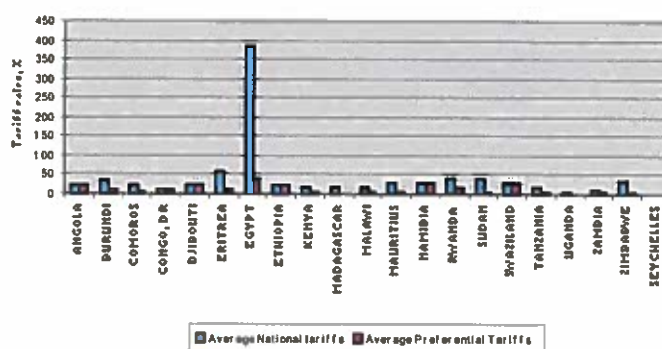
Namibia and Swaziland had their derogation not to publish COMESA tariff reductions extended to the year 2000 at the June 1998 Kinshasa Summit as the renegotiations of the Southern Africa Customs Union (SACU) were still on-going as at year end. The Democratic Republic of Congo had intended to effect tariff reductions within 1998 had it not been for the unfavourable political, civil and military developments in the country which erupted in August 1998. As at 31st December 1998, only 2 countries, namely Angola and Ethiopia, had not communicated any actions to effect tariff reductions.

Although some members were behind in the tariff reduction programme, all COMESA countries, including those under derogation, re-iterated their commitment to achieve the target of 100% reduction by October 2000 at the COMESA Heads of State Summit meeting in Kinshasa in June 1998.

With the above reductions, average tariffs on intra-COMESA trade fell significantly. Madagascar had a nominal average tariff rate of 1.5%, Uganda an average tariff rate of 1.75%, Tanzania 3.25% and Kenya an average rate of 3.6%. Realisation of the Free Trade Area by October 2000 is, therefore, not only possible, but just a matter of time. It is noteworthy that Madagascar already passed legislation in 1998 introducing the free trade in October 2000.

¹ At the time of going to press, 1 more country (Egypt) had published the 90% tariff reduction.

Average National & Preferential Tariffs, Dec 98



Non-tariff barriers

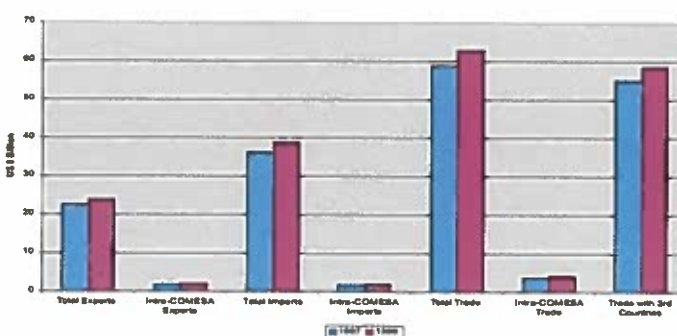
Elimination of non-tariff barriers also progressed satisfactorily during 1998, as in previous years. All traditional and conventional non-tariff barriers such as import licensing, import quotas, foreign exchange rationing, and the like were eliminated. COMESA, therefore, began to examine other non-conventional non-tariff barriers. These included inadequate transport and telecommunication infrastructure, customs documentation and clearing procedures, restrictive border opening hours and restrictions in the movement of persons across border as a result of the insistence on visa requirements.

The effect on intra-regional trade of these tariff reductions has been positive.

Growth of Intra-COMESA Trade, 1992-1998

In 1992, total intra-COMESA trade¹ was estimated at US\$ 1.8 billion, trade with third countries at US\$ 40.5 billion and total COMESA trade at US\$ 42.3 billion.

COMESA Trade 1997, 1998



Of the US\$42.3 billion, imports accounted for US\$26.2 billion and exports US\$16.1 billion, giving a negative trade balance for COMESA (then PTA) of 38.5% of export receipts.

¹ Trade was conducted under PTA preferences.

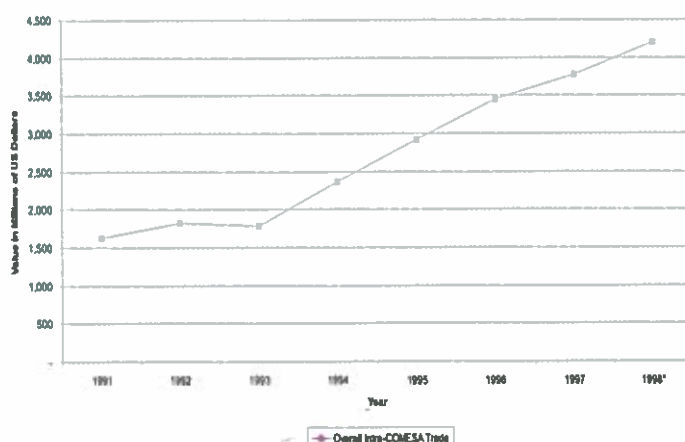


By 1996, though exports grew to US\$ 22.0 billion, the import bill had grown to just over US\$ 35.2 billion, representing a negative trade balance equivalent to 37.5% of COMESA exports. The small reduction in the relative trade balance was partly due to the higher growth of exports compared to imports. Between 1992 and 1996, exports grew by an average of 7.2% per annum while imports grew by an average of 6.5% over the same period.

Intra-COMESA trade, on the other hand, grew by substantial margins. Between 1992 and 1996, intra-COMESA trade grew by an average of 13.6% per annum while COMESA trade with third countries grew by an average of 6.1%, and total COMESA trade (intra plus extra-COMESA trade) grew by 6.5% per annum on average over the same period.

From 1996 through to 1998, intra-COMESA trade grew even faster. In 1997, intra-COMESA trade grew by 8.45% while trade with third countries grew by only 2.3% and total trade by 2.8%. In 1998, total trade grew 6.2% while trade with third countries grew by 6%. Intra-COMESA trade, on the other hand, went up by 10%. This phenomenal growth of intra-COMESA trade can be attributed, in large part, to the trade liberalisation measures being implemented by member States.

Figure 2 Overall Intra-COMESA Trade, 1991-1998



Rules of Origin

In order to promote intra-regional trade further, COMESA undertook to review the existing Rules of Origin to bring them in line with international trading practices. Some aspects of the current COMESA Rules of Origin, and the guidelines for their implementation, are cumbersome and of little practical value. It is considered necessary by COMESA to review these instruments of trade liberalisation. The study was intended to make recommendations to modify the existing COMESA Rules of Origin and implementation guidelines to make them more relevant, practical, understandable and usable; align the Rules of Origin with WCO and WTO guidelines and accepted practice under similar multilateral trading arrangements; develop a monitoring and evaluation plan to enable the COMESA Secretariat to monitor implementation and assess the

effectiveness of the Rules of Origin in promoting intra-COMESA trade. Finally, the study was to propose and design a publicity and awareness program for the dissemination of the Rules of Origin and implementation procedures to users and administrators. With financial and technical support from the United States government through the United States Agency for International Development (USAID), COMESA commissioned the study in September 1998. The study was finalised at year end and its recommendations were to be presented to the member States in early 1999.

The Customs Union

The establishment of a FTA in COMESA by the year 2000 is a prelude to the establishment of a Customs Union. The FTA is planned to operate for about 4 years during which time all administrative, legal, institutional and logistical preparations for the operation of the Customs Union are to be completed. COMESA member States have already committed themselves to the implementation of a Common External Tariff (CET) by the year 2004 of 0%, 5%, 15% and 30% on capital goods, raw materials, intermediate goods and finished goods respectively.

Significant work was undertaken before and during 1998, and some of it would continue in 1999, on the design and implementation of a CET, all with financial and technical support coming from the European Union. Notable among these are:

COMESA Customs Declaration Document (COMESA-CD)

The COMESA-CD is an integral part of the COMESA Trade and Transit Transport Facilitation programme. The document was adopted in 1997 to replace the Road Customs Transit Declaration Document (RCTD) which had been used under the PTA from 1985. The RCTD had replaced a multiplicity of customs bills of entry and related documentation. The multiplicity of customs documents led to delays in the clearing of goods through customs.

The COMESA-CD is implemented as part of customs modernisation and automation requirements. In some Member States a thirty-two (32) documents have been replaced with one single document (the COMESA-CD). The document caters for imports, exports, transit and warehousing. Hence, it is no longer necessary for freight forwarders, importers, exporters and other users to raise different documents for specific customs transactions. The benefits of the COMESA-CD, inter alia, include but are not limited to the following:

- ✓ Elimination of multiple customs documentation for different customs regimes;
- ✓ Reduced costs to economic operators as a result of streamlined procedures and the use of a single document; and
- ✓ Enhanced capacity of customs authorities to exchange information on import, export and transit transactions through the linking up of customs data bases.

The following member States have implemented the

COMESA-CD with some modifications: Ethiopia, Kenya, Mauritius, Namibia, Tanzania, Zambia and Zimbabwe.

Burundi, Comoros, D.R. Congo, Djibouti, Eritrea, Egypt, Malawi, Madagascar, Rwanda, Sudan and Uganda are in the process of implementing the COMESA-CD.

Common Statistical Rules and Regulations (CSR)

The standardisation of codes, rules, definitions and methods of compilation is essential for the production of comparable foreign trade statistics at national level and at the Regional level. Accordingly, COMESA Member States in 1997 adopted Common Statistical Rules and Regulations (CSR). Information from the COMESA-CD will be used to process foreign trade statistics using the CSR. The following are the benefits to be derived by Member States from implementing the CSR:

- ✓ Foreign trade statistics will facilitate the formulation of appropriate national and regional COMESA economic, fiscal and trade policies ;
- ✓ Accurate and reliable statistics will facilitate the computation of the COMESA budget which takes into account intra-COMESA imports and exports among others;
- ✓ The administration of the Common External Tariff (CET) will be facilitated and ultimately the Customs Union; and
- ✓ Accurate, reliable statistics compiled by using the recommended methodology will be comparable and will therefore facilitate easy exchange of statistical information in the region.

The statistics of value and quantity of exports, classified by kind of commodity and country will reveal the levels in the earnings of foreign exchange and in the external demand for a country's products. The trend and prospects of such external demand induce expansion of exports (and hence production) by finding new markets, diversifying the character of exports or of foreign customers.

The statistics of value and quantity of imports classified by kind of commodity and country will reveal the dependence of the domestic economy on COMESA Member States and on foreign countries for

- ⇒ capital goods;
- ⇒ intermediate producer goods; and
- ⇒ final consumption goods.

This determines the sources of demand for foreign currencies and induces search for appropriate measures.

The indication of the units of measurement of quantity in the data captured by the customs administration is crucial in the compilation of foreign trade statistics and should therefore be followed as recommended in the CSR. At the end of 1998, some member States had implemented some recommendations in the CSR such

as the Harmonised System of Codification, the ISO Country and Currency Codes, etc.

Automated System Of Customs Data And Management [ASYCUDA]

ASYCUDA developed by UNCTAD is an integral part of institutional and policy reforms in the administration of customs. Indeed, the rapid and breathtaking developments in communication and information technology in the 1990s has fundamentally altered the roles of customs vis-à-vis the business community. The role of customs is changing from that of exclusive bureaucratic control to one of facilitator. The implementation of ASYCUDA has enabled Customs administration to facilitate trade within and outside COMESA without compromising the objective of maximising revenues because ASYCUDA enhances the capacity of customs, inter-alia, to: compute and collect the correct amount of revenue for each transaction; perform risk analysis for specific commodities including profiles of importers, control and monitor the movement of transit goods and reduce the time required to clear goods.

The following twelve (12) countries have implemented ASYCUDA: Burundi, Comoros, Ethiopia, Madagascar, Mauritius, Namibia, Rwanda, Sudan, Swaziland, Malawi, Tanzania, Uganda, Zambia and Zimbabwe. D.R. Congo (pilot only) and Eritrea are in the process of making preparations to implement ASYCUDA, whilst pre-installation missions have been carried out in Angola, Lesotho and Kenya. The COMESA ASYCUDA/EUROTRACE Regional Centre in 1998 successfully undertook the following activities:

Developed and programmed the ASYCUDA Transit Module which was later on incorporated by the UNCTAD Software Team in Geneva into ASYCUDA Version 2. Prior to the incorporation of the Transit Module into ASYCUDA, extensive field tests were carried out in Zimbabwe by Zimbabwe customs of the transit module.

The ASYCUDA software specialist familiarised himself in Geneva with ASYCUDA Version ++. Thereafter the COMESA based expert went to Sri Lanka to introduce ASYCUDA version ++. Sri Lanka is the first country among the countries implementing ASYCUDA to move from Version 2 to Version ++. The COMESA Regional Centre is thus in a position to assist member States to migrate from Version 2 to Version ++.

The COMESA ASYCUDA ADP Expert trained ADP experts from ECOWAS at the ECOWAS Computer Centre in Lomé, Togo, on ASYCUDA installation and its use under the UNIX operating system.

The requirements for implementing ASYCUDA Version 2.7 in Rwanda were assessed. The computer equipment and training needs for the migration from prologue [which is not year two thousand, Y2K compliant] to Twinserver or UNIX were also determined. Implementation is planned for 1999.

During 1998, the D R Congo saw the installation of ASYCUDA Version 2.7 on the pilot site and assessment of Computer and training needs for the migration from Prologue to Twinserver or UNIX. A pre-installation

mission to Angola on ASYCUDA was undertaken. Comprehensive preparatory activities are required before the installation of ASYCUDA. ASYCUDA Version 2.7 was installed in Burundi. Simultaneously the assessment of equipment and training needs for the migration from Prologue to Twinserver and UNIX was made.

In Sudan the intervention was on the automation of the manifest and the migration from Prologue to Twinserver. Preparatory work has been completed for the migration from Twinserver to UNIX. The ASYCUDA Transit Module was demonstrated to customs in Zambia and Namibia.

Support by the Regional Centre to operating ASYCUDA systems in member States continued.

Eurotrace (External Trade Statistics)

The management of foreign trade statistics within COMESA is done (through a computerised system known as EuroTrace. This is a useful tool in that it saves time in the aggregation of data and production of statistical tables. It also facilitates time series analysis, and comparisons by groups and products etc. In addition the system validates the data thus ensuring the production of reliable statistics.

Data that is prepared at the national level is transmitted to the COMESA Regional Centre. It is envisaged that the Regional Centre will produce timely and accurate foreign trade statistics by the end of 1999. EuroTrace has been implemented in the following nineteen (19) countries: Angola, Burundi, Comoros, D.R. Congo, Ethiopia, Kenya, Lesotho (Network Version), Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Requests have been received to install EuroTrace in Eritrea and Djibouti.

1998 saw the installation of EuroTrace in Angola and D R Congo and four support missions to Zambia, Namibia, Tanzania and Kenya. In addition, continuous support was rendered to national statistical offices to facilitate the production of foreign trade statistics. The training of EuroTrace users continued in 1998. In June, twelve (12) participants from Ethiopia, Kenya, Mozambique, Tanzania, Uganda and Zimbabwe received basic training in the use and management of EuroTrace. In November/December sixteen (16) participants from Ethiopia, Kenya, Malawi, Namibia, Mozambique, Tanzania Uganda and Zambia had advanced EuroTrace training and calculation of foreign trade indices.

Common Tariff Nomenclature (CTN)

As part of the road map towards the establishment of the Common External Tariff (CET), work on the CTN was completed in 1998. The CTN is based on the World Customs Organisation (WCO)'s Harmonised System of commodity codification, (HS96). The proposed CTN has been harmonised on eight (8) digit level for the COMESA region. It will be considered for adoption by the COMESA Council of Ministers meeting in May this year.

Common Statistical Rules

The use of common statistical rules, which were adopted by the COMESA Council of Ministers at their meeting in April 1996, are necessary for comparison of trade data and statistics. All members which were implementing the COMESA-CD were also implementing the common statistical rules and others are in the process of launching implementation.

Common Tariff Nomenclature

During the year under review, the COMESA Secretariat engaged the services of a customs specialist to prepare a Common Tariff Nomenclature (CTN) for COMESA countries. Compilation of the CTN was finalised in December 1998 and is the nomenclature is due to be presented to the member States for consideration in early 1999. The compilation, adoption and implementation of the CTN by the member States is a prerequisite to the harmonisation and standardisation of the commodity coding system within the region, and member States are being encouraged to adopt a common product description and commodity coding system such as the HS 1996. It should be noted that 12 of the COMESA members were already using the HS 1996 as their product description and coding system and an additional 5 members were using the HS 1992. Only 3 members were using non-HS commodity description and coding systems.



Goods being cleared at Chirundu border post

Institutional and Administrative Framework of a Customs Union

The establishment of a Customs Union will necessarily entail institutional and administrative changes and transformations in the member States. Such transformation will involve issues of sovereign authority with regard to the classification and categorisation of import products and the determination of tariff rates on such imports, and will involve issues of authority with regard to the collection and management of revenue from trade taxes.

The COMESA Secretariat started investigations into assessing what further actions are required to ensure the successful introduction and implementation of the Customs Union, specifically examining the institutional and administrative changes and transformations necessary for the successful introduction and implementation of the Common External Tariff. Due to a limitation of resources, the study on these issues could not commence in 1998. It was envisaged to commence and be completed within the first half of 1999.

Sources of Revenue Alternative to Trade Taxes

The introduction of (possibly) new external tariff rates of a Customs Union will obviously have an impact on the revenue base of the member States. The Secretariat wishes to be able to assess this impact, paying

particular attention to the proportion of trade taxes in the member States' total revenue basket. The Secretariat would also wish to be able to highlight the revenue implications of the CET rates (whether revenue neutral or revenue negative) and to propose alternative sources of revenue for member States on whom the CET rates are revenue negative.

However, it is recognised that this exercise should best be done by the countries themselves, partly because there needs to be full national ownership of the findings and the recommendations and partly because of the high level of resources required to do these studies in a comprehensive, and useful, way. The COMESA Secretariat would therefore favour working with individual member States (and other interested parties such as the IMF) on examining alternative sources of revenue. Terms of reference for such studies have been drawn up and interested donors to finance these studies will be approached.

Regional Competition Policy

With the reduction of tariff and non-tariff barriers in COMESA trade has been enhanced and competition increased. In order to ensure fair competition and transparency among economic operators in the region, COMESA is in the process of formulating a regional competition policy. The policy is to be consistent with internationally accepted practices and principles of competition, especially the principles of the World Trade Organisation. The regional competition policy is intended to harmonise existing national competition policies to avoid contradictions and provide a consistent regional economic environment. The COMESA Court of Justice will play an important role in interpreting the provisions of, and ensuring compliance with, the regional competition policy.

Trade Facilitation

In the area of trade facilitation, the COMESA Secretariat is implementing programmes to improve the transport and communications systems of the region as well as improving information available to businessmen wishing to trade both within the region and overseas.

Harmonised Road Transit Charges

The Road Transit Charges system was introduced in 1991 (currently being implemented by Burundi, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Tanzania, Zambia and Zimbabwe) and specifies that heavy goods trucks with more than 3 axles should pay a road charge of US\$10 per 100km; trucks with up to 3 axles should pay a charge of US\$6 per 100km; and buses with a capacity of more than 25 passengers pay US\$5 per 100km. The scheme continued to operate in 1998.

COMESA Carrier's License

The COMESA Carrier's License allows commercial goods vehicles to be permitted, with one license which is valid throughout the region, to operate in all member States. This means that vehicles can pick up back-

loads in other countries which makes more efficient use of the region's transport fleet and thereby reducing the cost of trade. The licence was introduced in 1991 and is currently in operation in nine mainland countries. These are Burundi, Kenya, Malawi, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.



Harmonised Axle Loading and Maximum Vehicle Dimensions

In order to safeguard the region's road infrastructure against over-loading, COMESA has set axle load limits for heavy goods vehicles. These limits are:

- ✓ single steering axle = 8 tons;
- ✓ single load or drive axle = 10 tons;
- ✓ tandem axle group = 16 tons; and
- ✓ triple axle group = 24 tons.

The maximum vehicle dimensions approved by the COMESA Authority, and currently implemented by Malawi, Namibia, Swaziland, Zambia and Zimbabwe are:

- ✓ 12.5m for a rigid chassis single vehicle or trailer;
- ✓ 17m for articulated trucks;
- ✓ 22m for truck and draw-bar trailer;
- ✓ 2.65 maximum width; and
- ✓ 4.60 maximum height.

COMESA Yellow Card Scheme

The COMESA Yellow Card is a vehicle insurance scheme which covers third-party liabilities and medical expenses, with a Yellow Card issued in one COMESA country valid in all other countries participating in the scheme. As at December 1998, the scheme was operational in 12 countries namely Burundi, DR Congo, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. The insurance industries of South Africa and Namibia have expressed a

The Harmonised Road Transit Charges are based on a Marginal Cost Recovery system, though Tanzania has authority from Council to apply a schedule which reflects Full Cost Recovery so has different charges.



wish in 1998 to be part of the Yellow Card Scheme and consultations are in progress.

At present, over 125 insurance companies are involved in the Yellow Card Scheme. Annually, about 41,000 Yellow Cards are issued, a premium income of over US\$2 million is collected and about 60 claims lodged. In 1998, a Yellow Card re-insurance pool was established and plans were underway to expand the scheme to Botswana, Lesotho and Mozambique in addition to South Africa and Namibia.

Cover varies with some countries providing for third party bodily injury only and others providing for both third party bodily injury and property damage. One of the notable developments regarding the operation of the scheme was the decision of the Council of Bureaux - the scheme's governing body - to harmonise and standardise cover provided by the scheme. At its meeting of 17-18 September 1998 in Harare - Zimbabwe, the Council decided that cover should be uniform and cover both third party bodily injury and property damage.

COMESA Customs Bond Guarantee Scheme

COMESA has also introduced a Customs Bond Guarantee Scheme, the objective of which is to eliminate the avoidable administrative and financial costs that are associated with the current practice of nationally executed customs bond guarantees for transit traffic. It has not yet come into force but all member States have agreed to ratify the scheme as soon as possible to eliminate the need to open and close customs bond guarantees at each port of entry. The introduction of the Bond Guarantee Scheme is expected to release over US\$200 million held in bonds at any one time.

During 1998, the Secretariat spearheaded the popularisation of the scheme with the view of making it operational without further delay.

Advance Cargo Information System

The Advance Cargo Information System is a major component of the COMESA trade and transport facilitation programme. ACIS is transport logistics management tool for tracking transport equipment and cargo, on the various modes of surface transportation. ACIS has components that approximate to the usual modes of surface transportation, namely: RailTracker, PortTracker, RoadTracker and LakeTracker. The fifth component, the Backbone Information System (BIS) is the system, which is to link the modal tracking systems to form a regional tracking system.

COMESA's primary objectives of ACIS are twofold. First and foremost, COMESA seeks to establish a system that would help the business community and transport operators to track movements of transport equipment and cargo throughout the COMESA region. Secondly, COMESA would like to capture statistics and performance indicators generated by ACIS into a regional database. Such a database will be useful to planners and policy makers, at institutional, national and regional levels.

Concerning the first objective of tracking transport equipment and cargo, significant progress has been made in the installation of RailTracker module. During the year under review, installation of RailTracker was virtually completed in five railway namely: Kenya Railways, Uganda Railways, Tanzania Railways, TAZARA and Zambia Railways. RailTracker is functioning quite well in these five railways and has become a key tool in their day to day operations.

Significant progress has also been made in both Dar es Salaam and Mombasa ports, in Tanzania and Kenya respectively, where four modules of Port Tracker are being installed. Three of the modules, namely Harbour Master's Module, Cargo Manifest Module and Gatepass Module are useful to the port authorities in handling ships and cargo. A fourth module, the PortStats is used for compiling operational statistics and performance indicators. Installation and operationalisation of PortTracker in the two ports is expected to be completed during the first half of 1999.

As mentioned earlier, the Backbone Information System is the component that will link the modal tracking components to form a regional tracking system. Since the modal tracking units are still being completed, BIS is not yet in place. However, during the year under review, the study of User Requirements and Functional Specification was completed. BIS will be developed using the Internet and will enable shipper, shipping lines/agents, importer/exporters, freight and other transport service providers to monitor the status of their consignments on a continuous basis, only at the cost of local telephone call to the Internet Service Providers. Development and installation of BIS will be pursued by COMESA during the course of 1999.

COMTEL and Telecommunications Harmonisation

A reliable, efficient and cost-effective regional telecommunications network would greatly facilitate economic integration in the region. It is recognised that the existing network is not adequate to meet the needs of the users and the current practice of routing regional telecommunication traffic via countries outside the region (mainly in Europe) makes the implementation of competitive tariffs very difficult. To address this problem, COMESA has initiated the establishment of a private, limited liability company (COMTEL) which will build an asynchronous transmission mode (ATM) system which will link national systems together. The gateway to gateway infrastructure is COMTEL's priority as the national infrastructures are equally important and there is a need for all countries in COMESA to continue to develop and improve national infrastructures.

The company is intended to be structured on the basis of a strategic partner who will hold 30 per cent of the equity of COMTEL, a number of participating National Telecommunication Operators (NTOs), who will hold 25% of the equity, and private sector investors taking the balance of the equity - 45%. The estimated investment cost is US\$300 million and the PTA Bank will

appointed as exclusive financial advisors in 1998. Under a Memorandum of Understanding signed between COMESA and the PTA Bank on 17th August 1998, the PTA Bank shall be responsible for raising both equity and debt for the company.

Information Dissemination - the COMESA Website

The COMESA Secretariat is making use of recent advances in information technology to fulfil its role of providing commercially valuable information to the business sector to enable them to take advantage of business opportunities emerging in the region. Specifically, the COMESA Secretariat has established a website on the Internet (<http://www.comesa.int>) which is to be up-dated on a regular basis and which is intended to be self-financing (after the initial pilot period) and so will have to meet the needs of the users for them, or advertisers, to be willing to pay for this information. The website provides information on a country as well as a sector basis. It uses information from a number of sources, such as the in-house TINET and ASYCUDA databases (which have front-ends attached to make them searchable) as well as information from member States themselves (including Central Banks and relevant Ministries) and other international sources.

Financial and Monetary Harmonisation

COMESA Monetary Harmonisation Programme

In addition to creating the policy environment for freeing trade, COMESA is to take the lead in assisting its member States, through promotion and facilitation of regional integration, to make the adjustments necessary for them to become part of the global economy. As part of this process, the PTA/COMESA Secretariat, under the direction of the Council Ministers, prepared a Monetary Harmonisation Programme for the then PTA in 1990, and this programme is endorsed in the Treaty Establishing the Common Market for Eastern and Southern Africa (COMESA) in which member States, among other things, undertake to co-operate in monetary and fiscal matters to establish economic stability within the Common Market.

The Monetary Harmonisation Programme is to be implemented in four phases, from 1991 to 2025, with the final phase to culminate in full monetary union which implies the use of irrevocable fixed exchange rates; a single currency or parallel currencies; full harmonisation of economic, fiscal and monetary policies of member States; full integration of the financial structures of member States; pooling of foreign resources; and the establishment of a common monetary authority.

A number of meetings were held in 1998 in furtherance of the monetary harmonisation programme at both the ministerial and technical experts' levels. Most activities of the Eastern and Southern Africa Trade and Development Bank and the all activities of the COMESA Clearing House, including the proposed transformations, are linked to COMESA's Monetary Harmonisation Programme.

Investment Promotion and Private Sector Development

Manufacturing

The growth performance of the manufacturing sector in Africa, as a whole, was disappointing during the 1990s. The annual average growth in industrial output, measured in constant prices, between 1990 and 1995 was negative in no less than 18 countries among which were Angola, Burundi, Rwanda, Zimbabwe, Ethiopia, Malawi and Zambia in COMESA region. Annual industrial growth rates fell below 2.5 per cent in another 14 countries among which were Egypt, Kenya, Madagascar and Sudan in COMESA and only Mauritius, Namibia and Uganda achieved a growth rate greater than 5 per cent.

Not only has manufacturing growth been sluggish during the 1990s, but it was also appreciably slower than during the 1980s. Only one country, Uganda, had an average annual industrial growth rates in the 1990s that were more than that prevailing during the 1980s.

Fortunately, 1995 may have marked a turning point making the outlook for manufacturing better. Industrial growth was significantly stronger between 1995 and 1997 than in the 1990 - 94 period in more than three quarters of the African countries. Zambia and Zimbabwe, for example, showed marked improvement and recorded growth rates above 10 per cent and 7 per cent respectively. Whilst in Angola, Ethiopia and Rwanda, manufacturing has recovered quickly once civil strife had abated.

Industries that have fared best are those satisfying basic consumer demands - food, beverages, tobacco, wood, and cement which rely mainly on locally produced inputs. However, liberalisation has brought, in its wake, increased competition for locally manufactured products in a number of member States for example beer in Kenya and cement in Zimbabwe. Besides, several sub-sectors including textiles and clothing, machinery and metal goods, vehicle assembly and electronics have also been negatively affected by intensified import competition. The poor performance of the machinery and other metal goods industries is worrying because of the pivotal role that these sectors typically play in successful industrial development.

Metallurgical Industry

The project US/RAF/96/183 - Assistance to COMESA Countries in Rehabilitating and Upgrading their Metallurgical Industries with special regard to the Iron and Steel Sector - continued to impact positively on industrial manpower development, technical assistance to plants, R&D particularly on Direct Reduced Iron (sponge iron production), cross-border investments, intra-COMESA trade, information exchange and general co-operation among operators in the industry.

Two training workshops for engineers/managers were successfully held during the year - one in Dar es Salaam,



Tanzania hosted by the Tanzania Iron and Steel Association (TISA) and the other on the Copperbelt in Kitwe, Zambia hosted by Paragon Engineering Limited. A total of 68 engineers/managers participated in the two workshops.

While the Dar-es-Salaam workshop covered both Operations and Maintenance, the Kitwe workshop focused on Maintenance Management with emphasis on Conditioned based Maintenance for which ZCCM has excellent facilities at Kalulushi Technical Services Centre. Welding Technology was also covered in both Dar and Kitwe for the first time.

The project was subjected to a review in August 1998 in Harare, Zimbabwe. The participants at the review meeting were: Austria (Donor); Tanzania, Uganda and Zimbabwe representing the beneficiaries; and UNIDO and COMESA (Executing Agencies). The review meeting concluded that the project had made satisfactory progress and delivered its outputs as expected. It was also agreed that the project would support its operations of COMESA Metallurgical Industries Association (COMESAMIA) for at least one year when inaugurated.

The other important offshoot of this project was that the plant erected by Steelmakers of Zimbabwe Pvt Ltd near Ziscosteel Steelworks in Redcliff, Zimbabwe was successfully commissioned during the year. The major portion of the products from this new plant is for export and plans are underway to diversify the production from this plant into stainless steel products, which will be the first of its kind in the region outside South Africa.

Meanwhile, two consultants from the region were assigned through the project to provide technical assistance to both Ziscosteel and Steelmakers of Zimbabwe in the areas of energy management and cleaner production process.

Engineering Industry

Under a project funded by Germany Government through UNIDO, seed treatment applicators suitable for rural farmers in Africa were successfully developed. The three countries involved were Malawi, Tanzania and Zambia. Between 1992 and 1996 the developed machines were successfully tested in the three countries as well as Kenya and Zimbabwe and the test results indicated a very significant potential yield increase if seeds were treated with the machine.

However, the main beneficiaries, the small-scale rural farmers did not benefit significantly because dissemination had not been addressed in phase I of the project. Hence a second phase was proposed and accepted by Council. This second phase will disseminate the technology to the rural farmers and establish the commercial production of the machines by the private sector in the region.

Accordingly, the project document for the second phase has been prepared and will be finalised at a meeting to be organised in Arusha, Tanzania at which all the institutions to be involved will participate. When finalised,

UNIDO will assist COMESA in mobilising the resource required to implement the project.

Meanwhile, both TDAU - UNZA in Zambia and TEMDO in Arusha, Tanzania continued to make the machine upon request and the total number of machines in the two countries is over 40. The 20 machines in Zambia are estimated to have produced extra-food crops valued at COM\$ 150,000.

Pharmaceutical Industry

The COMESA Pharmaceutical Manufacturers Association (PHARMESA) held its second Board Meeting in Nairobi, Kenya in August 1998 and undertook membership recruitment drive in Kenya and Zimbabwe soon after the Board Meeting with some considerable success in both countries. The major decision of the Board was the establishment of three Task Force Committees on Harmonisation of Drug Registration Procedures; Good Manufacturing Practice (GMP); and Trade Development and Promotion which will prepare papers for submission to the Board. These are all areas of major concern to COMESA and hence COMESA Secretariat will continue to mobilise resources to support the efforts of PHARMESA.

Building Materials Industry

As a follow-up to the Japanese funded project - Action Programme to Support the Dynamic Development of the Building Materials Industry - which ended in 1991, an Integrated Programme on Production of Composite Materials from Local Materials for Low Cost Housing in Africa has been developed.

Based on the Indian experience where a number of industries are producing fibre reinforced composite building materials such as red-mud - PVC -jute fibre roofing sheet, red-mud glass fibre-sisal fibre panel tiles, sheets, gypsum-glass fibre-sisal/jute composite for partition panels and door shutters and bagasse phenolic resin boards, this programme aims at transferring this technology to Africa. The abundant local materials such as sisal, kenaf, elephant grass and slag will therefore be utilised to produce composite building materials for low cost houses in Africa. Initially seven COMESA countries will participate in the first phase estimated to last 3 years. However, resources for implementation of the programme have to be mobilised once UNIDO organises the seed money in collaboration with COMESA.

Standardisation, Quality, Metrology and Testing (SQM Programme)

The tender process for Technical Assistance for the Development of SQMT Programme in COMESA was finalised and the Service Contract awarded to a French firm AETS APAVE -SUD Group.

The activity plan was finalised with the Project Director and the implementation of the programme will be launched at the meeting of Directors of NSBs planned for Malawi sometime in April or May 1999. The SQM programme is being funded through EDF, the amount

being Euro 1.99 million.

Information Networking for Technology, Investment and Business (INTIB)

Despite having an industrial information database in place, COMESA still suffers from poverty of information. Hence the continued need for support in this area from UNIDO. UNIDO's services module on Statistics and Information Networks meets this need and aims at narrowing the information gap that prevails within and between countries.

In this regard, UNIDO provides support for the development of specialised information networks to support public and private sector decision-making. These networks are specially designed to meet the particular needs and enhance the resources availability of the country concerned.

During the year under review, UNIDO in collaboration with COMESA assisted four African countries to establish national networks. These countries were Cameroon, Ghana, Senegal and Zambia. Under the project, COMESA provided the Regional Co-ordinator who will in the next stage concentrate on COMESA member States' needs in this area. The long-term objective is to establish information networks in all the COMESA countries and thereby enhance the flow of information in and out of the countries. This will result in the creation of business opportunities in the industrial sector through which jobs will be created and the economies enhanced by the increased industrial activities.

Agriculture and Fisheries

In agriculture, private sector capacity building included a workshop on irrigation development which was prompted by the recurrence of drought and semi-arid climatic conditions in some parts of the region. COMESA also promoted local and improved processing of cassava, which is produced in substantial quantities within the region, through a workshop hosted jointly with the Common Fund for Commodities, the Food and Agricultural Organisation (FAO) and the International Fund for Agricultural Development.

In the field of fisheries, COMESA as a region has enormous marine and inland fisheries resources with the annual catch estimated at 1.8 million tonnes, the potential being about 6 million tonnes. The resources are composed of commercially important fresh water species such as breams and Nile perch, marine species such as pilchard, anchovy, horse mackerel, tuna, swordfish, hake, sea bream, parrot fish, cephalopods and shrimp. These resources are essentially exploited by rural small-scale fishing communities. The industrial fisheries is at the moment very small and is dominated in marine waters by distant fishermen.

Investment Promotion

COMESA countries in general have made good progress during the last decade in simplifying and liberalising investment approval processes and publishing of investment codes and regulatory instruments. During 1998, the Secretariat embarked on the

process of up-dating a 1991 study it did on trade and investment laws in COMESA countries. The objectives of the study are to provide information on trade and investment laws of COMESA member States; create appropriate conditions for the evaluation of a common approach to trade and investment in the region; and serve as a basis for the harmonisation of these laws. The study presents information in six sections: Investment Laws; Taxation; Exchange Control; Financial services and Capital Markets; Trade Laws; and Other Miscellaneous Laws.

Not many COMESA states object to the need to treat foreign investors the same as national investors (i.e. not subject foreign investors to differing tax regimes of different legislation to national investors) once the investor has been accepted as a desirable investor but do not accept that investors should automatically have the right of establishment.

COMESA members who are members of WTO have no difficulty with the provisions of the Agreement on Trade Related Investment Measures (TRIMs), but have reservations on the proposed Multilateral Agreement on Investment (MAI).

Investor Road Maps

The relative lack of formal sector investment in COMESA is related to the fact that the reform of the private sector policy and regulatory environment remains incomplete, with most of the reforms to-date having been on high profile policies such as taxes, tariffs, and foreign exchange regulations. The importance of these reforms should not be underestimated, but the success of the major reforms has overshadowed the need to also address the second generation regulatory and policy reforms which are less obvious and/or more difficult to address. They can include everything from access to land titles to registration of fax machines. These constraints, when grouped together as a whole, could become overwhelming and pose as critical threats to continued formal private sector development.

To address these second generation constraints, COMESA, with financial assistance from USAID, has embarked on a programme to prepare Investor Roadmaps for the COMESA region. As at end 1998, country roadmaps had been completed for Malawi, Mozambique, Namibia, Swaziland, Tanzania, Uganda and Zambia. Further work in this area will involve drawing up a regional roadmap for the whole of COMESA with a view of harmonising investment legislation, regulations and procedures. It was in light of the above that the Authority, at the 1998 Kinshasa Summit, decided that COMESA should be declared a Common Investment Area at the advent of the Free Trade Area.

Regional Investors Forum

Mozambique, Lesotho, Swaziland and Botswana formed the cluster of Southern African countries which participated in the Regional Investors Forum organised by UNIDO in co-operation with SADC and COMESA in Maputo, Mozambique from 15 - 18 June 1998.



During the two days of business discussions, 47 letters of intent (LOIs) and 1 contract were signed for a total value of US\$92.57 million. The promoters of manufacturing sector signed 31 letters of intent for a potential investment of almost US\$54 million while the tourism sector with only 5 agreements involved a total investment of almost US\$30 million.

The Investors Forum constituted a very strong vehicle for economic and technical co-operation among developing countries (ECDC/TCDC).

Paramountancy of Private Sector Development

COMESA regards itself as an organisation which is able to provide assistance to the private sector to assist it to make the necessary transitions to a global economy without distorting factor markets in the process and, as such, the COMESA Secretariat is making continued efforts to work with the private sector on an equal partnership basis. Some of the ways in which this was done during 1998 was through support to ESABO, FEMCOM and the COMESA Bankers' Association; providing information on trade opportunities and trade development; continuing to work towards the creation of a free trade area and the elimination of non-tariff barriers; facilitating improved transport and communications; providing assistance to industry to help them make the transition to market-driven economies - e.g. support to firms in the metallurgy and fisheries sector.

COMESA considers a strong private sector not only as the engine of growth in the region but also as the purpose of integration.



Part IV - Appendices

Appendix I

COMESA and WTO

A. COMESA MEMBERS WHO ARE MEMBERS OF WTO

COMESA was notified to WTO under the Enabling Clause on 29th June 1995. It is currently the only regional trade arrangement in Africa notified to WTO.

16 out of 21 COMESA members are members of WTO. 3 are observers, while 2 are non-members. Currently, WTO has a total of 134 members. Of the 16, 7 (in bold face) are founder members of WTO, i.e. they joined WTO when it came into being on 1st January 1995. Below is the list of COMESA members with dates of membership to WTO.

Members

Angola	1 December 1996
Burundi	23 July 1995
D R Congo	1 January 1997
Djibouti	31 May 1995
Egypt	30 June 1995
Kenya	1 January 1995
Madagascar	17 November 1995
Malawi	31 May 1995
Mauritius	1 January 1995
Namibia	1 January 1995
Rwanda	22 May 1996
Swaziland	1 January 1995
Tanzania	1 January 1995
Uganda	1 January 1995
Zambia	1 January 1995
Zimbabwe	3 March 1995

Observer Governments

Ethiopia
Seychelles
Sudan

Note: Seychelles and Sudan have applied to join WTO.

Non-Members

Comoros
Eritrea

3. CLASSIFICATION OF COUNTRIES

Least-Developed Countries (LDCs)

The WTO recognises as least-developed countries those countries which have been designated as such by the United Nations. There were 48 least-developed countries on the UN list as at 31st December 1998, 29 of which were also members of WTO.

Of the 16 COMESA members of WTO, 10 are classified as least-developed countries. These are:

Angola	Burundi
D R Congo	Djibouti
Madagascar	Malawi
Rwanda	Tanzania
Uganda	Zambia

Sudan, which is in the process of accession to the WTO, and Ethiopia, which is an Observer, are also classified



as least-developed countries. The Comoros and Eritrea are also least-developed countries.

COMESA, therefore, has 14 least-developed countries (LDCs) out of its membership of 21.

Developing Countries

There are no WTO definitions of "developed" or "developing" countries. Developing countries in the WTO are designated on the basis of self-selection.

The following 7 COMESA member states have selected to be classified as developing countries:

Egypt
Kenya
Mauritius
Namibia
Seychelles
Swaziland
Zimbabwe

Source: WTO records as at 21 December 1998; WTO website <http://www.wto.org/>

COMESA in Figures

IIA - General Statistics

	Member State	Total Area Km ²	Population (millions)		Life Ex- pectancy 1998 (est.)	Density per Km ² 1997	GDP at Curr Mar- ket Prices		Total COMESA Exports 1998*	Total COMESA Imports 1998*	Intra- COMESA Imports 1998*	Intra- COMESA Exports 1998*
			1997	1998 (proj)			1997	1998 (fore)				
Millions US\$												
1	Angola	1,246,700	11.6	11.9	47	9	7,785	8,050	4,248	2,513	-	23
2	Burundi	27,834	6.4	6.6	49	230	936	914	75	120	7	17
3	Comoros	2,171	0.7	0.7	56	322	206	202	12	174	-	22
4	D R Congo	2,345,409	48.0	49.4	49	20	6,101	6,266	1,290	1,261	33	125
5	Djibouti	22,000	0.6	0.6	48	27	510	527	149	436	60	29
6	Egypt	1,001,450	64.5	65.8	62	64	77,676	84,978	4,095	14,071	42	152
7	Eritrea	121,144	3.8	3.9	48	31	716	702	130	680	-	0
8	Ethiopia	1,130,138	60.1	61.9	49	53	6,339	6,117	559	1,489	33	132
9	Kenya	582,646	29.9	30.6	58	51	9,652	9,980	2,348	4,077	817	77
10	Madagascar	587,041	15.8	16.3	52	27	3,758	3,905	815	861	48	68
11	Malawi	118,484	11.7	12.0	43	99	2,326	2,482	780	903	48	234
12	Mauritius	2,045	1.1	1.1	71	538	4,136	4,401	1,729	2,466	100	59
13	Namibia	825,418	1.6	1.6	59	2	3,159	3,320	364	213	16	48
14	Rwanda	26,338	8.4	8.7	63	319	1,626	1,649	145	405	1	128
15	Seychelles	280	0.1	0.1	72	357	521	536	189	350	1	14
16	Sudan	2,505,813	29.7	30.4	54	12	4,372	4,534	492	1,605	36	102
17	Swaziland	17,363	1.0	1.0	58	58	1,138	1,196	1,255	1,050	46	8
18	Tanzania	945,087	31.5	32.4	51	33	5,358	5,647	741	1,400	129	300
19	Uganda	236,036	22.6	23.3	42	96	6,373	6,864	512	791	19	286
20	Zambia	752,614	9.9	10.1	46	13	5,115	5,463	1,273	1,185	228	155
21	Zimbabwe	390,580	11.7	11.9	57	30	7,905	8,118	2,776	2,773	436	120
TOTAL		12,886,591	370.7	380.4	Ave 52	Ave 29	155,708	165,850	23,976	38,824	2,100	2,100

*Provisional

Sources:

World Fact Book;
African Social and Economic Trends;
Direction of Trade Statistics, IMF; and
Selected Statistics on African Countries, ADB

Gross Domestic Product

Table 2: GDP at Current Market Prices (US\$ million)

	Member State	1991	1992	1993	1994	1995	1996	1997	1998*	Growth Rate 1998 (est) %
US\$ Million										
1	Angola	4,519	5,366	4,250	6,870	6,187	7,293	7,785	8,050	3.4
2	Burundi	1,167	1,087	940	971	1,061	899	936	914	-2.3
3	Comoros	247	264	280	201	233	230	206	202	-1.8
4	D R Congo	9,086	8,206	8,975	7,158	6,338	5,869	6,101	6,266	2.7
5	Djibouti	456	470	471	487	491	485	510	527	3.4
6	Egypt	36,971	46,367	47,197	51,898	60,472	69,548	77,676	84,978	9.4
7	Eritrea	..	726	684	698	680	717	716	702	-2.0
8	Ethiopia	9,573	7,365	7,240	5,850	5,933	6,218	6,339	6,117	-3.5
9	Kenya	8,162	8,209	5,753	7,399	9,095	9,272	9,652	9,835	1.9
10	Madagascar	2,677	3,001	3,371	2,979	3,198	4,156	3,758	3,905	3.9
11	Malawi	2,178	1,858	2,031	1,283	1,465	2,200	2,326	2,482	6.7
12	Mauritius	2,831	3,102	3,201	3,514	3,940	4,292	4,136	4,401	6.4
13	Namibia	2,388	2,758	2,556	2,926	3,162	3,026	3,159	3,320	5.1
14	Rwanda	1,837	1,918	1,846	730	1,230	1,330	1,626	1,649	1.4
15	Seychelles	376	444	491	488	518	515	521	536	2.9
16	Sudan	7,310	5,989	4,958	4,282	4,222	4,848	4,372	4,534	3.7
17	Swaziland	892	967	938	988	1,073	1,069	1,138	1,196	5.1
18	Tanzania	4,195	4,123	3,727	3,378	4,192	4,824	5,358	5,647	5.4
19	Uganda	3,321	2,856	3,220	3,981	5,655	6,005	6,373	6,864	7.7
20	Zambia	3,377	3,183	3,564	3,714	4,108	4,168	5,115	5,463	6.8
21	Zimbabwe	6,595	5,464	5,574	5,819	6,606	7,509	7,905	8,118	2.7
TOTAL		108,156	113,723	111,266	115,616	129,860	144,472	155,708	165,850	Ave 3.14

* Provisional

Source: Selected Statistics on African Countries, ADB; African Social and Economic Trends

Population Figures and Social Indicators

Table 3: COMESA Population by Country (millions)

	Member State	1991	1992	1993	1994	1995	1996	1997	1998	Growth Rate 1998 (est.)
* Pro-		US\$ million								%
1	Angola	9.5	9.9	10.3	10.7	11.1	11.5	11.6	11.9	3.0
2	Burundi	5.7	5.9	6.0	6.0	6.1	6.2	6.4	6.6	2.5
3	Comoros	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	2.6
4	Congo (D.R)	38.7	39.9	41.2	42.6	43.9	45.3	48.0	49.4	3.0
5	Djibouti	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	2.8
6	Egypt	57.7	59.0	60.3	61.6	62.9	64.2	64.5	65.8	2.0
7	Eritrea	..	3.3	3.4	3.4	3.5	3.6	3.8	3.9	3.0
8	Ethiopia	48.9	50.3	51.9	53.4	54.5	56.7	60.1	61.9	3.0
9	Kenya	24.5	25.9	26.4	27.3	28.3	29.1	29.9	30.6	2.5
10	Madagascar	13.0	13.4	13.9	14.3	14.8	15.2	15.8	16.3	3.3
11	Malawi	9.8	10.2	10.5	10.8	11.1	11.4	11.7	12.0	2.6
12	Mauritius	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0
13	Namibia	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.6	2.5
14	Rwanda	7.2	7.4	7.6	7.8	8.0	8.2	8.4	8.7	3.0
15	Seychelles	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.8
16	Sudan	25.3	25.9	26.6	27.4	28.1	28.9	29.7	30.4	2.2
17	Swaziland	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.0	2.8
18	Tanzania	26.4	27.2	28.0	28.9	29.7	30.5	31.5	32.4	2.8
19	Uganda	18.6	19.3	19.9	20.6	21.3	22.0	22.6	23.3	2.9
20	Zambia	8.4	8.7	8.9	9.2	9.5	9.7	9.9	10.1	2.5
21	Zimbabwe	10.1	10.5	10.7	11.0	11.3	11.5	11.7	11.9	2.1
	TOTAL	307.96	321.23	330.28	339.64	348.70	358.98	370.70	380.43	Ave 2.45

visional

Source: Selected Statistics on African Countries, ADB



Table 4: COMESA Member States - Social Indicators, 1996

Country	Life Expectancy at Birth	Infant Mortality per 1000 Live Births	Child Malnutrition (Children Under 5 Years)	Access to Safe Water (Percent of Population)	Gross Primary Enrolment (School going Population)	Illiteracy of Population (Over 15 Years of Age)
	Years	No.	%	%	%	%
Angola	46	124	35	32	88	
Burundi	47	97	38	52	70	
Comoros	59	67	-	48	74	
Congo, Dem. Rep	53	90	34	27	72	
Djibouti	50	108	23	24	38	
Egypt, Arab Rep.	65	53	9	64	100	
Eritrea	55	64	41	-	57	
Ethiopia	49	109	48	27	31	
Kenya	58	57	23	53	85	
Madagascar	58	88	32	29	72	
Malawi	43	133	28	45	135	
Mauritius	71	17	15	98	107	
Namibia	56	61	26	57	133	
Rwanda	41	129	29	-	82	
Seychelles	71	18	6	97	96	
Sudan	54	74	34	50	54	
Swaziland	57	67	10	43	122	
Tanzania	50	86	29	49	67	
Uganda	43	99	26	34	73	
Zambia	44	112	29	43	89	
Zimbabwe	56	56	16	74	116	
AVERAGES	51.18	77.68	24.11	52.75	80.05	3

Source: *World Development Indicators 1998 CD-ROM*, World Bank

Exchange Rates

Table 5: Exchange Rates (Period Averages)

	Member State	National Currency	1990	1991	1992	1993	1994	1995	1996	1997	1998
Units of National Currency per US\$											
1	Angola	Kwanza	29.9	45.3	550.0	6,500.0	502,262.0	1,585,610.0	5,635.0	123,023.9	196,916.0
2	Burundi	Burundi Fr	171.3	181.5	208.3	242.8	252.7	249.8	302.8	320.7	369.2
3	Comoros	Comoros Fr	272.3	282.1	264.7	283.2	416.4	374.4	383.7	433.6	444.5
4	D R Congo	New Zaire	-	0.0	0.2	3.0	1,194.0	7,024.0	-	-	-
5	Djibouti	Djibouti Fr	177.7	177.7	177.7	170.7	172.5	171.7	160.0	161.6	168.7
6	Egypt	Egyptian £	1.6	3.1	3.3	3.4	3.4	3.4	3.4	3.4	3.4
7	Eritrea	Nakfa
8	Ethiopia	Birr	2.1	2.1	2.8	5.0	5.5	6.2	6.4	6.5	6.9
9	Kenya	Shilling	22.9	27.5	32.2	58.0	56.1	51.4	57.1	58.6	60.3
10	Madagascar	Malagasy Fr	1,494.2	1,835.4	1,864.0	1,913.8	3,067.3	4,265.6	4,061.3	4,381.2	5,205.7
11	Malawi	Kwacha	2.7	2.8	3.6	4.4	8.7	15.3	15.3	16.2	31.1
12	Mauritius	Rupee	14.9	15.7	15.6	17.7	18.0	17.4	18.0	20.9	23.9
13	Namibia	Dollar	2.6	2.8	2.9	3.3	3.6	3.6	4.3	4.6	5.5
14	Rwanda	Rwanda Franc	82.6	125.1	133.4	144.3	-	262.2	306.8	-	-
15	Seychelles	Rupee	5.3	5.3	5.1	5.2	5.1	4.8	5.0	5.0	5.3
16	Sudan	Sudanese £	4.5	7.0	97.4	159.3	289.6	-	1,250.8	1,532.9	1,976.1
17	Swaziland	Lilangeni	2.6	2.8	2.9	3.3	3.6	3.6	4.3	4.6	5.5
18	Tanzania	Shilling	195.1	219.2	297.7	405.3	509.6	574.8	580.0	604.9	650.9
19	Uganda	Shilling	428.9	734.0	1,133.8	1,195.0	979.4	968.9	1,046.1	1,072.9	1,229.8
20	Zambia	Kwacha	30.3	64.6	172.2	452.8	669.4	857.2	1,203.7	1,315.4	1,858.7
21	Zimbabwe	Zimbabwe \$	2.5	3.4	5.1	6.5	8.2	8.7	9.9	12.0	23.5

Source: COMESA Selected Indicators



Trade Statistics

Table 6: Intra-COMESA Exports. 1991-1998 (f.o.b. US\$ million)

	Member State	1991	1992	1993	1994	1995	1996	1997	1998*
1	Angola	-	-	-	-	-	-	-	-
2	Burundi	11	16	17	14	13	8	-	-
3	Comoros	-	-	-	-	-	-	-	-
4	D R Congo	18	14	10	8	14	23	20	-
5	Djibouti	22	24	30	34	42	49	54	-
6	Egypt	37	135	42	42	43	39	40	-
7	Eritrea	-	-	-	-	-	-	-	-
8	Ethiopia	8	8	12	15	38	31	36	-
9	Kenya	250	293	427	503	626	687	745	-
10	Madagascar	17	18	2	14	28	36	42	-
11	Malawi	25	12	16	27	26	44	46	-
12	Mauritius	30	28	17	46	57	79	85	-
13	Namibia	1	2	3	8	11	13	15	-
14	Rwanda	11	1	-	-	2	1	2	-
15	Seychelles	2	2	-	-	-	1	1	-
16	Sudan	3	24	12	2	3	21	23	-
17	Swaziland	22	36	21	18	23	34	40	-
18	Tanzania	45	75	69	75	93	109	119	-
19	Uganda	5	9	10	12	18	17	15	-
20	Zambia	123	69	47	82	107	180	224	-
21	Zimbabwe	182	145	158	284	316	357	381	-
	TOTAL	812	911	893	1,184	1,460	1,729	1,888	2,

Source: Direction of Trade Statistics, IMF
Selected Statistics on African Countries
*Provisional

Table 7: Intra-COMESA Imports (f.o.b. US\$ million value)

	Member State	1991	1992	1993	1994	1995	1996	1997	1998*
1	Angola	9	6	5	13	15	19	21	23
2	Burundi	30	35	29	31	32	17	16	17
3	Comoros	5	9	9	12	16	18	18	22
4	D R Congo	22	25	29	76	76	99	109	125
5	Djibouti	11	15	16	16	21	24	27	29
6	Egypt	112	97	82	88	146	132	141	152
7	Eritrea	-	-	-	-	-	1	1	-
8	Ethiopia	44	38	63	73	91	107	117	132
9	Kenya	72	76	45	46	58	61	68	77
10	Madagascar	12	19	3	35	42	53	59	68
11	Malawi	66	59	61	99	125	196	214	234
12	Mauritius	33	45	30	39	53	53	57	59
13	Namibia	10	3	4	23	29	35	41	48
14	Rwanda	58	62	61	72	86	103	112	128
15	Seychelles	14	6	7	8	10	12	13	14
16	Sudan	55	69	69	74	79	83	95	102
17	Swaziland	1	1	1	3	3	5	6	8
18	Tanzania	63	62	120	172	227	252	268	300
19	Uganda	59	89	137	169	207	238	262	286
20	Zambia	66	136	80	82	80	127	135	155
21	Zimbabwe	70	59	44	53	64	94	108	120
	TOTAL	812	911	895	1,184	1,460	1,729	1,888	2,100



Table 8: Total Intra-COMESA Trade (f.o.b. US\$ million value)

	Member State	1991	1992	1993	1994	1995	1996	1997	1998*
1	Angola	9	6	5	13	15	19	21	
2	Burundi	41	51	46	45	45	25	16	
3	Comoros	5	9	9	12	16	18	18	
4	D R Congo	40	39	39	84	90	122	129	1
5	Djibouti	33	39	46	50	63	73	81	
6	Egypt	149	232	124	130	189	171	181	1
7	Eritrea	-	-	-	-	-	1	1	
8	Ethiopia	52	46	75	88	129	138	153	1
9	Kenya	322	369	472	549	684	748	813	8
10	Madagascar	29	37	5	49	70	89	101	1
11	Malawi	91	71	77	126	151	240	260	2
12	Mauritius	63	73	47	85	110	132	142	1
13	Namibia	11	5	7	31	40	48	56	
14	Rwanda	69	63	61	72	88	104	114	1
15	Seychelles	16	8	7	8	10	13	14	
16	Sudan	58	93	81	76	82	104	118	1
17	Swaziland	23	37	22	21	26	39	46	
18	Tanzania	108	137	189	247	320	361	387	4
19	Uganda	64	98	147	181	225	255	277	3
20	Zambia	189	205	127	164	187	307	359	3
21	Zimbabwe	252	204	202	337	380	451	489	5
	Total	1,624	1,822	1,788	2,368	2,920	3,458	3,776	42

Table 9: Total COMESA Trade (f.o.b. US\$ million)

	Member State	1991	1992	1993	1994	1995	1996	1997	1998*
1	Angola	4,944	6,158	4,286	4,291	5,148	6,511	6,423	6,7
2	Burundi	341	299	259	352	337	162	210	1
3	Comoros	147	144	128	131	168	178	175	1
4	D R Congo	2,629	2,296	1,788	2,219	2,852	2,800	2,272	2,5
5	Djibouti	309	551	543	492	526	534	530	5
6	Egypt	11,521	11,341	11,298	12,900	15,180	16,553	17,076	18,1
7	Eritrea	-	346	348	460	485	588	703	8
8	Ethiopia	639	1,452	1,388	1,425	1,851	1,945	1,975	2,0
9	Kenya	3,192	3,172	3,019	4,462	5,621	5,831	6,171	6,4
10	Madagascar	733	721	694	761	867	1,289	1,368	1,6
11	Malawi	1,100	1,236	926	1,050	1,096	1,309	1,483	1,6
12	Mauritius	2,753	2,925	3,021	3,266	3,515	4,095	3,880	4,1
13	Namibia	558	444	432	714	687	601	626	!
14	Rwanda	397	484	368	293	337	533	448	!
15	Seychelles	307	316	312	279	333	423	465	!
16	Sudan	1,767	1,620	1,525	1,599	1,819	1,837	2,023	2,0
17	Swaziland	1,229	1,419	1,474	1,644	1,947	1,851	2,215	2,2
18	Tanzania	1,946	1,984	1,966	2,030	2,304	2,154	2,105	2,2
19	Uganda	602	578	636	964	1,206	1,327	1,315	1,2
20	Zambia	1,888	1,589	1,593	1,213	1,768	1,873	2,227	2,2
21	Zimbabwe	3,145	3,260	2,976	4,008	4,488	4,868	5,189	5,2
	TOTAL	40,147	42,335	38,980	44,553	52,535	57,262	58,879	62,1

Debt Tables

Table 10: COMESA Member States - Selected Statistics. 1996

Member State	Population 1996	GDP 1996	GNP 1996	GNP Per Capita 1996	Total Debt 1996	Per Capita Debt 1996
	'000	US\$ million	US\$ million	US\$ million	US\$million	US\$
Angola	11100	6721	2972	270	10612	956
Burundi	6423	1137	1066	170	1127	175
Comoros	505	230	228	450	206	408
Congo, D R	45234	6904	5727	130	12826	284
Djibouti ³	619	485	500	807	241	389
Egypt	59272	67691	64275	1080	31407	530
Eritrea ¹	3698	2000	2107	570	46	12
Ethiopia	58234	5993	6042	100	10077	173
Kenya	27364	9222	8661	320	6893	252
Madagascar	13705	4150	3428	250	4175	305
Malawi	10016	2204	1832	180	2312	231
Mauritius	1134	4292	4205	3710	1818	1603
Namibia ³	1584	3230	3569	2250	315	198
Rwanda	6727	1330	1268	190	1034	154
Seychelles	77	515	526	6850	148	1922
Sudan ³	27272	26600	23453	860	16972	622
Swaziland	926	1042	1122	1210	220	238
Tanzania	30494	5838	5174	170	7412	243
Uganda	19741	6115	5826	300	3674	186
Zambia	9215	3388	3363	360	7113	772
Zimbabwe	11248	7550	6815	610	5005	445
TOTAL/ AVERAGE	344588	166637	152159	992.24	123633	480.86

Source: *World Development Indicators 1998 CD-ROM*, World Bank

NB: Averages are arithmetic means.
Due to rounding off at various stages, ratio computations may not be exact in all cases.



Table 11: COMESA Member States - Debt Ratios. 1996

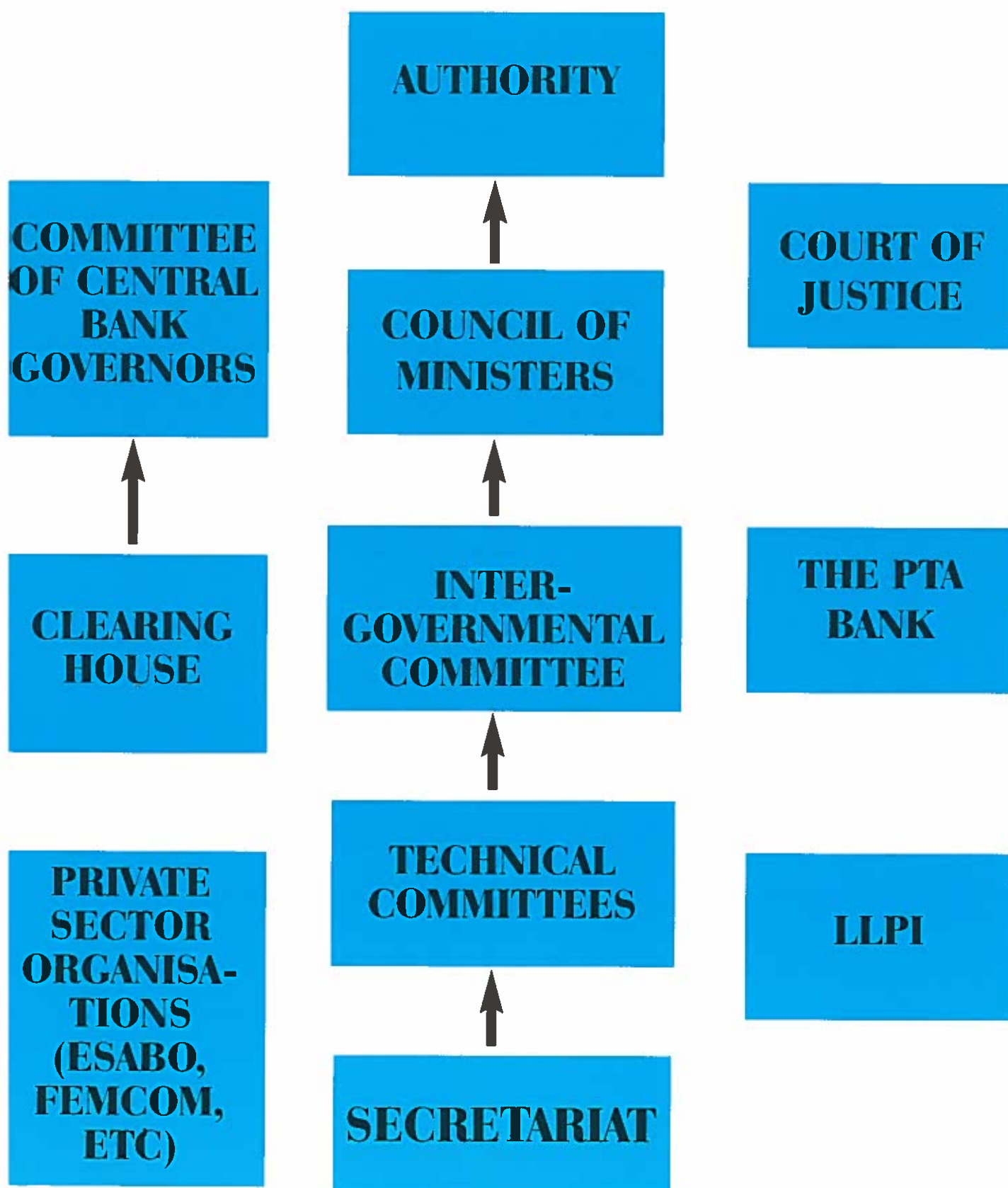
Member State	Total Exports 1996	Total Debt Service 1996	Debt Service Ratio 1996	Total Debt/GDP 1996	PV of Debt/GDP 1996	PV of Debt/Ex- ports 1996
	US\$ million		%			
Angola	5201	694	13.3	157.9	310	21
Burundi	50	31	54.5	99.1	47.0	538
Comoros	42	2	2.5	89.5	54.0	200
D R Congo	2001	48	2.4	185.8	127.0	693
Djibouti	183	11	5.2	49.7	28.0	63
Egypt, Arab Rep.	15245	2309	11.6	46.4	35.0	117
Eritrea	200	0	0.0	2.3	3.0	6
Ethiopia	783	348	42.2	168.1	149.0	1093
Kenya	3027	840	27.5	74.7	64.0	177
Madagascar	803	76	9.4	100.6	97.0	426
Malawi	469	89	18.6	104.9	76.0	294
Mauritius	2701	198	7.2	42.3	45.0	73
Namibia	1591	a	a	9.7	a	
Rwanda	86	19	20.4	77.8	47.0	682
Seychelles	340	15	4.4	28.7	24.0	41
Sudan	702	48	5.0	63.8	260	196
Swaziland	982	33	2.9	21.1	14.0	13
Tanzania	1363	258	18.7	127.0	114.0	499
Uganda	726	150	20.0	60.1	32.0	294
Zambia	1296	324	24.6	210.0	161.0	389
Zimbabwe	3092	664	21.3	66.3	67.0	154
TOTAL/ AVERAGE	40883	6157	15.585	88.805	87.7	396.7

Source: *World Development Indicators 1998 CD-ROM*, World Bank

Note: Debt statistics for Namibia are not readily available as Namibia does not participate in the World Bank Debtor Reporting System (DRS). The above figure was quoted from the *World Factbook 1997*.

Structure of COMESA

Hierarchical Diagram With Links to Committees





Financial Statements

Assessment for Budgetary Contributions to the Secretariat by Member States

Member State	Assessment 1999 COM\$	Assessment 1998 COM\$
Angola	343,252.00	343,252.00
Burundi	132,020.00	118,685.00
Comoros	57,400.00	50,720.00
Djibouti	57,400.00	-
D R Congo	340,958.00	384,966.00
Egypt	746,200.00	659,363.00
Eritrea	57,400.00	50,720.00
Ethiopia	266,910.00	298,235.55
Kenya	676,172.00	659,363.00
Madagascar	199,178.00	190,201.00
Malawi	179,088.00	167,884.00
Mauritius	380,562.00	382,430.00
Namibia	175,070.00	156,218.00
Rwanda	133,742.00	102,455.00
Seychelles	57,400.00	50,720.00
Sudan	321,440.00	312,436.00
Swaziland	141,204.00	133,394.00
Tanzania	319,144.00	400,690.00
Uganda	208,362.00	188,172.00
Zambia	271,502.00	347,941.00
Zimbabwe	675,598.00	659,363.00
TOTAL	5,740,000.00	5,731,383.00

Assessment for Budgetary Contributions to the Court of Justice by Member States

Member State	Assessment 1999 COM\$	Assessment 1998 COM\$
Angola	29,508.73	18,847.00
Burundi	11,349.51	5,359.00
Comoros	4,934.57	2,290.00
D R Congo	29,311.35	17,381.00
Djibouti	4,934.57	-
Egypt	64,149.41	29,770.00
Eritrea	4,934.57	2,290.00
Ethiopia	22,945.75	13,465.00
Kenya	58,129.23	29,770.00
Madagascar	17,122.96	8,588.00
Malawi	15,395.86	7,580.00
Mauritius	32,716.20	17,267.00
Namibia	15,050.44	7,053.00
Rwanda	11,497.55	4,626.00
Seychelles	4,934.57	2,290.00
Sudan	27,633.59	14,106.00
Swaziland	12,139.04	6,023.00
Tanzania	27,436.20	18,091.00
Uganda	17,912.49	8,496.00
Zambia	23,340.52	15,709.00
Zimbabwe	58,079.89	29,770.00
TOTAL	493,457.00	258,771.00



Balance Sheet as at 31st December 1997

	NOTE	1997 UAPTA	1996 UAPTA
ACCUMULATED FUNDS			
Balance as at 31st December	5	6,467,790	5,428,359
		<u>6,467,790</u>	<u>5,428,359</u>
Represented by			
COMESA Headquarters - Capital Work	6	0	353,384
		<u>0</u>	<u>353,384</u>
CURRENT ASSETS			
Loans and Advances	7	249,025	153,657
Accrued Contributions	8	6,348,513	5,807,748
Cash at Bank	9	258,405	421,307
		<u>6,856,033</u>	<u>6,736,096</u>
CURRENT LIABILITIES			
Creditors	10	387,320	1,270,723
Prepaid Contributions	11	0	37,014
Bank Overdraft	9	923	0
		<u>388,243</u>	<u>1,307,737</u>
NET ASSETS		<u>6,467,790</u>	<u>5,428,359</u>

Notes 1 to 15 are an integration part of these Accounts

Income and Expenditure Statement for the Year Ended 31st December 1997

	NOTE	1997 ALLOCATED BUDGET UAPTA	1997 ACTUAL UAPTA	1997 VARIANCE BUDGET UAPTA	1996 ACTUAL UAPTA
INCOME					
Contributions from Member States	1	3,070,000	3,070,000	0	2,924,600
Miscellaneous Income	2	83,539	83,539	(63,539)	13,619
		3,090,000	3,153,539	(63,539)	2,938,219
EXPENDITURE					
	3 & 4				
Secretary General's Office		330,900	261,864	69,036	264,024
Internal Audit Unit		80,100	23,000	57,100	56,899
Legal Office		86,700	72,428	14,274	61,487
Administration Division		1,239,000	808,106	430,894	904,776
Agriculture Division		170,500	155,962	14,538	135,745
Industry Division		214,100	194,100	20,000	208,704
Trade and Customs Division		279,700	186,328	93,372	199,164
Monetary and Financial Co-operation Division		73,400	29,607	43,793	70,054
Transport and Communications Division		217,200	161,525	55,675	167,206
Consultancy		153,000	76,436	76,564	60,043
Meetings		245,400	152,708	92,692	120,894
		3,090,000	2,122,062	967,938	2,248,996
SURPLUS					
		0	1,031,477	0	689,223
OTHER EXPENDITURE					
Provision for Audit Fees		0	18,000	0	18,000
Lotti House Lease Amortisation		0	64,174	0	0
Fluctuation in Exchange Rates		0	(84,684)	0	19,705
EXCESS OF INCOME OVER EXPENDITURE TRANSFERRED TO CONTINGENCY FUNDS					
		0	1,033,987	0	651,518

Notes 1 to 13 are an integral part of these accounts.



**ZAMBIA
CHAIRMAN**



ANGOLA



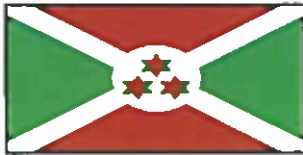
SWAZILAND



TANZANIA



KENYA



BURUNDI



MADAGASCAR



COMOROS



MAURITIUS



D R CONGO



MALAWI



DJIBOUTI



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