



1,504	1,877	1,795	1,850	1,854	1,858	1,855
	2.85	3.26	3.55	3.65	4.2	4.
11.9	17.7	8.5	10.8	10.0	8.0	8.
	21.2	16.1	23.1	20.7	22.5	10.

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COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

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OFFICE OF THE SECRETARY GENERAL

Letter of Transmittal

The Chairman
The Authority of the Common Market for
Eastern and Southern African States (COMESA)
And President of the Arab Republic of Egypt,
State House Cairo
[Arab Republic of Egypt.](#)

Your Excellency,

Re: Annual Report 2001

In accordance with the provisions of article 17 paragraph 8 of the Treaty establishing the Common Market for Eastern and Southern Africa, I have the honour and pleasure to submit the Annual Report for the Common Market for Eastern and Southern African States (COMESA) for the year that ended on 31st December 2001. The report covers the success and general activities of COMESA in the region's development efforts through regional integration, with particular emphasis to the consolidation of the COMESA Free Trade Area that was launched on 31st October 2000. It highlights the position of COMESA in the global, African and regional economy. It also looks at future prospects and possible strategies for the region.

You will note Mr Chairman, that in the year 2001 as with the previous years, COMESA witnessed record budgetary contributions from Member States towards integration programmes. This clearly indicates continued commitments of the Member States to the ideals that COMESA was created for.

Similarly, COMESA continued to receive support from bilateral and multilateral partners. This support did not only complement resources from the member States in different Programmes, but was also a demonstration of confidence in COMESA programmes by regional and international organisations.

We do hope therefore, that this spirit will continue as we consolidate the Free Trade Area, and move ahead to higher economic integration.

Please accept Mr Chairman, the assurances of my highest consideration,

Erastus J O Mwencha, MBS
Secretary General

MESSAGE FROM THE CHAIRMAN OF THE COMESA AUTHORITY

As Chairman of the COMESA Authority, it is my pleasure to introduce the 2001 Annual report of the Common Market for Eastern and Southern Africa.

In the year 2001, COMESA continued to consolidate the gains made in market integration following the launch of the Free Trade Area (FTA) on 31st October 2001. Furthermore, trade and transport facilitation, investment promotion and capacity building were intensified during the year. The launch of FTA was a major step. There were some teething problems but these were speedily resolved. The resolution of those issues is a clear indication of the determination of all member states and stakeholders to ensure the success of COMESA.

During the year 2001 all stakeholders particularly the private sector and co-operating partners continued to show an increased interest in COMESA. This increased interest reaffirms the opportunities COMESA provides in contributing to addressing the challenges in an increasingly globalised and competitive world economy.

COMESA has kept up its pace of delivering new products on to the market. The launching of the African Trade Insurance Agency (ATI) in Kampala on 20th August 2001 was the prime achievement of the year. In the short time that it has been in existence, ATI has already proved us right by its rapid impact on the industry with business being transacted immediately and in several countries. Its effect in attracting investment flows is evident in the increasing interest shown by regional and foreign investors.

As we cast our attention into the future, the next major milestone on our journey towards collective and sustainable economic development for the benefit of all citizens and stakeholders, is the establishment of the Common External Tariff and Customs Union. The majority of our member states are already within the proposed tariffs such that only minimal adjustments will be necessary for them to become members of the Customs Union. The other member states are working hard to meet the target date of December 2004.

The Customs Union will herald the birth of a truly single economic space in Eastern and Southern Africa – another first on the continent. National borders will cease to exist for business and investment, thus attracting more of them into the region. This in turn will lead to economic development and raise the standard of living of all our people.

As we prepare for the Customs Union, we must also set our sights beyond it. The Union will have little effect if people and capital cannot move freely within the region. Thus our programmes on free movement and monetary harmonisation are being accelerated.

All these developments in our region are taking place in a rapidly changing and dynamic continental and global environment. The African Union was launched in Zambia in 2001, as was the New Partnership for Africa's Development (NEPAD) all of which COMESA is party to and has been assigned key roles to play.

On the global scene, there was the Doha Ministerial Conference held in November 2001 that launched the new round of negotiation under WTO, the Africa Growth and Opportunity Act (AGOA) of the US; and the Cotonou Agreement between the EU and ACP countries. COMESA is playing a crucial role in supporting its member states to get the maximum benefits out of these initiatives.

Hosni Mubarak,
President of the Arab Republic of Egypt and
Chairman of the COMESA Authority.

Overview of COMESA Activities

Introduction

THE Common Market for Eastern and Southern Africa (COMESA), is a regional integration grouping of 20 Member States. The members are: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, and Zimbabwe.

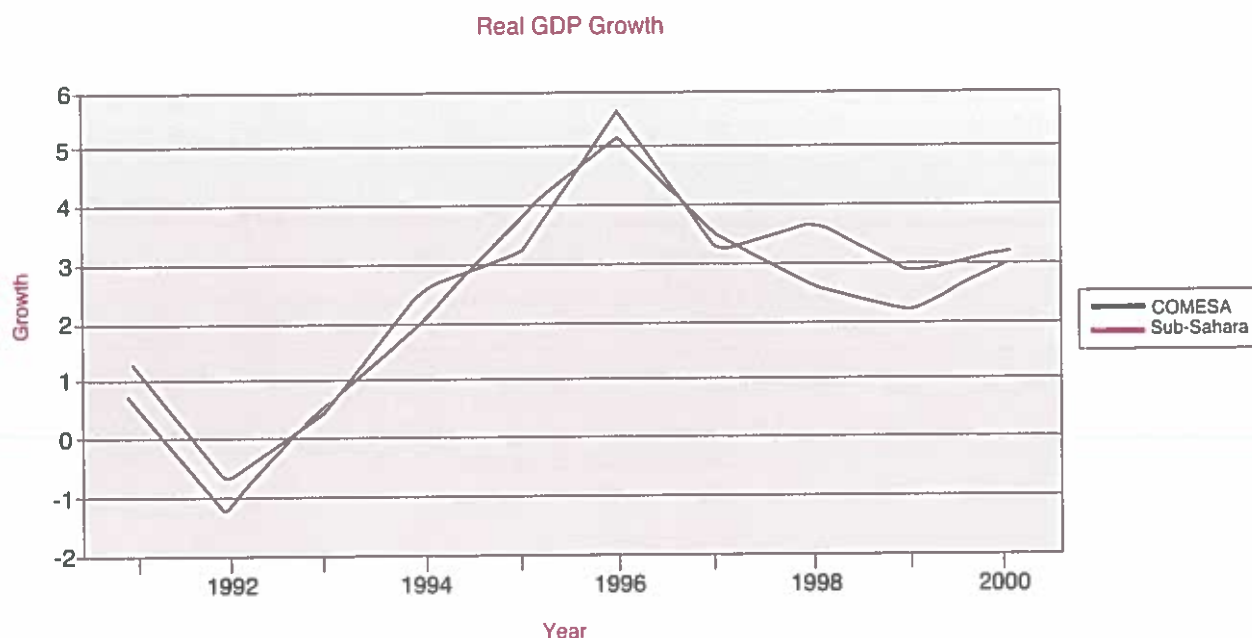
Statistical Summary:¹

COMESA

Population	353 million (2000)
Real GDP (1990 prices and Exchange Rates)	US\$ Billion
Growth	3.2 percent (2000)
Per capita GDP	US\$465 (2000)
Inflation	11.80 percent
Total Investment (% of GDP)	18.9 (2000)
Savings (in % of GDP)	10.3 (2000)
Tot	92.4 (2000)
External Debt (%GDP)	59.6 (2000)

Real GDP-Growth

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
COMESA	1.3	-0.7	0.5	2.6	3.2	5.6	3.2	3.7	2.8	3.2
Africa	0.8	-1.2	0.6	2.0	3.8	5.2	3.5	2.6	2.2	3.0

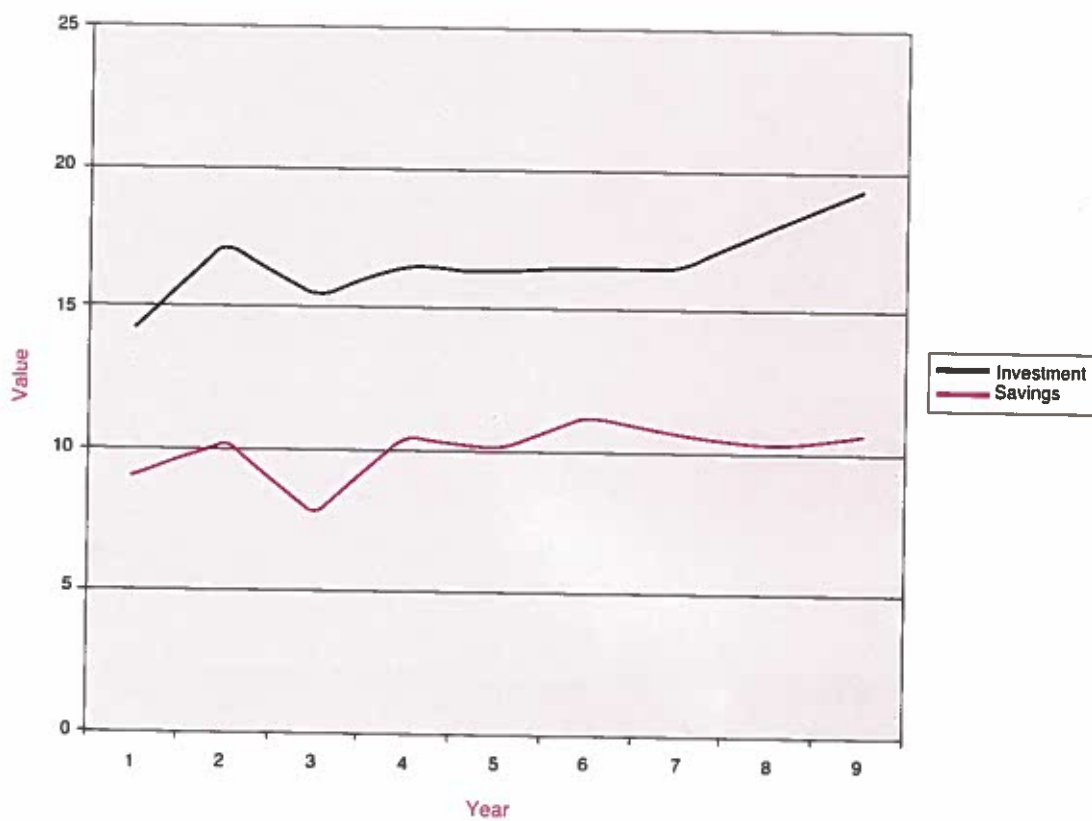


Source: COMESA Statistics and World Economic Outlook, 2001

Inflation:

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
COMESA	35.6	43.5	35.0	47.9	31.5	26.8/	13.3	8/5	10.4	11.8
Africa	45.9	56.9	47.9	68.7	40.7	36.4	17.6	10.7	14.5	17.1

Savings and Investment: COMESA



Savings and Investment: COMESA

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Investment	14.3	17.2	15.4	16.5	16.4	16.5	16.5	17.9	19.3	18.9
Savings	9.1	10.2	7.8	10.5	10.1	11.3	10.7	10.3	10.7	11.54

CLASSIFICATION by GDP

HIGH INCOME	MIDDLE INCOME	LOW INCOME
Mauritius	Djibouti	Angola
Seychelles	Egypt	Burundi
	Namibia	Comoros
	Swaziland	D R Congo
		Eritrea
		Ethiopia
		Kenya
		Madagascar
		Malawi
		Rwanda
		Sudan
		Uganda
		Zambia
		Zimbabwe

Source: COMESA Statistics



COMESA Headquarters, Lusaka.

PART I: ECONOMIC TRENDS: COMESA AND THE WORLD ECONOMY

PERFORMANCE OF THE WORLD ECONOMY

In 2001 the global economy registered slower growth, with real output growth falling to 0.4 percent compared to 4.7 in 2000. The deterioration in growth was driven by low consumer and investor confidence and weaker global demand that was compounded by the tragic events of September 11 in the USA. This slowdown in the world economy was accompanied by a precipitous decline in the volume of world trade to a growth of merely 1.0 percent in 2001 from 12.4 percent in 2000. However, inflationary pressures remained subdued in both advanced and developing countries. According to IMF projections, growth in advanced countries in 2002 is now expected to be only 0.8 percent down from 1.1 percent in 2001³. The world economy however, is expected to grow at 2.4 percent in 2001. Whereas world trade in volume grew by over 12 percent in 2000, the latest projections by the IMF show a minimal growth of only 1 percent with imports of advanced countries registering a negative growth of -0.3 percent. It is projected that there will be a slight recovery in 2002 with world trade growing by 2.2 percent.

THE GLOBAL ECONOMIC CONTEXT

Globalisation has helped reduce poverty in a large number of developing countries but it must be harnessed better to help the world's poorest, most marginalized countries improve the lives of their citizens.

A recent World Bank study on Globalisation shows that 24 developing countries that increased their integration into the world economy over two decades ending in the late 1990s achieved higher growth in incomes, longer life expectancy and better schooling. These countries, home to some 3 billion people, enjoyed an average 5 percent growth rate in income per capita in the 1990s compared to 2 percent in rich countries. Many of these countries, such as, China, India, Hungary and Mexico have adopted domestic policies and institutions that have enabled people to take advantage of global markets and have thus sharply increased the share of trade in their GDP. These countries have been catching up with the rich ones – their annual growth rates increased from 1 percent in the 1960s to 5 percent in the 1990s. People

in these integrating countries saw their wages rise, and the number of people in poverty declined.

But not all countries have integrated successfully into the global economy. The report says that some 2 billion people – particularly in Africa, the Middle East, and the former Soviet Union – live in countries that are being left behind. These countries have been unable to increase their integration with the world economy; their ratio of trade to GDP either remained flat or actually declined. On average, these economies have contracted, poverty has risen, and education levels have risen less rapidly than in the more globalised countries.

A similar growth rate is predicted for 2002. However, according to the IMF, the poorest countries will be hurt by a weaker external demand and falling commodity prices. About 80 percent of African exports comprise crude oil and non-fuel commodities, the prices of which are hit by waning global demand since the second half of 2001.

For instance, crude oil (average spot) dropped by 13.7 percent in 2001 from that of 2000. It is projected to drop further by 19.7 percent in 2002. Coffee, and in particular, coffee robusta will be worst hit. Having had dropped by 33.5 percent in 2001 is expected to drop by a further 14.3 percent in 2002.

ECONOMIC TRENDS IN AFRICA

Economic performance in most of Africa has been satisfactory in the last half of the 1990s. Average growth was about 4 percent whilst export growth was over 6 percent in 1998-1999. The IMF predicts an increase in African growth, from 2.8 percent recorded in 2000 to 3.5 percent in 2001.

Despite these gains, Africa faces major challenges in the new millennium. The needs for reform and institutional development are large, there remains a high degree of vulnerability to external markets, HIV/AIDS continues to have devastating effects on the population, and political instability and conflicts block development in a number of countries. All these are hindrances to creation of wealth and development.

The New Partnership for Africa's Development (NEPAD), an initiative approved by African leaders in July 2001 constitutes an important framework for meeting African's development challenges. The kingpin of NEPAD includes peace and security, consolidation of democracy, promotion of the role

of women, sound economic management, reduction of poverty and improved governance. One important element of NEPAD is the recognition of the importance of the regional dimension and the pooling of national sectoral programs towards a regional set of programmatic objectives. NEPAD's success will also depend on the co-operation and support of development partners especially in terms of increased financial assistance. According to the United Nations Economic Commission for Africa, overall aid to Africa has declined from US\$19 billion a year at the beginning of the 1990s to US\$12 billion in 2001, a drop of 40 percent. For the economic objectives of NEPAD to be met, an average annual growth rate of 7 percent per annum has to be attained and this requires a capital outlay of US\$64 billion per annum.

ECONOMIC TRENDS IN COMESA

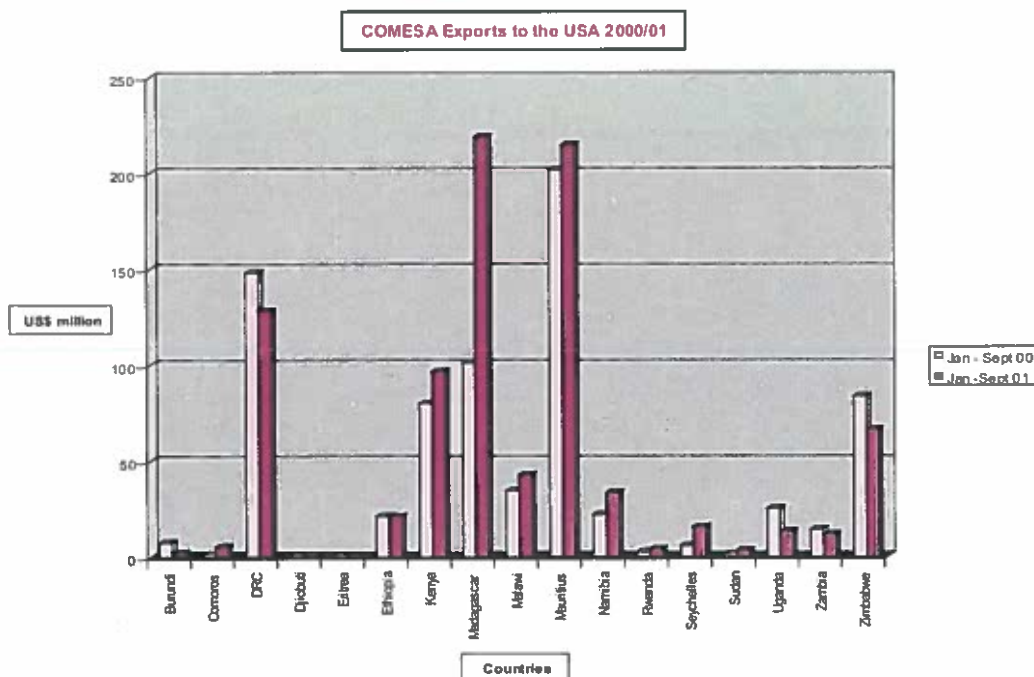
The first year of the Free Trade Area (FTA) has seen some substantial growth in Intra COMESA trade. Preliminary trade figures for the first six months of 2001 and last quarter of 2000 indicate, in some cases, that trade has grown by more than 20 percent. If this trend is maintained and sustained, the year 2002 is likely to see a significant increase in volume of trade among FTA participating States and the rest of the member States that are preparing to join the FTA. In terms of output, COMESA GDP grew by 3.2 percent in 2000.

The waning global demand has affected most of the COMESA countries. The low coffee prices (\$350/ton in early October 2001) affected Uganda and Ethiopia where coffee remains a vital source of foreign exchange.

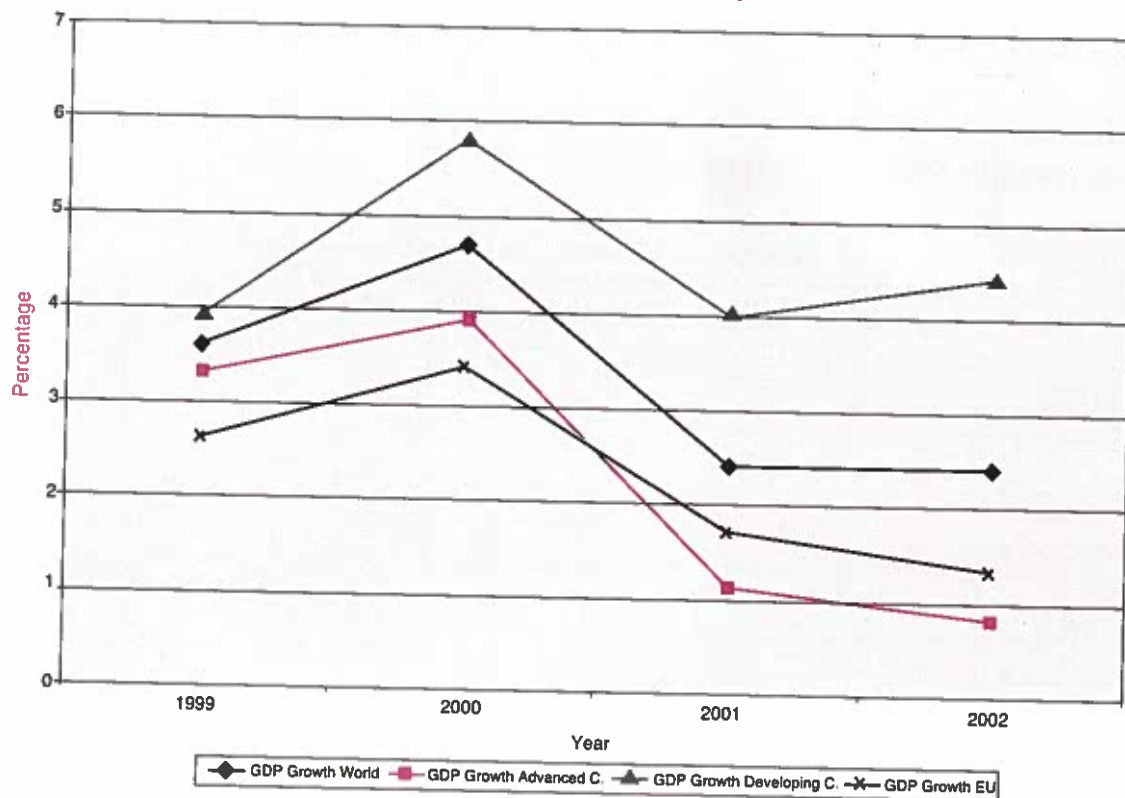
Kenya, which exports 50 percent of its annual tea crop to Pakistan and Afghanistan, has been affected as a result of hostilities in the area. Angola, Zimbabwe, Namibia and Zambia, producers of minerals such as gold, diamond and copper, are likely to be affected by weak consumer spending on luxury goods and depressed copper prices by 13 percent in 2001 and 2.9 percent in 2002. In most African countries, the tourism industry has been hit by reduced international travel. Egypt's tourism industry was the biggest casualty in COMESA. According to latest figures from the World Tourism Organization, tourism arrivals fell by 15.6 percent.

Out of the 42 countries designated by the World Bank as Heavily Indebted Poor Countries 12 are from the COMESA region.³ Only Uganda had reached the completion point by February 2002 whilst Ethiopia, Madagascar, Malawi, Rwanda and Zambia had reached the decision point under the enhanced HIPC. As of July 2001, for the COMESA countries assessed⁴, the committed debt relief in NPV terms was estimated at US\$6.5 billion, with Zambia at US\$2.5 billion as the largest beneficiary.

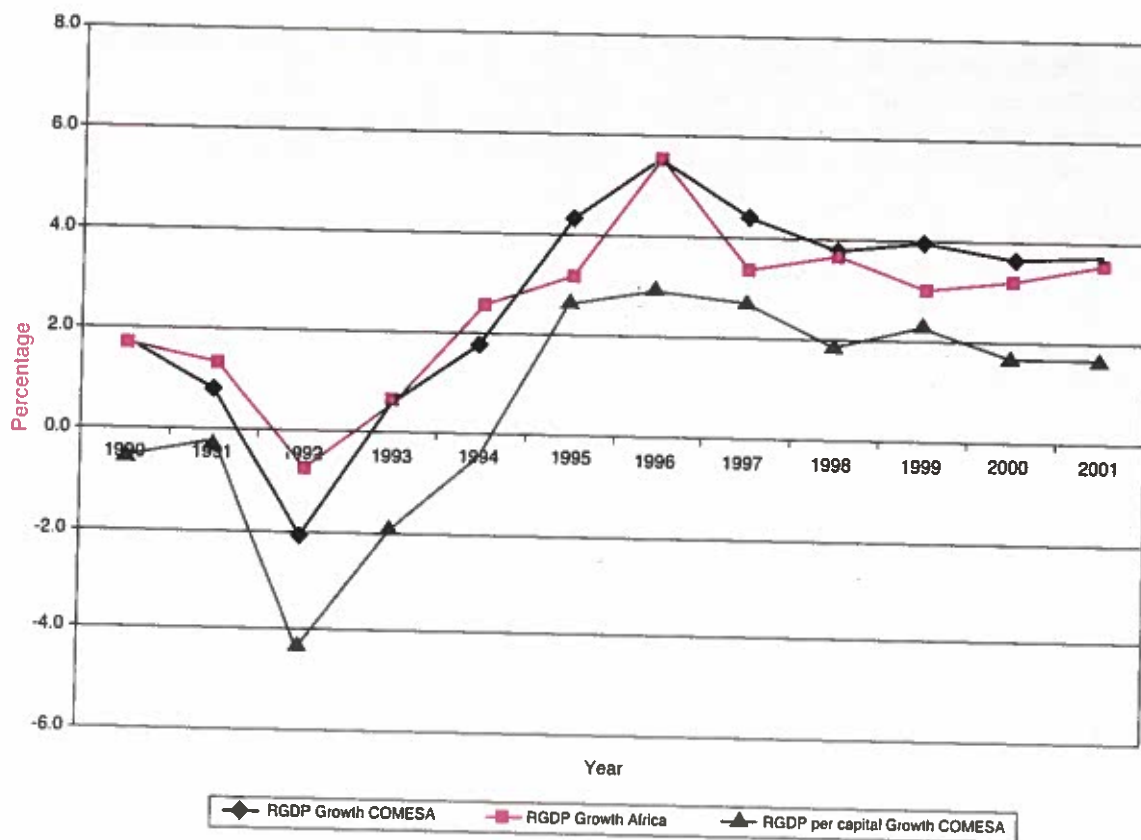
Nine COMESA countries have qualified for textile and apparel benefits under AGOA.⁵ This has opened up possibilities of reviving the clothing and textile industries that have potential for creating large employment opportunities. For example, Kenyan textile exports have risen to US\$70 million (Jan 2001–Feb 2002) compared to US\$ 10 Million in 2000. It is also estimated that 100,000 new jobs have been created in participating COMESA member states.



World Economic Outlook Projections



Real GDP and Per Capital Growth: COMESA and Africa



ECONOMIC TRENDS IN MEMBER STATES

ANGOLA

Macroeconomic Data

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth Rate	0.3	-5.8	-24.0	1.3	7.1	7.9	6.2	3.1	3.4	2.1
Per capita GDP	1,003	919	679	670	698	732	756	760	765	760
Per US \$ Exchange Rate				60		128	229	393	2791	10041
Inflation	83.6	299.1	1,379.5	949.8	2,672.2	4,146.0	221.5	107.4	248.2	325.0
Gross Investment										
Gross National Savings										
Trade balance					1871	3129	2529	14464	2077	
Exports, f.o.b.					3723	5169	5007	3543	5344	
Imports, f.o.b.					1852	2040	2477	2079	3267	
Current account balance										
Direct investment					303	533	492	115	2520	
In months of imports					1	1.3	1	0.4	0.9	
Total external Debt					11675	8499	8570	8782	9591	

Sources: IMF statistical annex; and Angolan authorities

Economic Structure

Angola has potentially one of the most developed agriculture, fisheries, mining and manufacturing sectors. The country has enormous reserves of oil, gas, and diamonds as well as considerable hydroelectricity potential, varied agricultural land, and adequate rainfall. Angola is now the second largest economy in southern Africa and was the ninth exporter of crude oil to the United States in 2000. Angola's additional mineral wealth includes, iron ore, phosphates, copper, feldspar, gold, bauxite, and uranium. Before 1975, Angola was the fourth largest producer of diamonds in the world. In 1999, Angola's diamond sales totaled US Dollars 500 million.

The Angolan economy is highly dependent on its offshore oil sector, which accounts for 60 percent of the country's GDP and nearly 90 percent of export revenue.

Angola's industrial sector contributes 4 percent to GDP. In recent years manufacturing has exhibited rapid growth. Industrial products include; refined oil, cement, textiles, pharmaceuticals and consumer goods.

Angola's highlands are some of the richest agricultural lands in the world. Agricultural production has been hampered by the war and currently accounts for only 8 percent of GDP and employs 70 percent of the work force. Only 2 – 3 percent of the land in Angola is currently under cultivation, but under the new agricultural strategy and with peace recovery, higher growth is foreseen in the near future.

Recent macroeconomic developments

Angola has maintained positive growth rates due to the strength of its oil sector. Its Real GDP rose from US\$9,787 million in 1999 to US\$9,994 million in 2000. Despite the rise in oil prices that boosted Angola's export earnings, real growth rate slowed down from 3.4 percent in 1999 to 2.1 percent in 2000. Per-capita GDP in 2000 was US\$760; this reflected a slight drop from the 1999 figure of US\$765.

The continued depreciation of the Kwanza (Kwz), supply bottlenecks associated with the conflict and large public wage increases led to a high increase in consumer price inflation of 325 percent in 2000 com-

pared to 248 percent in 1999. However, inflation rates have shown considerable decline since 1996.

Angola is one of the few countries in the region that have managed to attract considerable investment. For five consecutive years, the share of investment in GDP has been above 22 percent. Savings have also been high; in 2000 the share of savings in GDP was 43.3 percent.

Angola's fiscal position improved in 2000. The share of fiscal deficit in GDP improved from 17.9 percent to 2.1 percent. This was as a result of increased pressure on the government to reduce fiscal expenditure. It was projected that the government would achieve a surplus of 4 percent in 2001. In addition government revenue was buoyed by rising oil prices.

The external current account excluding grants fell from -37 and -30.2 percent in 1998 and 1999 to -2.8 percent in 2000. Real imports grew at 15.2 percent compared to 22.3 percent in 1999. Exports on the other hand grew 1.4 percent in 2000. Angola is among the few COMESA member states that have maintained a positive trade balance for the past 10 years. In 2000, trade balance as a percentage of GDP was 51.3 percent.

In the wake of the floating exchange rate in May 1999, the Kwanza depreciated by 88 percent in foreign currency terms in the period January 1999- March 2000. In real effective terms, it depreciated by 38 percent during the same period.

Broad money grew at 240 percent in 2000, compared to 678.2 percent in 1999. As a share of GDP it decreased from 20.3 percent in 1999 to 15.2 percent in 2000.

External debt decreased to \$ 6.44 billion in 2000 representing 97.3 percent of GDP. It was estimated to increase to \$10.4 billion in 2001.

Trade Policy

Angola has eight ad valorem rates ranging from 2 percent to 35 percent depending on the merchandise. It has an average ad valorem rate of 12 percent.

Angola is a member of COMESA and the Southern African Development Community.

Structural Policies

Progress towards privatization has been minimal and

the government continues to hold monopolies in the telecommunications, insurance and banking sectors. Angola's privatization programme was initiated in 1990; progress has however been slow and limited to small enterprises. In 1999, the government prepared a list of medium sized enterprises to be privatized, and in May 1999 10 of them were privatized under a pilot project. Also in place are studies on a phased privatization of the two state owned banks.

With the civil war, social conditions in Angola are worse than the average for sub Sahara. According the United Nations, there were about 3.7 million people displaced by the conflict, and 9 million living in absolute poverty in 1999. Since July, 1999 the government has embarked on a programme of the rehabilitation of social and productive infrastructure, under the Economic and Social Development Fund (FDES).

BURUNDI

Macroeconomic Data

Economic Structure

Burundi is a predominantly agricultural economy. Agriculture accounts for close to 60 percent of GDP and supports 90 percent of the labour force, the majority of which are subsistence farmers. Burundi is potentially self sufficient in food production.

Principle crops include coffee, bananas, tea, cotton, palm oil, tobacco, maize and rice. Coffee production is the backbone of the economy accounting for 78 percent of all exports. Volatile coffee prices have severely affected the nation's export performance, but the government has since early 1990s implemented efforts aimed at increasing earnings for coffee.

Industry accounts for 11 percent GDP with agricultural processing being the dominant activity. Among the main products manufactured are asbestos products, beer, cigarettes, and plastic products. Since 1995 remarkable growth has been achieved in the chemical sector.

Recent macroeconomic developments

Burundi's macroeconomic performance has been affected by the civil war. Sanctions imposed in respect to war in 1996 and the cutting of aid by bilateral donors from \$300m per year to \$27 million served to worsen the situation. The sanctions were lifted in 1999, but this already had a substantial effect on the economy. In addition, steadily falling world prices for coffee, Burundi's major export earner, have sent ripple effects in the economy.

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth Rate		-11.8	-19.8	-6.6	-5.9	-24.6	-18.8	-17.5	-21.9	-22.5
Per capita GDP	192.79	187.0	167.2	193.5	207.5	144.0	158.6	143.3	136.1	120.7
Per US \$ Exchange Rate	181.5	208.3	242.8	252.8	249.8	302.8	352.4	447.8	563.6	720.7
Inflation	9.0	4.5	9.7	14.7	19.4	26.4	31.1	12.5	3.6	31.9
Gross investment	202.16	192.8	133.1	111.0	112.9	98.4	77.1	33.1	65.1	50.9
Gross national savings	123.92	93.1	55.7	82.7	68.5	59.0	76.7	-7.6	46.7	3.3
Trade balance	-55.9	-104.9	-98.9	-91.9	-63.0	-59.9	-8.5	-59.5	-42.3	-58.9
Exports, f.o.b.	100	76.9	73.3	60.7	112.5	40.4	57.6	64.0	56.0	49.1
Imports, f.o.b.	-195.9	-181.8	-172.2	-172.6	-176.5	-100.0	-96.1	-123.6	-97.8	-107.9
Current account balance	205.3	-22.1	-225.6	-158.4	-141.1	-84.1	-50.2	-103.7	-71.6	-113.0
Direct investment	0.9	0.6	0.5	0.9	2.0	0.0	0.0	0	0.2	14.7
In months of imports	5.7	5.0	8.3	13.4	11.7	16.3	12.8	6.0	6.6	5.6
Total External Debt	937.97	937.97	1056.7	1049.4	1225.6	1165.7	1206.5	1241.2	1199.1	1282.9

Sources: IMF statistical annex; and Burundi authorities

As a result, GDP growth has been negative since 1996. In 2000, growth was zero percent, mainly due to reduced supply of inputs due to a dearth in foreign exchange and adverse effects of drought and population displacement on agricultural activity. In absolute figures real GDP has declined from US\$ 742.9m in 1991 to US\$ 149.5m in 1999. Per capita GDP was US\$149 in 2000.

Investment and savings are below the average for developing countries. In 1999 the ratio of savings to GDP was -6.3 while that of investment was 6.8 percent. In order to improve its investment performance, Burundi has either simplified or removed investment and regulatory instruments.

Reduction of aid flows from its co-operating partners led to the weakening of Burundi's fiscal position. Burundi's fiscal position is likely to improve with the lifting of sanctions. In 1998 foreign grants accounted for only 2.6 percent of GDP. Since 1996 the fiscal deficit as a percentage of GDP has averaged 6.5 percent. Government revenues have fallen mainly as a result of the contraction in the tax base. The financing requirements of the government are currently met largely by an accumulation of external arrears and domestic bank borrowing.

On the external side, the reduction in imports, associated with the rationing of foreign exchange, translated into a narrowing in the trade and external account deficits. By end-1999, Burundi's gross official reserves had fallen to some US\$49.6 million, reducing the import coverage from seven months of imports at end-1998 to about four months at end-1999. But in 2000, because of strong private sector demand for imports and a

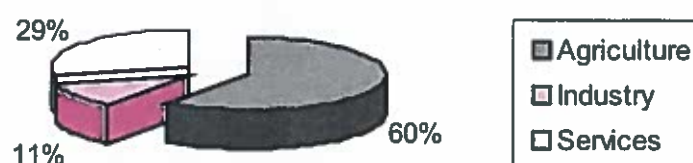
deterioration of 14 percent in the terms of trade, the contraction of public sector expenditure did not lead to a corresponding improvement in the external position. The current account deficit (including official transfers) thus widened by 2.3 percentage points of GDP to 4.5 percent in 2000. However, owing to a marked improvement in the capital account in the form of program loans from the World Bank (mainly the EERC), the overall balance of payments deficit narrowed to 2 percent of GDP.

Burundi (classified as a HIPC) is faced with an important external debt - 118% of GDP in 1998. Burundi remains current with multilateral creditors, but it has accumulated arrears to bilateral creditors at a pace of about US\$10 million per year since 1995.

Trade and external sector policies

Burundi has put in place policies to liberalise its trade regime. It is a member of COMESA and intends join the COMESA FTA in the medium term.

Sectoral breakdown of GDP



COMOROS

Macroeconomic Data

(In millions of US\$, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000*
Growth rate	-5.4	8.5	3.0	-5.3	-3.9	-1.2	0.3	-1.2	-0.4	1.7
Per capita GDP (1990=100)	529	559	561	518	484	466	455	438	425	420
Per US \$ Exchange Rate				416.4	374.3	383.7	437.8	442.5	461.8	534
Inflation	1.7	-1.4	2.0	25.3	7.1	2.0	3.0	3.5	3.5	4.5
Gross investment				16.1	13.6	13.4	14.7	11.9	10.4	
Gross national savings				9.2	7.3	4.3	-2.4	8.7	7.8	
Trade Balance				-34	-42.2	-42.6	-42.1	-36.6	-34.3	-26
Exports, f.o.b.				10.8	11.3	6.3	6	5.9	9.1	12.1
Imports, f.o.b.				-44.8	-53.5	-49	-48.1	-42.3	-43.3	-38.1
Current account balance										
Direct Investment				0.4	0.9	0.9	0.2	0.4	0.3	0.1
In months of imports				5.1	6.5	5.5	5.7	6.1	4.5	8
Total external Debt				167	189	166.7	159.5	161.3	145	

Sources; IMF statistical annex; and Comoros authorities

*Estimates

Economic Structure

About 70 percent of the population is involved in subsistence agriculture (including fishing) and the production of three export crops; vanilla, cloves and ylang-ylang (a natural essence). Comoros is traditionally the world's second largest exporter of vanilla. The Agricultural sector accounts for 40 percent of GDP and 90 percent of all export earnings.

Agriculture is the major determinant of the country's economic performance, with exports of vanilla being the major foreign exchange earner.

Industry accounts for 16 percent of GDP. Most manufactured goods are imported; the manufacturing sector consists mainly of food processing, some textile industries, wood and paper processing and the production of construction materials.

The services sector is the second largest contributor to GDP. Accounting for 30 percent of GDP, the sector has a lot of potential for further development especially in tourism.

Recent macroeconomic developments

Although the economic database remains weak,

available information indicates that recent economic developments have been poor. Real GDP growth has remained below the population growth since the mid 1980s.

Comoros recorded real GDP growth rate of 1.7 percent in 2000, showing an improvement over the previous year's 0.4 percent. In absolute terms, real GDP stood at US\$239 million. Per capita GDP has steadily declined from US\$529 in 1991 to US\$ 420 in 2000.

The Comoros is a member of the French Franc Zone and under its fixed exchange rate regime inflation was kept at 3-4 percent per year in 1998-1999. It increased slightly in 2000 to 4.5 percent.

Investment performance had deteriorated over the last decade as a result of uncertain political environments and structural problems. In 1991 Comoros had an investment to GDP ratio of 20.3 percent this figure fell to 12.9 percent and 10 percent in 1999 and 2000 respectively. Savings as a percentage of GDP where at -4.1 percent in 2000.

Between 1997 and 2000, the current account deficit (excluding grants) narrowed steadily from 24.8 percent of GDP to 4.6 percent of GDP as a result of

improvements in the trade and services balances and a 37 percent increase in private transfers from the Comorian community living abroad, which more than offset a sharp decline in official grants following the suspension of donor assistance. While the volume of traditional merchandise exports decreased in 1999 and 2000, their value increased significantly due to sharp increases in unit prices. Over 1997-2000, the international price of vanilla increased by almost 124 percent in 2000. Comorian cloves exports increased by 554 percent in 1999, but fell in 2000 reflecting a lower local production because of the previous years over-harvesting.

In 1990, the stock of external debt amounted to US\$ 197 million (76 percent of 1990 GDP), including US\$ 44 million. In 2000, the external debt including arrears amounted to US\$ 225 million (or 111 percent of GDP). About 78 percent of the total nominal debt was owed to multilateral institutions.

Trade policy

The government regulates, to a varying degree, the prices of key export products and some import products. For the three export cash crops (vanilla, cloves and ylang-ylang), the government, in consultation with producers and exporters, determines the minimum price to be paid to the producers and exporters in order to protect farmers from the oligopolistic setting of prices by a few merchants.

Similarly, the government fixes consumer prices based on invoice of the suppliers and other applicable costs and taxes; the final price allows in general, for 5-10 percent profit margin.

Between 1996 and 1997, the external tariff regime was revised to a system of three non-zero bands with rates of 20, 30 and 40 percent (excluding alcohol and tobacco, which were taxed at 180 percent), an average weighted tariff of 30 percent.

Comoros is a member of the Indian Ocean Commission (IOC) and COMESA.

Structural policies

Comoros has also embraced an ambitious public enterprise privatization programme. The government has drafted regulations to liberalize postal services and telecommunications. In addition the government intends to complete the privatization of the port and maritime Transport Company before the end of 2002.

CONGO, D.R. Macroeconomic Data

Economic Structure

The Agricultural sector accounts for about 55 percent of GDP and employs about two thirds of the labour force. The sector is divided into two sub sectors; small-scale farming and commercial farming. The country's major exports include, forestry products, coffee, tobacco, palm kernels, cotton, and rubber.

Performance in this sector has declined over the five years. Most small-scale farmers have resorted to subsistence farming while export farmers have also recorded adverse declines in production.

DRC has some of the most extensive mineral deposits in COMESA. Its mining sector accounts for 90 percent on the country's export earnings. Minerals mined include copper, cobalt, industrial diamonds, uranium, tin, gold, silver, coal, zinc, manganese, tungsten and cadmium, as well as offshore petroleum.

Production of these minerals does not match the potential. In the 1970's DRC used to be an important producer of copper, cobalt, diamonds, gold and others mentioned above. Historically, mining accounted for 25 percent of GDP and 25 percent of its total budgetary revenue. Starting 1995, DRC has experienced major declines in this sector. Reasons for this performance include: weak regulatory institutions in charge of this sector, inefficient public sector and a marked institutional disorganisation and war conflict.

DRC's manufacturing sector is small accounting for less than 5 percent of GDP. Major activities in the sector include mineral processing, petroleum production, cement production as well as tires, shoes, textiles, cigarettes, beer and processed food.

Recent macroeconomic developments

DRC recorded negative growth for the fourth consecutive year in 2000, real GDP growth stood at -4.9 percent from -14 percent in 1999. In absolute terms real GDP fell from US\$7,827 in 1991 to US\$ 4,284 in 2000. Higher output of copper and cobalt were not enough to offset the damage to the other sectors of the economy caused by the civil war. This has also impacted negatively on DRCs per capita GDP, which has fallen well below the 1990 level of US\$224 to US\$82 in 2000. This is the lowest in the region and places the country among the poorest countries in the region.

DRC has had some of the region's worst inflation. Between 1990 and 1995 the cumulative increase in prices was 6.3 billion percent. In 2000 consumer price inflation was 555.7 percent. Inflation has led to the breakdown of financial intermediation, uncontrolled spiral of exchange rate depreciation, increased dollarisation, erosion of the real value of tax revenues hence a compounded fall in fiscal revenue. In addition, investment and savings have been depressed,

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	-8.4	-10.5	-13.5	-3.9	0.7	0.9	-8.2	-3.5	-14.0	-4.9
Per capita GDP	198	172	144	134	130	127	113	106	89	82
Per US \$ Exchange				555.2	499.15	511.55	583.67	589.95	615.7	711.98
Inflation	2,154.4	4,129.2	1,893.1	23,760.5	541.8	616.8	198.5	29.1	284.9	555.7
Gross investment						27.1	27.9	20.7	24.1	23.6
Gross national savings										
Trade balance						249	56	-50	-175	-275
Exports, f.o.b.	1841					1652	1189	1180	933	760
Imports, f.o.b.						-1403	-1133	-1230	-1108	-1035
Current account balance						-411	-603	-570	-644	-798
Direct Investment										
In weeks of imports						2.1	1.8	2.3	2.9	2.2
Total External Debt	10998					13086	12634	13506	13238	12862

Sources: IMF Statistical Annex

output has stagnated and real wages have declined substantially. The major source of this inflation has been the unbridled monetization of an uncontrolled budgetary deficit.

Total investment remains low, between 1991 and 2000 the share of total investment in GDP was 7 percent, while the share of domestic savings in GDP was 8.7 percent over the same period. The bulk of FDI flowing into DRC goes to the mining sector. The major source of FDI is Belgium, but recently the Anglo American Corporation have also gained strong presence through its purchase of a 60 percent stake in Kolwezi Tailings.

The country's fiscal position has also been weak over the past decade, the deficit has been larger and the revenues to GDP ratio has fallen to among the lowest for African countries. While the pattern of annual variations has varied significantly, the picture shown is one of extreme fiscal weakness.

In the external sector, exports have benefited from the increase in commodity prices since the early 1990s. DRC's debt is large relative to its resource base and its ability to service its debt. External debt was estimated at US\$ 12.7 billion at the end of 2000; this was equivalent to about 280 percent of GDP or over 15 years of the current diminished value of exports of goods and services and almost 60 years of fiscal revenues in 2000.

Policy developments

The new government has started the process of liberalizing, restructuring and revitalizing the Congolese economy, especially the private sector. In this context, understandings have been reached on an economic program covering the period June 2001-March 2002

that will be monitored by the staff of the IMF.

Macroeconomic policies introduced aim at breaking hyperinflation, stabilizing the economic situation, laying the foundation for a restoration of growth and reconstruction, and reducing poverty. These macro economic policies include; a restrained budgetary policy centered around strict adherence to a monthly treasury plan; a prudent monetary policy and a floating exchange rate system.

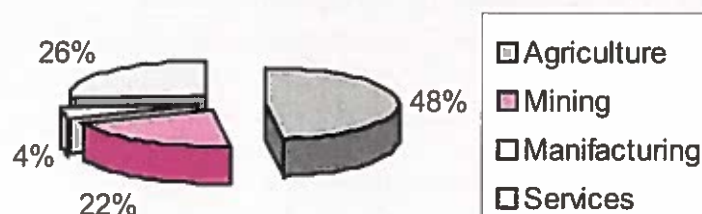
Trade Policy

DRC is a member of COMESA; it has not ratified or signed the SADC Trade Protocol.

Structural Policies

The privatisation process has not gained much momentum, although the Government is planning to sell its shares in a few companies, and privatise the management of others in the near future.

Sectoral breakdown of GDP



DJIBOUTI

Macroeconomic Data

(In millions of US Dollars, unless otherwise indicated)

		1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate		-0.2	-6.7	-0.9	-3.5	-4.1	-0.7	-0.1	2.2	0.7
Per capita GDP	800	761	676	647	614	579	565	566	569	566
Per US\$ Exchange Rate	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7	177.7
Inflation	6.8	3.4	4.4	6.5	4.9	3.5	2.5	2.2	2.0	2.4
Gross investment					8.6	9.2	9.5	15.3		
Gross national savings					-9.7	40.4	41	45.4		
Trade balance				-180.7	-169.2	-161.1	-161.4	-179.7	-182.4	-193.7
Exports, f.o.b.				56.4	37.6	39.6	42.6	59.1	69.2	75.4
Imports, f.o.b.				237.1	206.8	200.7	204	238.8	251.7	269.1
Current account balance				-40.2	-17	-16.3	-11.5	-14.4	-3	-38.4
Direct Investment				1.4	3.2	3.3	2.4	3.5	4.2	3.3
In months of imports							4	3.2	3.4	3
Total External Debt				277.7	265.3	284.3	316.6	337	336.9	368.4

Sources: IMF statistical annex and Djibouti authorities

Economic Structure

Djibouti has one of the most liberal economic regimes in the region. Its economic viability is based on trade through the international port of Djibouti, and on developing the services sector.

The Djibouti economy consists of three main sectors; agriculture, industry and services.

The largest sector is the services sector which accounts for 77 percent of GDP. Scanty rainfall limits crop production in Djibouti. Most food is imported.

Recent macroeconomic developments

Djibouti has one of the most stable economies in the region. It has had a stable currency for over 20 years and is potentially self sufficient in food.

In 1999, Djibouti's economy recorded GDP growth of approximately 1.5 percent; it further accelerated to 2.3 percent in 2000. This growth was sustained by the sharp upturn in Djibouti's port operations (with tonnage exceeding 1998 levels by about 25 percent); largely reflecting increased transit trade with Ethiopia. This development more than offset the negative impact of the reduction in France's military presence. Per-capita GDP has declined substantially over the years, from US\$ 800 in 1991 to US\$566 in 2000 a drop of 29.25 percent.

Inflation has been stable over the last decade averaging 3.8 percent. In the three years preceding 2000, CPI inflation grew at less than 2.6 percent. In the 12 months prior to July 2001, inflation remained at 1.7 percent.

The fiscal situation deteriorated markedly during the early 1990s, primarily reflecting a surge in government expenditure associated with the outbreak of an ethnic based domestic armed conflict in 1991. This together with a decline in external budgetary aid led to a widening of the overall fiscal deficit, which averaged 9 percent of GDP in 1993 from 2 percent in 1990. Following the end of the armed conflict, fiscal policy was tightened and as a result, the fiscal situation has improved markedly. In 2000 the fiscal deficit was 1.8 percent of GDP from 11.1 percent of GDP in 1994.

Investment and savings are among the lowest in the region. Between 1994 and 1999, investment averaged 10% of GDP of which private investment including foreign direct investment, reached only the equivalent of 6% of GDP over the same period. In 2000 the share of investment in GDP increased from 8.8% in 1999 to 15.1%, this however is still low. Savings on the other hand have been negative since 1991. In 2000, there was a slight improvement from -5.7% in 1999 to -3.4%.

Djibouti's external current account deficit (including grants) widened to 7.2 percent of GDP (up from 0.6 percent of GDP in 1999) largely reflecting a

wider trade deficit as exports remained weak and imports rose by 7 percent in US dollar terms, owing to the purchase of cranes for the port and the increase in oil prices. In addition ODA decreased by 1.9 percent of GDP. While the capital account recorded a surplus of about 4 percent of GDP reflecting financing for investment in port and other public enterprises. However, the overall balance of payments position weakened standing at US\$ 18 million (3.3 percent of GDP) in 2000 from a modest surplus of 1.8 million in 1999. The real effective exchange rate appreciated by 8 percent in 2000, mainly as a result of the appreciation of the US dollar against the Euro. The external current account deficit is expected to decrease to 4.7 percent in 2002 mainly as a result of lower oil imports and no more exceptional imports.

In 2000, Djibouti's external debt accounted for 64.4 percent of GDP or US\$ 244 million in absolute terms. In 2001, Djibouti obtained rescheduling agreements from Saudi Arabia covering arrears at the end of 1999, and the cancellation of part of its debt to China.

Djibouti's fragile external position and weak output performance has been mainly as a result of deterioration in external competitiveness over the last two decades and a persistently weak fiscal situation

Policy Developments

Economic policies currently being pursued by Djibouti are framed in a medium strategy aimed at several objectives; restructuring the economy stimulate economic growth; reduced unemployment; enhanced social indicators; restore financial stability; and move toward external viability. In 2001 the government targeted a growth rate of 2.3 percent, limit inflation to about 2 percent and contain the balance of payments deficit to 4.2 percent of GDP.

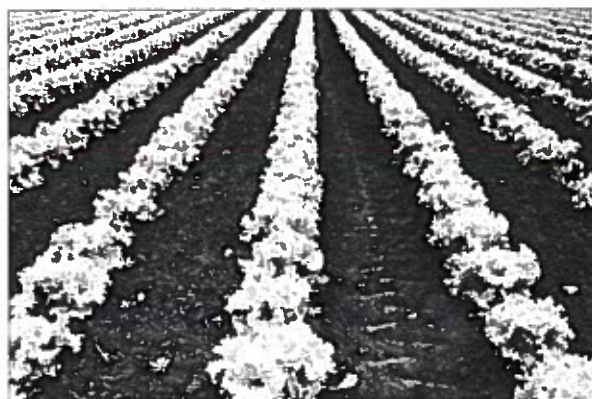
Djibouti currently has no privatisation agency and stock exchange. The government however has implemented measures aimed at increasing private sector participation in the economy. It privatised four small companies and in 2000 progress was achieved through the privatisation of the management of the Djibouti Ports.

In the area of tax administration the authorities have adopted various measures aimed at improving direct tax administration, these included; the introduction of a new self assessment system together with a late filler and no penalty system, the establishment of a new large tax payer unit and a taxpayer identification number; and the creation of a new unit in charge of tax control with a view to conducting regular control

Sectoral breakdown of the economy



on the spot. The 2002 budget finance law includes; the creation of a single personal income resulting from the merging of the current taxes on salaries, fringe benefits in kind and the patriotic contribution; the lowering of threshold tax on commercial and industrial profits; and the creation of a tax management centre.



Trade policy and external sector reforms

It has also embarked on policy reforms to address external sector viability. Trade is fully open without recourse to import bans or exports prohibitions.

It is a member of the COMESA FTA, Arab League and the WTO.

Djibouti has a unitary exchange arrangement. The Djibouti franc is pegged to the dollar.

The privatisation strategy is one, which allows for 51 percent local ownership and 49 percent foreign ownership. Among the utilities to be privatised are; electricity, water and telecommunications.

Djibouti has HIPC status; as a result poverty reduction is one of the government's highest priorities. Social sector spending has been increased particularly in the areas of health and education. In addition, expenditure on social safety nets has been increased.

EGYPT

Macroeconomic Data

(In millions of US\$, unless otherwise indicated)

	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000*/01	2001**/02
Growth rate	2.1	0.3	2.5	3.9	4.7	5.0	5.3	5.7	6.0	5.1	7
Per capita GDP	671	659	661	673	690	702	678	702	731	755	
Per US \$ Exchange Rate	3.32	3.35	3.39	3.37	3.39	3.39	3.39	3.39	3.39	3.41	3.68
Inflation	14.7	21.1	11	9	9.4	7.1	6.2	4.2	3.8	2.8	
Gross investment			16.3	16.7	16.8	17.6	19.3	20			
Gross National Savings			15.1	15	12.7	10.7	15.7	16.6			
Trade balance	-6174	-7003	-7,310	-7,854	-9,498	-10,220	-11,771	-12524			
Exports, f.o.b.	3880	3725	3,337	4,957	4,609	5,345	5,128	4445			
Imports, f.o.b.	-10054	-10728	10,647	-12,811	-141,107	-15,565	-16,899	-16969			
Current account balance											
Direct investment	1032	1021	1285	735	612	723	1103.9	710.6			
In months of imports	12.7	16.7	19.2	16.8	15.7	15.7	14.3	12.8			
Total External Debt	32601	30282	30,895	32,965	31,043	28,774	28,077	28224	28053		

Sources: IMF statistical annex; Quarterly Economic Digest; and Egyptian authorities

* As from 1991-1994 (base 1986/87=100, weights are derived from the household budget survey of 1981/82)

As from 1995- 1997 (base 1986/87=100, weights are derived from the income and expenditure survey of 1990/91)

As from 1998-2009 (base 1995/96=100, weights are derived from the new family survey of 1995/96)

Economic Structure

Egypt has a diversified economy with a resonant agricultural sector, a manufacturing sector that's growing, with its tourism sector offering the worlds most spectacular archaeological treasures. It is a middle income country with an average percapita GDP of US\$755.

Egypt's economy has for a long time been based on the agricultural sector accounting for 20 percent of GDP; 30 percent of total exports and employs a third of the total work force. In order to increase total arable land, Egypt has for a long time implemented a land reclamation project; as a result the amount of cultivated land has increased from 3.65 million ha. in

1982 to 4.3 million ha. in 1995. Despite the declining sugar workforce in agriculture, agriculture production has increased. **Currently Egypt is self sufficient in its food production and imports only 50 percent of its foods stuffs.** Among the major crops produced are; cotton, millet, wheat, clover, maize, rice and sugar cane. Egypt is one of the most productive producers of cotton in the world. In recent years, Egypt has also had impressive growth in the production of horticulture products and fishing.

Petroleum and refined products account for 7 percent of GDP. As of 1996, oil reserves stood at 3.7 billion barrels, with almost 85 percent of crude oil production coming from the field in the Sinai Peninsular and the Gulf of Suez. Other minerals exploited include, iron ore, phosphate rocks and coal. Coal reserves stand at

50 million tons and according to recent findings, have a potential to increase to 65 million.

The manufacturing sector, represents 18 percent of GDP and is highly diversified with automotive, textiles, consumer ceramics, and electronics, consumer goods, pharmaceuticals, cement, iron and steel and aluminium industries. Currently the most dynamic sub sectors have been the weaving industry; agro based industries and electronics. Cement production forms the bulk of the country's industrial activities. The manufacturing sector has for a long time been the centre of the government's export strategy. Egypt has four main competitive advantages in manufacturing such as, the highly diversified production base, an abundant and highly competitive human resource base, and a number of well matured labour intensive industries.

The Egyptian Market has been cited as amongst the fastest growing IT markets in the world. The software industry has an annual growth rate of 35 percent while hardware has a growth of 12 percent. Egypt also has well-developed iron and steel industries. Currently, the industry has a total capacity of 3 million tonnes per annum, however with new ventures in place the industry is poised to expand further.

Egypt has a sophisticated and well-developed service sector, accounting for 51 percent of GDP. Tourism ranks third behind workers remittances and foreign aid as a source of foreign currency earnings and contributes 4.7 percent of GDP. Egypt receives an average of 3.5 million tourists annually. Tourism forms

important linkages with the rest of the economy by stimulating activities of the transport, food processing, textiles, crafts and other small scale manufacturing services. In addition to this, Egypt has a well-developed infrastructure, telecommunications, and finance and power systems.

Recent macroeconomic developments

As COMESA's largest economy, Egypt has maintained real GDP growth rates above 5 percent for the past five years. In 2000 real GDP growth rate was 5.1 percent slightly dropping from the previous year's 6 percent. Egypt targeted growth of 7 percent in 2001, fuelled by private sector investment through continued privatization and institutional building.

As part of an effort to control inflation, Egypt has since the 1990s, pursued conservative monetary policies. As a result consumer price inflation has been moderate through most of the ten-year period. It has shown a gradual decline from 21 percent in 1992 to 3.8 percent and 2.8 percent in 1999 and 2000 respectively.

In an effort to prevent capital flight Egypt has for some time maintained a tight monetary stance. However inflation differentials with its partners resulted in an appreciation of the Egyptian pound, making Egyptian goods more expensive overseas. As a result Egypt adopted a flexible monetary policy in 2000. Despite this increased flexibility, monetary policy remained cautious as the government sought to control the pounds depreciation by selling dollars, while seeking to avoid draining pound liquidity and raising interest rates.

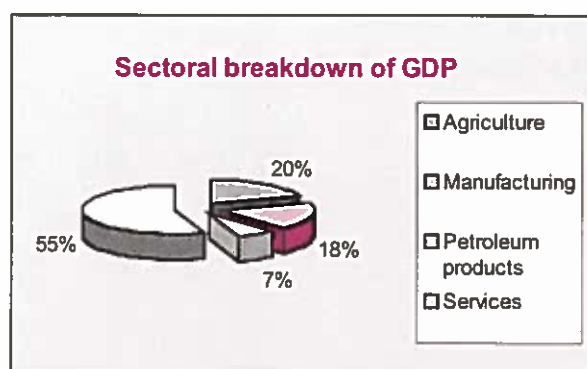
Egypt is currently one of the most dynamic economies in COMESA, with investment to GDP ratio of more than 20 percent. For three consecutive years following 1997, the share of total investment in GDP was above 20 percent. In 2000 it declined slightly to 22.45 from 22.8 percent in 1999. Increased foreign investment has over the years been providing added momentum to growth in the economy. Egypt has also received substantial inflow of ODA.

The budget deficit witnessed a constant decline from over 20 percent of GDP prior to the reform program to 1 percent of GDP in 1998. Increasing slightly to 4.3 percent in 1999, the budget deficit improved to 3.7 percent in 2000.

Domestic savings are however low averaging less than 15 percent over a period of 10 years.

In 2000 the current account improved from a deficit of 3.3 percent to 2.2 percent in 2000. The average ratio of exports to GDP was 16.6 percent in 2000. A surge in tourism made a substantial impact on Egypt's current account. Net exports however remained largely in deficit due to large imports of capital goods.

Egypt is a net creditor to the world. Its outstanding debt stocks and debt service continue to fall relative



to GDP and exports. This trend has been as a result of the economic reform program, Paris Club debt restructuring, export growth and real GDP growth rates of above 6 percent. Between 1991 and 2000 the share of external debt in GDP declined from 107 percent to 26.4 percent.

Trade policy

Under its trade liberalisation programme and in accordance with its WTO obligations, Egypt has made progress in reducing its tariffs. The maximum rate for WTO-bound tariffs was recently reduced from 50 percent to 40 percent. Many cases of high tariffs persist, however, such as those affecting the import of automobiles, automobile spare parts and U.S. poultry products. Egypt does not maintain export quotas or require pre-approval for imports. It is in the process of implementing the harmonised system of classification. Although the government recognises the need to eliminate procedural barriers to trade, businesses report that red tape and cumbersome bureaucracy remain significant problems.

Egypt no longer requires import licenses and numerous free trade zones have been established in Cairo, Alexandria, Suez City, Orish, Ismailia, Port Said, Damitta, Safaga and Sohaga.

Egypt is a member of the Pan Arab Free Trade Area (PAFPA) and COMESA Free Trade Area. It is a signatory of the Barcelona Declaration, which calls for a free trade zone in the Mediterranean by 2010. It enjoys preferential treatment in the USA, EU market and is also a part to the US Trade and Investment Framework Agreement (TIFA).

Structural Policies

The privatisation rate in Egypt is ranked fourth in the world, only lower than, Hungary, Malaysia and Czech Republic.

Egypt has a well-developed capital market with two stock exchanges, located in Cairo and Alexandria. As of January 1997, it had 612 listed companies and a market capitalisation of over US\$18 billion. Egypt has made agreements with markets in Kuwait, Jordan, Bahrain to facilitate listing of securities on these exchanges and develop communication between them.

ERITREA

Macroeconomic Data

(In millions of US\$, unless otherwise stated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	n.a.	n.a.	-2.5	9.8	2.9	6.8	7.9	3.0	n.a.	n.a.
Per capita GDP										
Per US \$ Exchange Rate		2.8	5.3	6.2	6.7	6.7	7.2	7.4	8.2	
Inflation										
Gross investment										
Gross national savings										
Trade balance					-323.2	-418.5	-441.1	-498.9	-480.7	
Exports, f.o.b.					80.6	95.3	53.5	27.9	26.3	
Imports, f.o.b.					416.8	524.0	494.6	507.3	506.9	
Current account balance										
Direct Investment						36.7	38.7	31.7	36.0	
In months of imports					4.4	4.0	6.4	2.9	2.6	
Total External Debt					39.8	47.2	76.1	141.6	224.9	

Source: IMF Statistical annex

Economic Structure

Eritrea is predominantly an agricultural economy. While the sector contributes 25 percent to GDP, it is estimated that 80 percent of the population depends on it. Its lowlands and the escarpment have great potential for agricultural development, which with proper conservation and utilization of water can be exploited for intensive and extensive cultivation of a variety of staple and cash crops. The country also has high quality livestock.

Fishing and salt panning are also major activities in Eritrea. However the war destroyed the on-shore activities and disrupted the activities of Fisherman. The high salt content of the seawater and the hot climate in the region provide a combination of cheaper production of salt. Salt is exported to Europe and the Far East.

Output in Eritrea's manufacturing industry consists of primarily basic consumer goods produced by small and medium scale enterprises. Industrial exports are presently limited to leather products, textiles and salt. Eritrea aims at strengthening its backward and forward linkages with the agriculture and construction sectors as a move to diversify its exports and increase the country's foreign exchange earnings.

Recent macroeconomic developments

The small industrial sector consists mainly of light

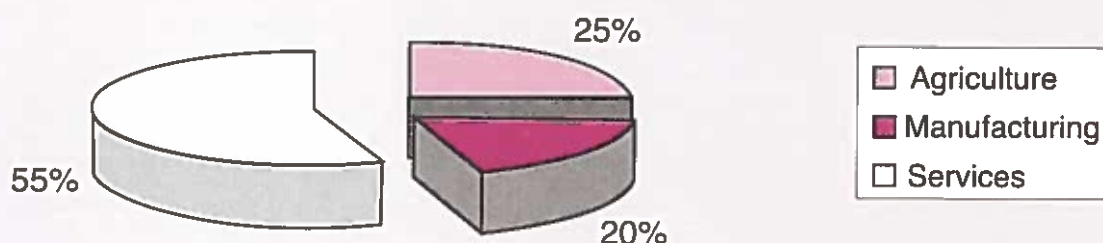
industries. Domestic output (GDP) is substantially augmented by worker remittances from abroad. Government revenues come from customs duties and taxes on income and sales. Road construction is a top domestic priority. In the long term, Eritrea may benefit from the development of offshore oil, fishing, and tourism. Eritrea's economic future depends on its ability to master fundamental social and economic problems, e.g., by reducing illiteracy, promoting job creation, expanding technical training, attracting foreign investment, and streamlining the bureaucracy.

According to the PTA Bank, Eritrea has enjoyed strong growth and comparatively low inflation in the first few years of independence mainly as a result of earnings from port services. In 1998 GDP growth rate declined to 3 percent from 7.9 percent in 1997. In 1999 and 2000 it stood at zero percent and 2 percent respectively. Inflation rose to an estimated average of 9 percent in 1998 from 2 percent in 1997.

External sector performance is likely to remain low for several years, as economic reconstruction requires a large number of imports.

Prior to the reconstruction exercise, Eritrea was one of the few countries that had enjoyed the advantages of having no foreign debt. However due to the reconstruction exercise the government has had to borrow mainly on concessional terms. In 2000, the

Sectoral breakdown of GDP



country's external debt was estimated at US200 million.



Trade Policy

The government of Eritrea is committed to the liberalisation of its trade regime through the participation in regional and multilateral trade and economic cooperation. It is a member of COMESA

It also aims at simplifying the licensing regime, reducing and eliminating tariff and non-tariff barriers.

Structural Policies

Eritrea had initiated a privatisation programme. Public enterprises have been slated for privatisation

Eritrea aims at developing high tech telecommunication facilities for international and domestic services, rehabilitating its railway and to develop its air transport services.

ETHIOPIA

Macroeconomic Data

Economic structure

Ethiopia's economy is based on agriculture and most of its population live and work on the land. Agriculture contributes 50 percent of GDP and supports about 90 percent of the population. Coffee is the major export crop and accounts for 60 percent of the earnings from this sector. Tea, oil seeds, cotton, tobacco, fruits and sugar are also grown. Recent indications are that the sector was hit badly by adverse weather patterns in 1998, registering growth of -10.3 percent, which increased to 4.2 percent in 1999.

Ethiopia's manufacturing sector accounts for 11 percent of GDP. The major items produced include food and beverage items, textiles, cement, leather products and chemicals.

Recent macroeconomic developments

Ethiopia's macro economic performance can be attributed to the economic reforms the country has been implementing since 1992. In the 1990s positive growth rates were maintained and peaking at 8.5 percent and 7.8 percent in 1995 and 1996 respectively. Real GDP grew by 3 percent in 1999 and by 4.6 percent in 2000. However, per capita GDP is low and stood at US\$187 in 2000.

Ethiopia has traditionally been a low-inflation country,

(In millions of US\$, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	-7.0	1.9	6.5	3.9	8.5	7.8	1.8	2.4	3.0	4.6
Per capita GDP	165	163	168	170	179	187	185	184	184	187
Per US \$ Exchnage Rate		4.3	5.1	5.4	6.1	6.3	6.7	7.1	7.9	8.2
Inflation	20.9	21.0	10.0	1.2	13.4	-2.3	-1.6	3.8	1.9	4.2
Gross investment										
Gross domestic savings			5.4	8.0	4.7	8.6	6.3			
Trade balance	-302.2	-829.0	-635.0	-609.0	-1003.0	-804.0	-917.0	-749.0	-919.0	-645.4
Exports, f.o.b.	167.6	222.4	279.6	453.6	410.2	598.7	602.1	560.3	467.4	486.0
Imports, f.o.b.	-470.8	-1052.0	-915.0	-1063.0	-1413.0	-1403.0	-1519.0	-1309.8	-1387.2	-13131.4
Current account balance		-204.0	-92.0	190.0	-203.0	-230.0	-292.0	-265.8	-465.2	16.2
Direct investment										
In months of imports		2.6	5.6	5.8	6.6	4.2	2.7	2.8		
Total External Debt					4289.8	4166.8	9419.3			

Sources: IMF statistical annex; and Ethiopian authorities

except for the period when it was involved in a conflict with Eritrea. Inflation has recently been below 5 percent and interest rates kept at positive but reasonable levels. The 2000 inflation rate of 4.2 percent was within reasonable levels, though it increased from 1.9 percent in 1999. The increase was in part due to pressure on food prices dampened by the availability of large food aid supplies.

Foreign investment tripled in Ethiopia between 1996 and 1997, albeit from a low base. Considering the levels of investment in other COMESA countries, however, Ethiopia remains a relatively untapped and unexploited market for investors. In 1997, foreign investment levels reached US\$178m, compared to US\$250m in Uganda and other countries with much smaller populations. Total Investment as a percentage of GDP is projected to increase from 15 percent of GDP in 2000 to 20 percent in 2002.

The external current account deficit, including grants, averaged 2.3 percent of GDP in 1996/97 and 1997/98, reflecting initially exceptionally low food imports and subsequently a strong improvement in the terms of trade as well, as delays in the government's sector development programmes (SDPs). In 1998/99, the external deficit increased to 7.9 percent of GDP, as prices and volumes of coffee exports dropped sharply and the fiscal deficit increased.

Ethiopia's external public debt to GDP ratio declined by more than 50 percent from 153 percent in 1999 to 78.5 percent in 2000. Despite this improvement the country's foreign debt severely constrains development.

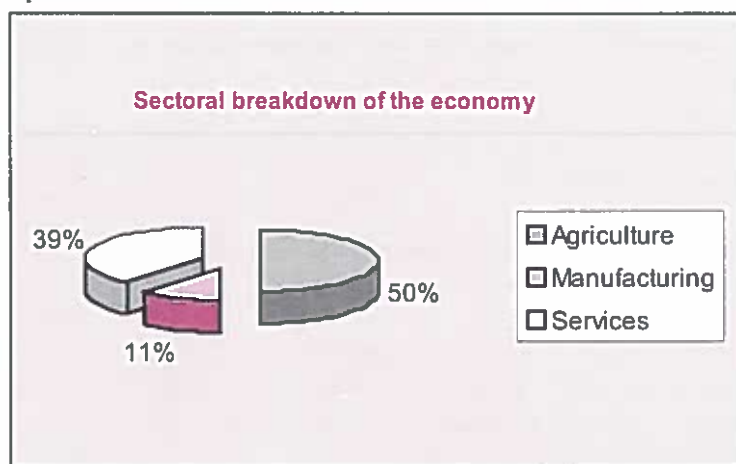
Policy Developments

Ethiopia's economic reform programme aims at reducing poverty through the long-term development strategy of Agricultural Development Led Industrialization (ADLI). With the support of donor funding, complementary poverty reduction reforms in the areas of health, education and roads infrastructure are also being pursued. In the second half of 2000, Ethiopia strengthened its economic reform efforts after considerable progress had been made in restoring peace with Eritrea.

Trade policies

As part of its liberalization programme, Ethiopia has progressively lowered its maximum import tariffs from 230 percent to the current 40 percent and its average tariffs from 21.5 percent to 19.5 percent. Export taxes; export subsidies and import levies have all been eliminated.

Ethiopia's exports are accorded preferential treatment





under agreements with the USA and Canada. Ethiopia is a member of COMESA, but not yet a member of the COMESA FTA. It has reduced its tariffs from COMESA originating goods by 10 percent.

Structural Policies

Ethiopia's privatisation approach has been characterized by caution and prudence, but since 1999 the pace of privatisation has accelerated. All public enterprises have been restructured and many state owned conglomerates have been split into efficient units.

Following the privatization or liquidation of 175 enterprises, several large state-owned farms were brought to the point of sale and preparations had begun for the privatization of the Construction and Business Bank (CBB).

Regarding taxation, reforms have been initiated on income tax to include new legislation on presumptive taxation and a 5 percent withholding tax on imports that became effective in February 2001. The government has also announced that value added tax (VAT) would become effective in 2003. In January the government eliminated the 10 percent surcharge on imports and increased the top sales tax rate to 15 percent. In addition, tax administration has been strengthened with legislation passed in March 2001 to introduce a Tax Payer Identification Number (TIN)

Ethiopia is classified as a Highly Indebted Poor Country (HIPC) and in an effort to combat poverty, Ethiopia aims to attain the minimum internationally accepted targets for poverty reduction in 2015.

While the magnitude of poverty is immense, Ethiopia has recorded a significant decline since the 1990s. Between 1989 and 1994/95 studies have shown a decline in absolute poverty measured in terms of food consumption from 61.3 percent to 45.6 percent. The decrease in the incidence of poverty has been as a result of the economic reform programme and Agricultural-Development-Led Industrialisation (ADLI) adopted in the mid 1990s.

KENYA

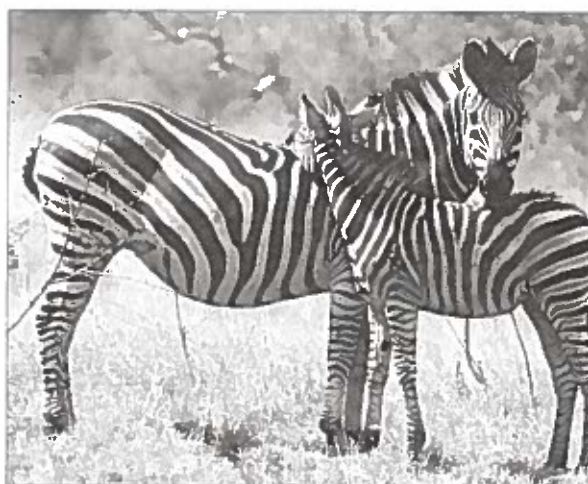
Macroeconomic Data

Economic structure

Agriculture forms the backbone of the Kenyan economy contributing close to 30 percent of GDP; it also supports 75 percent of the population and contributes 60 percent to total foreign exchange earnings. The sector has major linkages with the rest of the economy. Agricultural activities include; food crop production, horticulture support services, agro processing, leather products and fisheries. The main agricultural crops are coffee and tea. Kenya is the world's third largest exporter of tea, which together with coffee and horticultural products accounts for 47 percent of total merchandise exports. Performance of the sector has in recent years been affected by prolonged drought and declining coffee prices on the world market.

The main manufacturing activities include, agro-processing, textiles and apparels and chemicals. Industry contributes 18 percent of GDP and is a growing source of exports into the COMESA region. Manufacturing has grown since 1970s with a marked increase in food manufacturing. The government has made attempts to boost growth through the establishment of Export Processing Zones and a Manufacturing Under Bond programme. The result of these initiatives has been a 10 percent annual growth of the sector since 1985.

The services sector is dominated by tourism, which contributes 19 percent to GDP and is the second most important source of foreign exchange. Kenya's natural endowments in wildlife, pleasant climate and sunny beaches make it an irresistible tourist destination.



Recent macroeconomic developments

During the past five years, Kenya has experienced extreme weather conditions with damaging El Nino

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	4.1	4.6	3.7	3.7	5.9	9.5	4.6	-3.6	2.1	2.4
Per capita GDP			64.8	64.2	70.7	65.4	63.2	60.7	51.4	46.3
Per US \$ Exchange Rate		5	8	56	51.4	57.1	58.82	60.4	70.3	76.2
Inflation										
Gross investment			17.6	19.3	21.8	20.4	18.6	19.1	18.3	17.5
Gross national savings			20.5	20.2	17.4	19.5	15	13	13.6	11.3
Trade balance			-767.6	-729.7	-1929.0	-1470.3	-2601.5	-3053.6	-3457.2	-4839.3
Exports, f.o.b.			3682.7	4345.0	4946.9	5949.5	6056.9	6088.1	6148.7	6754.4
Imports, f.o.b.			-4450.3	-5074.7	-6875.9	-7419.8	-8658.4	-9141.7	-9605.8	-11593.7
Current account balance										
Direct Investment			4.6	4.4	83.5	37.8	51.5	34.5	48.6	422.4
In months of imports	1	1	2.7	3.1	1.6	3	2.5	2.5	2.9	2.9
Total External Debt										

Sources: IMF statistical annex; World Bank data base; and Kenyan authorities

rains in 1997 and severe drought in 1999 and 2000. The drought drastically reduced water supply, decimated hydroelectricity by 41%, and caused serious food shortages. This negative impact on physical infrastructure adversely affected productivity in all sectors of the economy, particularly in the agricultural and manufacturing sectors.

The intense drought affecting Kenya has had a more severe impact on the recent economic development. Drought has considerably affected government finances and Kenya's balance of payments in the fiscal year 2000/01 (July-June), even after consideration of important contributions from donors who have responded to the government's drought relief appeal.

Economic performance has also been affected by the decline in ODA and FDI. High interest rates have also been a major disincentive to the private sector, which has been unable to access credit for investment in expansion projects, and new businesses, which would have created jobs and economic activity.

Although economic conditions have been quite difficult over the past few years, Kenya has managed to sustain a relatively stable macroeconomic environment. Real GDP growth rate increased from 2.1 percent in 1999 to 2.4 percent in 2000, this was an improvement from the 1998 rate of -3.6 percent when the economy was seriously damaged by terrorist attacks. A sharp drop in robust coffee had a dampening effect on Kenya's growth.

Inflation remained subdued in 1998 and in the first half of 1999. But it increased to 6.2 percent in 2000, mainly owing to increases in fuel and food prices, adverse weather conditions as well as the lagged effects of the

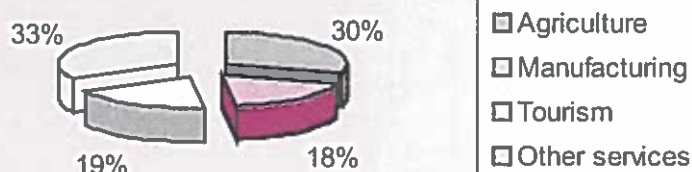
depreciation of the shilling.

In 2000, broad money supply expanded 1.6 percent compared with 2.9 percent in 1999. The deceleration in money supply was in line with the economic slowdown during 2000 and was mainly attributed to slackened demand for bank credit.

The country's investment performance has fluctuated between 21 percent and 16 percent over the last ten years attaining a level on 16 percent of GDP in 2000. The level of FDI however remains low. From 20 percent in 1991 domestic savings have gradually declined to 7.1 percent in 1999 and 4.3 percent in 2000. This has widened the savings to investment gap.

Kenya has maintained a small fiscal deficit for the past five years. In 1999/97 fiscal deficits stood at 3.9 percent of GDP it declined to 2.5 percent and 0.7 percent in 1997/99 and 1998/99 respectively. In 2000/01 the fiscal deficit was projected at 5 percent Owing to lower expenditure and higher revenue associated with drought relief.

Sectoral breakdown of GDP



The external current account deficit (excluding official grants) widened to about 5 percent of GDP in 1998, reflecting a poor export performance and a worsening in the terms of trade, but an increase in the capital account surplus led to a shift in the overall balance of payments from a deficit of US\$13 million in 1997 to a surplus of US\$74 million in 1998.

Overall balance of payments in the year 2000 recorded a surplus of US\$ 212m compared with a deficit of US\$63m in 1999. The favorable development in the balance of payments was due to improved performance of the current account, which more than offset the deterioration in the capital account.

Although Kenya has a sustainable external debt it is classified as a highly indebted poor country. In 1999, Kenya's external debt was estimated at US\$6.56 billion and in 2000; its debt service was 27 percent of foreign exchange receipts.

Trade Policy

Kenya has maintained a liberalised external trade system since 1993 and has progressively reviewed its trade tariffs downward to a maximum rate of 22 percent.

Kenya is a member of the COMESA Free Trade Area, the newly established East African Community and is an active member of IGAD and the WTO. Since its joining of the COMESA FTA exports to COMESA have increased by 6 percent. Trade to the COMESA region accounts for 42 percent of the country's total exports.

Structural policies

The pace of privatisation has been slow. Since 1995 the main companies sold have been the tourist facilities and the floatation of shares of state owned financial institutions. To speed up the process the government has identified 200 parastatals for privatisation and 33 for restructuring.

MADAGASCAR

Macroeconomic Data

Economic Structure

The economy of Madagascar is dominated by agriculture, which employs three-fourths of the population. Agriculture, livestock and forestry contribute 31 percent of GDP. Madagascar is heavily dependent on export of agricultural products, which account for 70 percent of all export earning. Of which the main crops are coffee, cloves and vanilla.

Industry accounts for 12 percent of GDP (with food industry, energy, and beverages industry as main sub-sectors). In view of Madagascar's potential and comparative advantages, the contribution of the industrial sector to GDP is expected to reach the target of 16 percent in 2002 and 20 percent in 2005. Madagascar has substantial reserves of chrome, gold, graphite, mica, bauxite, iron ore and precious stones. Over the years the government has come to recognise mining as a key sector of the economy, it has the potential of contributing 15 percent to GDP and 25 percent to total exports. According to the World Bank Mining Sector Review, the mining sector currently accounts for only 3 percent of GDP and 2 percent of total exports, this indicates that the sector is operating below its potential. In order to attract private investment into the sector, the government recently decided to redefine its role in the promotion of mineral development. As such proper mineral legislation is under preparation.

The services sector accounts for about 54 percent of GDP. Over the last three decades, growth rates have averaged only 0.4 percent each year. The services sector is highly liberalised. Tourism accounts for the major activity in this sector due to the country's rich biological diversity, and climate.

Recent macroeconomic developments

Madagascar has been on an economic recovery path since 1996, due to dynamic tertiary and secondary sectors. In 2000 real GDP increased marginally from US\$3,492 million to US\$3,659 million, representing a 4.8 percent increase. Preliminary results in 2001 indicated that growth was likely to exceed 6.7 percent. Growth in the first half was mainly as a result of a strong production primary sector, where rice production rose significantly, and in the textile and apparel manufacturing establishments of export processing zones. In addition, growth was also positive in the areas of construction, transport, banking and trade.

Real per-capita GDP slightly increased from US\$233 in 1999 to US\$237 in 2000. Madagascar is however, classified as a least developed country.

Consumer price inflation rose steadily from 4.5 percent in 1997 to 8.7 percent in 2000. In 2001, the inflation rate declined to 5.6 percent in September and was expected to average 4.5 percent in December owing to declining rice prices, following an abundant rice harvest, and an appreciation in the exchange rate.

The overall fiscal deficit excluding grants was 4.6 percent in 2000, compared to 6.2 percent in 1999. Control of this deficit in recent years has resulted mainly from contraction of public expenditure and to a lesser extent, increases in overall tax ratio. In 2001 fiscal performance was mixed, while government tax revenue rose slightly.

Investment performance improved as sizeable foreign investment was made in the EPZ and other sectors. In 2000, 80 percent of all investment was FDI.

(In millions of US\$, unless otherwise indicated)

Growth rate			#REF!	#REF!	#REF!	#REF!	#REF!			
Per capita GDP			0.0	1.7	2.1	3.7	3.9	4.7	4.8	
Per US \$ Exchange Rate										
Inflation										
Gross investment			95	94	92.8	95.3	93	92.8	93.2	91.1
Gross national savings										
Trade balance										
Exports, f.o.b.			-68.6	-69.4	-83.4	-128.8	-108.7	-115.9	-179.8	-195.1
Imports, f.o.b.				344.6	360.6	366.	385.2	427.1	517	681
Current account balance			113.1	116.5	151.7	224.2	152.2	94.6	110.5	110.7
Direct Investment			-69.6	-37	56.9	162.2	78.7	137	208	273
In weeks of imports										
Total External Debt										
Source: IMF statistical appendix			620.2	584.2	545.7	553.1	503.5			

Foreign capital from France (38 percent) accounted for the largest source, while Mauritius accounts for 25 percent and all other European countries account for 9 percent.

Foreign sector developments were positive in 2001. This trend was as a result of the textile Export Processing Zone, spurred by AGOA, and exports of vanilla and cloves, boosted by high prices. Madagascar receipts from exports have increased steadily since 1996 from about 20 percent of GDP to 31 percent in 2000. The volume of exports has also increased since 1996. Although imports of goods and non-factor services rose from 25 percent of GDP in 1996 to 39.3 percent in 2000, the overall, current account deficit improved from about 8 percent of GDP to 6.5 percent in 2000.

Madagascar is classified as a Highly Indebted Poor Country. It reached its decision point under the enhanced HIPC initiative towards the end of 2000.

Trade Policy

In recent years, Madagascar has undertaken to progressively simplify its external trade regimes. Under the Regional Integration Facilitation Forum (RIFF) it has reduced its external tariff rates to five rates (0, 5, 15, 25 and 30 percent). In addition the number of products subject to tariffs have been reduced. In January 2000, Madagascar signed a preferential tariff agreement with Mauritius and Comoros (with a 100 percent tariff reduction), there after in October 2000 it joined the COMESA Free Trade Area.

Due to these reforms, Madagascar has benefited from growing export receipts, in addition to diversification of its export base, and increased capital flows through FDI.

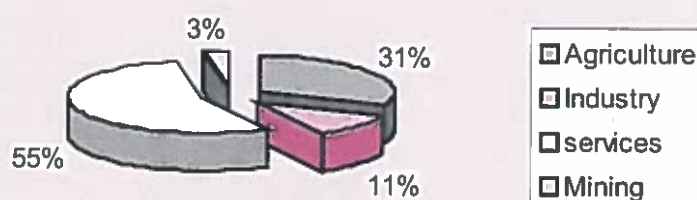
Structural Policies

Madagascar's privatisation includes industries in key sectors such as air transport, petroleum distribution, transport, telecommunications and agriculture. Between 1997-2000 the programme targeted 136 companies. In 2001 Air Madagascar was privatised, including the Sugar Company SIRAMA, cotton and shipbuilding. Madagascar currently has no stock exchange.

The telecommunications sector has been liberalised under the 1997 Telecommunications Act. While air transport was also liberalised in 1999.

Poverty in Madagascar is predominantly a rural and agricultural phenomenon. Over the period 1997-99 the overall incidence of poverty declined by 18 percent in urban areas, while there was a marked increase in the rural areas. Based on the poverty analysis it was decided that poverty would be fought by increasing the productivity of small-scale farmers, including improvement in the quality of social services such as education, health and access to water.

Sectoral breakdown of GDP



MALAWI

Macroeconomic Data

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Growth rate	8.7	-7.3	9.7	13.8	13.8	10.4	7.0	2.2	3.6	2.1	
Per capita GDP				1123.9	2289.7	3837.3	4407.3	5848.9	7848.9	8987.9	
Per US \$ Exchange Rate			4.5	15.3	15.3	15.3	21.2	31.1	44.1	59.5	
Inflation			22.8	34.7	83.1	37.7	9.1	29.8	44.7	29.6	
Gross investment				29.4	17.4	11.8	12.0	12.8	14.6	15.3	
Gross national savings				-9.2	-9.1	-9.3	-1.3	5.1	-2.1	3.3	
Trade balance			-310.2	-209.1	-69.9	-140.5	-216.9	-40.7	-226.1	-194.2	-176
Exports, f.o.b.			317.2	326.8	404.2	483.4	566.5	538.6	447.1	430.9	438.4
Imports, c.f.i.			-627.4	-535.9	-474.2	-623.8	-783.4	-579.3	-673.4	-625.2	-614.2
Current account balance			-185.7	-159.5	-25.1	-175.9	-234.7	-43.1	-150.5	-135	-120
Direct Investment						30	23.9	33.6	39.4	39.7	40.9
In months of imports			1	0.7	2.3	3.6	2.4	4.4	4.2	3.9	
Total External Debt	1457.7	1632.5	1756.7	1911.9	2086	2156.8	2194.2	2330.3	2387.3	2857.8	

Source: IMF statistical appendix and Malawi authorities

Economic Structure

Malawi is predominantly an agricultural economy and as such developments in the agricultural sector have a huge bearing on the economy. To cushion the impact of negative agricultural developments, the Malawi government has in recent years attempted to diversify the economy. As a result non-traditional exports such as textiles are have increased. A stable macroeconomic environment and sustained structural reform are the best routes for further gains.

Agriculture accounts for 90 percent of all export earnings, which are dominated by three products, sugar, tea and tobacco. Liberalization of agriculture has led to an increase in tobacco small holders. In 1999 tobacco accounted for 65 percent of total exports and 15 percent of GDP. However, earnings from the crop declined as a result of a 25 percent decline in average prices of tobacco on the auction floors.

Although tourism currently plays a small role in the Malawi economy, it has huge potential for growth and diversification. The principal tourist attraction in the country is Lake Malawi, which is set among rolling hills covered in tropical vegetation. Bird life at Lake Malawi is spectacular. The lake has one of the highest diversities of fresh water tropical fish in the world, some of which are unique to Lake Malawi alone. Fishing for salmon, bream, black bass and tiger fish is a popular past time. Around Cape Maclear, there are excellent snorkelling and diving spots as the water is

crystal clear. The 365 miles long and 52 miles wide Lake Malawi often referred to as the calendar lake on imperial measuring system and is the world's ninth largest lake.

Performance of the tourism sector is adversely affected by inadequate and poor infrastructure and other structural problems. The government has explored options to promote eco-tourism and adventure tourism, which would incorporate the private sector.

Recent macroeconomic developments

Growth has been slow over the years, and its benefits have been unequally distributed. Real GDP growth fell to 2.1 percent in 2000 from 4 percent in 1999. Performance in 2001 remained poor with an estimated growth rate of 1.8 percent. The slowdown is attributed to a marginal growth in the agricultural sector and inflationary pressures associated with the depreciation of the Kwacha.

Consumer price inflation declined from an average of 44.8 percent in 1999 to 29.6 percent in 2000. This fall may be attributed to a decline in monetary growth due to tight monetary policy.

Low savings and investments have also impacted negatively on Malawi's economic performance. In 2000 the share of investment in GDP increased to 16.4 percent compared to 13.3 percent and 14.8 percent

in 1998 and 1999 respectively. Savings on the other hand improved slightly from -0.6 percent in 1999 to 3 percent in 2000.

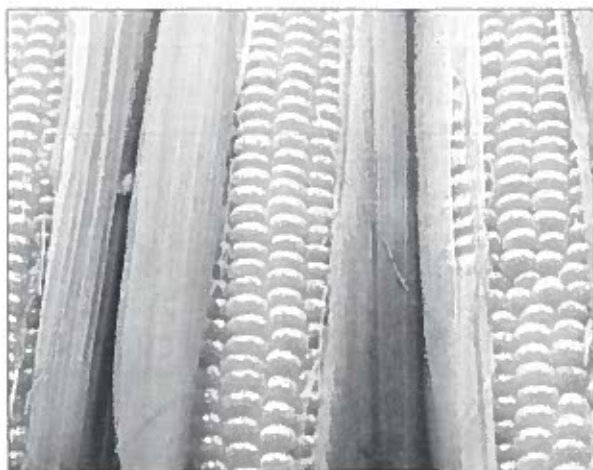
Control over fiscal and monetary developments has improved, although the accumulation of domestic spending arrears, and sharp changes in the real exchange rate, have continued to hinder economic management. The overall budget deficit narrowed to 9.9 percent of GDP in 2000 from 11.1 percent in 1999. Revenue performance was strong relative to GDP, revenue rose from both income taxes and international trade, despite cuts in customs tariffs. However, there was substantial expenditure on maize and vehicles as result domestic arrears were accumulated.

Performance in the external sector in 2000 reflected an improvement in the current account. The external current account ratio to GDP stood at 15.1 percent compared to 17.1 percent in 1999. Growth in real exports improved from the 1999 figure of -19.1 percent to -4.6 percent in 2000, but was still below the 1998 figure of 20.2 percent. Real growth in imports declined from 7.9 percent in 1999 to 2.7 percent in 2000. As in 1999 Malawi recorded a negative trade balance of 5.8 percent in 2000.

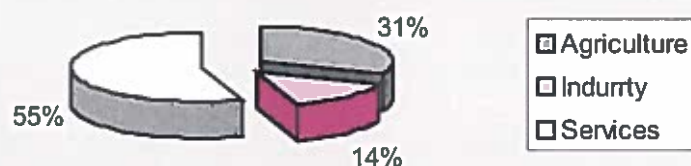
External debt as a percentage of GDP increased to 153.2 percent in 2000, this was slightly above the 1999 figure of 144 percent. The total debt stock rose to US\$ 2.89 billion in 2000, from US\$ 2.68 billion in 1999. Malawi is a HIPC country and is at the completion stage of the HIPC initiative.

Trade Policy

Malawi has one of the most liberal trade environments



Sectoral breakdown of GDP



in Africa. Based on an IMF index of restrictiveness of trade regimes, Malawi has a rating of 3 (on a scale of 1 to 10, with 10 being the most restrictive), compared to an African average rating of 5.4 and 4.5 percent for developing countries. Most import tariffs have been lowered by 5 percent points since 1999. There are no non-tariff barriers, except for restrictions that are maintained for health and security reasons. Malawi is a member of the COMESA Free Trade Area, SADC, WTO.

It recently completed requirements for the AGOA initiative and has officially launched its implementation. Malawi has also begun to benefit from special market access arrangements between SACU and MMTZ countries, which is due to run for five years beginning August 2001.

Structural Policies

Malawi has a fully-fledged stock market. Since 1996 Malawi has embarked on establishing an Export Processing Zone (EPZ) program. All companies exclusively in manufacturing for export can apply for EPZ status and enjoy special incentives. Foreign companies have the same investment opportunities as Malawian entities in these programs.

Substantial improvements have been made in the area of debt management, but still notable deficiencies exist in data processing, forecasting and analysis. Reconciliation of the government's databases between the institutions responsible for them has still to improve, and a system that allows the government to be proactive in meeting their debt obligations needs to be developed.

Poverty reduction is the core of the agenda of the country's development strategy.

MAURITIUS

Macroeconomic Data

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	4.4	6.6	5.0	5.2	5.6	6.2	5.6	5.8	2.1	8.9
Per capita GDP	646.1	2941.5	2920.9	3154.9	3540.2	3799.6	3575.2	3601.4	3675.9	3902.7
Per US \$										
Exchange Rate	15.65	15.56	17.65	17.96	17.39	17.95	21.06	23.99	25.19	26.25
Inflation	7	4.6	10.5	7.3	6.0	6.6	6.6	6.8	6.9	4.2
Gross investment	812.5	936.1	982.3	1130.2	1024.2	1070.2	1202.2	1056.6	1121.2	1185
Gross national savings	795.4	933.6	880.5	888.2	1003.7	1098.7	1099.3	1099.3	1096.7	1172.9
Trade balance	-185.1	-159.3	-241.6	-397.0	-240.5	-325.7	-435.9	-264.1	-518.6	-388.6
Exports, f.o.b.	1253.6	1335	1334.3	1376.9	1571.4	1810.4	1599.9	1699.5	1588.9	1557.4
Imports, f.o.b.	1438.7	1494.2	1575.9	1773.9	1811.8	2136.0	2035.8	1933.6	2107.5	1946
Current account balance										
Direct Investment	8.1	-28.6	-18.5	18.9	15.1	34.0	52.1	-1.5	42.9	264.1
In months of imports	6.5	6.7	5.6	4.7	5.4	4.7	4.1	3.4	4	5.5
Total External Debt	850.2	965.3	911.1	1011.2	1084.7	1153.5	1214.6	1223	1206.6	1154.4

* + Financial account

Sources: IMF statistical appendix; CSO; and Ministry of Finance

Economic Structure

Mauritius is one of Africa's most dynamic economies; in the 30 years since independence it has successfully restructured itself from an agriculturally based economy to an export-oriented manufacturing economy. It is now Africa's second largest exporter of manufactured goods after South Africa. It is also one of the few COMESA countries classified as middle income.

The agriculture sector, dominated by sugar, was for a long time the backbone of the Mauritian economy. In addition to sugar other export crops produced include flowers, vegetables and fruits. However, since the setting up of the country's first export processing zone (EPZ) in 1970, the share of agriculture in GDP and exports has declined to 11 percent and 30 percent respectively.

Manufacturing accounts for 23 percent of GDP and 70 percent of export earnings. It is dominated by the clothing sector, which accounts for 10 percent of GDP and 56 percent of export earnings. For the past 15 years growth in this sector has been remarkable and has largely been responsible for what is now termed as an economic miracle.

The volume of EPZ activity has expanded so fast that Mauritius is now faced with a labour shortage. As a result of this labour shortage, local clothing manufacturers now invest offshore where labour is more readily available.

Recent growth in Mauritius has been driven by the services sector, which accounts for 70 percent of GDP. The largest contribution to this sector is from tourism. Mauritius has become a major tourist destination due to its natural beauty, high standard of living, good infrastructure as well as a well-developed transport network. In the last five years, the information technology sector has also emerged as a promising industry in terms of the quality of employment created, as well as its contribution to GDP.

Recent macroeconomic developments

For the past 25 years real growth rates have averaged 6 percent per annum, resulting into a four-fold increase in per capita income. A significant new feature in the Mauritian economy has been the growing intra firm trade resulting in outward investment by Mauritian firms in Madagascar and some East African Countries. According to the Africa competitiveness report of

2000, Mauritius is ranked 2nd (out of 24) in Africa. Another positive aspect that has emerged over the years is the elimination of unemployment; this however has resulted in a shortage of labour, which is currently one of the major challenges faced by the country.

In the fiscal year 2000/01 the economy registered growth of 8.7 percent, mainly as a result of a rebound in the sugar production. In 2001, inflation declined to 4.4 percent from 5.3 percent in 2000. This was an improvement from the 1999 rate of 7.9 percent. Deceleration in the rate of monetary expansion in 1999, greater stability in the exchange rate, as well as subdued inflation in its major trading partners contributed to a reduction in the inflation rate.

Mauritius' investment performance has been good compared to the rest of the region. For the past decade total investment and savings have been above 20 percent. In 2000 investment averaged 26.3 percent while savings averaged 22 percent. Annual FDI inflows have however been falling. Between 1985 and 1990 average annual inflows amounted to US\$22m, but by 1996 they had fallen to US\$18m. Flows into the EPZs have also declined, largely as a result of increasing international competition in traditional and low skill labour industries like garment manufacturing.

The overall budget deficit was 3.1 percent of GDP in 2000 compared to 3.6 percent in 1999, reflecting buoyancy of tax revenue and lower growth expenditure. Tax revenue rose by 13.5 percent, while the tax/GDP ratio maintained an upward trend.

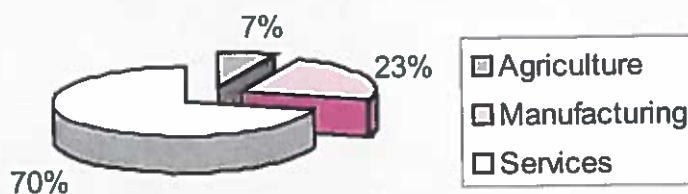
In 2001, the country's international reserve position improved. Based on the value of the import bill for the fiscal year 2000/01, the end of September level in net international reserves was 30.8 weeks of imports.

Mauritius' external debt stood at US\$1.2 billion in 2000. The country's debt service ratio (principle repayments as a percentage of exports of goods and services), increased from 8.9 percent in 1999/2000 to 13.3 percent in 2000/01. This was mainly as a result of the redemption of the outstanding balance of the floating rate notes on loans.

Trade Policy

Mauritius maintains a one-column tariff schedule based on the Harmonized System (HS). Since July 1994 import customs duties vary according to HS

Sectoral breakdown of GDP



classification. The maximum tariff rate is 80 percent, while the average tax rate is 12.4 percent. An additional 10 percent tax is levied on all imports from non-preferential countries, which attract customs duties at the rate of 55 percent or over. Import customs duties are in general ad valorem on c.i.f. values.

Mauritius is a signatory to a number of international conventions. These agreements enable its products to have access to most markets globally. Mauritius is a member of the COMESA Free Trade Area, SADC, IOC and is party to the ACP/EU convention and AGOA.



Structural Policies

The government's privatization programme took off in November 2000, when it sold 40 percent of its shares in Mauritius Telecom for US\$261 million (5.7 percent of GDP) to France Telecom.

The Mauritius Stock Exchange was set up in 1989 and has now gained a growth momentum of its own, with 39 listed companies and a market capitalisation of US\$1,505 million.

NAMIBIA

Macroeconomic Data

(In millions of US Dollars, unless otherwise indicated)

			1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	8.2	7.2	-1.6	6.2	3.2	2.1	2.6	3.0	2.9	3.5
Per capita GDP	1,804	1,877	1,793	1,850	1,854	1,838	1,830	1,831	1,830	1,838
Per US \$ Exchange Rate		2.85	3.26	3.55	3.65	4.2	4.6	5.5	6.1	6.8
Inflation	11.9	17.7	8.5	10.8	10.0	8.0	8.8	6.2	8.6	4.5
Gross investment		21.2	16.1	23.1	20.7	22.5	10.7			
Gross national savings										
Trade balance		73.8	75.4	21.7	-30.9	-50.0	-42.8			
Exports, f.o.b.		1342.5	1293.4	1351.0	1399.9	1373.9	1359.2			
Imports, f.o.b.		-1268.6	-1218.6	-1329.3	-1431.0	-1422.7	-1401.9			
Current account balance		80.6	119.0	81.3	152.8	100.8	193.5			
Direct Investment		119.9	46.7	104.1	117	131.73	83.91 304	77.636 36	111.3115	120.5
In months of imports		0.3	1	1.3	1.3	1.3	1.7			
Total External Debt			161.1	149.8	132.7	137.9	121.7	76.8		

Sources: IMF statistical appendix; Bank of Namibia and Ministry of Finance

The Namibian economy relies heavily on agriculture and mining, but in recent years tourism has become one of the fastest growing sectors of the economy.

Economic structure

The Namibian economy is heavily dependent on the extraction and processing of minerals for export. Mining accounts for 20 percent of GDP and about 45 percent of the country's merchandise exports. Namibia is the third largest producer of lead, fourth largest source of copper and the world's fifth-largest producer of uranium with the world's largest uranium mine, making it is the fourth-largest exporter of non-fuel minerals in Africa. Rich alluvial diamond deposits make Namibia a primary source of gem-quality diamonds. Namibia also produces significant quantities of tin, silver and tungsten.

Over the last few years the sector has undergone a major transformation leading to an increase in production. The proportion of diamonds mined offshore increased to 57 percent in 2000, while the opening of a copper mine led to an increase of 10.3 percent in value added from non-diamond mining. In the year 2002 Namibia plans to open new Zinc mine and in general overall prospects for this sector look bright.

Employing over 50 percent of the population, agriculture accounts for 8 percent of GDP and 25 percent of export earnings. The sector consists

almost entirely of beef cattle and Karakul sheep, while maize and millet is grown in high rainfall areas. In 2000 the sector performed well largely as a result of the improvement in livestock farming, however, the sector's performance remains volatile due to adverse weather conditions.

The fishing industry has continued to play an important role in the economy and has expanded significantly since independence. Fishing and fish processing contributes about 10 percent to GDP and 29 percent to total merchandise exports. In the year 2000 Fisheries showed a marked improvement of 13.3 percent.

The services sector accounts for 58 percent of GDP with tourism as the largest contributor to the sector. Tourism is also the third most important sub sector in the Namibian economy and holds great potential as a huge foreign exchange earner.

Manufacturing sector accounts for an estimated 10 percent of GDP with almost 80 percent of it based on food-related industries such as meat and fish processing. In 2000 the sector grew by 4 percent mainly due to improvements in the non-food sub-sector. The government has made efforts to broaden the manufacturing base by establishing export-processing zones (EPZs).

Recent macroeconomic developments

Growth has remained stable over the years averaging about 3.7 percent between 1991 and 2000. In 1999 and 2000 growth was estimated at 2.9 percent and 3.5

percent respectively. In absolute terms real GDP increased from \$3,281m in 1999 to \$3,381m (1990 prices and Exchange rates) in 2000. This increase was largely due to the good performance in the mining, fishing and construction sectors, as well as a good grain harvest. Based on the conditions in 2000, growth is expected to rise to 4 percent in 2001.

Favourable macroeconomic conditions, a stable domestic currency and falling interest rates as well as South Africa's strong economic management have contributed to the price stability in Namibia. Between 1991 and 2000 inflation averaged 8 percent. In 2000 Namibia recorded an inflation rate of 4.5 percent, almost a 100 percent decline from 1999's 8.1 percent.

In 2000, the share of total investment to GDP increased to 24.1 percent from 18.9 percent in 1999, while domestic savings decreased from 7.3 percent in 1999 to 6.8 percent in 2000.

In 1999, direct investment increased substantially compared to 1998.

Namibia has maintained a fiscal deficit of not more than 7 percent over the years, fluctuating between 2.6 and 6.2 percent. In 2000 the deficit stood at 4.4 percent of GDP.

The country's external debt was \$178 million in 2000 representing 3.3 percent of GDP. The amount paid to service the debt in 1998 was US\$ 34 million compared to US\$ 33 million in 1996.

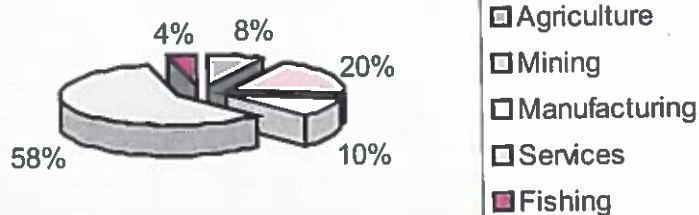
Macroeconomic Policies

As a member of the Common Monetary Area (CMA), which consists of South Africa, Lesotho and Swaziland, Namibia's monetary policy is determined by South Africa. Monetary policy is oriented towards the exchange rate between the Namibian dollar and South African rand. This has been Namibia's monetary policy for the past eight years and has proved effective in meeting the ultimate objective of maintaining price stability, as reflected in the single digit inflation maintained over the years.

External sector reforms or Trade policy and International relations

Namibia is not yet a member of the COMESA FTA, but trades on full MFN rates until its derogation expires. Currently 84% of its imports are from SACU. The improvement in its port facilities could, however, speed up Namibia's decision to actively participate in the COMESA FTA.

Sectoral breakdown of GDP



Namibia is also a member of UNO, Commonwealth, OAU, SADC, SACU, IMF, World Bank, MIGA, NAPU, ADB and WTO, which it joined in January 1995.

Structural Policies/Reforms

In 2000, VAT was introduced to replace the general sales tax. The rate is 15 percent with the exception or exemption of food items and luxury goods, which are zero percent and 30 percent respectively. Namibia's top income tax is currently 36 percent and the corporate tax rate is 40 percent. The average taxpayer faces a marginal rate of zero percent.

Namibia's banking sector is small but sound. Linked to the South African system, almost all developments in the sector, including monetary policy, are determined by South Africa's monetary policy.

In the area of infrastructure development, Namibia has completed the Trans-Kalahari highway (to Botswana and Johannesburg) and the Trans-Caprivi highway (to Zambia, Zimbabwe and Central Africa). And a US\$ 52m programme aimed at upgrading the harbours at Walvis Bay and Luderitz has been put in place.

The second largest in Africa, the Namibian stock Exchange was established in 1992 under the Stock Exchange Act of 1985 (amended in 1992). Currently it has a capitalization of US\$ 42 billion (N\$ 286 billion) with 41 companies listed. In terms of privatization, Namibia has adopted its first privatization guidelines for the sale of Air Namibia, Namibia Power Corporation and Telecom Namibia.

Namibia is a middle-income country and therefore has no HIPC status. However though per capita GDP is four times the per capita GDP of Africa's poorer countries, the vast majority of Namibia's people are poor and a top priority for the government is to reduce poverty by half by 2015. Among its objectives is to improve access to and the quality of education and health care.

RWANDA

Macro economic Indicators

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	-3.6	6.6	-6.6	-48.8	33.3	14.1	14.1	9.4	6.2	6
Per capita GDP	569.3	554	452.8	219.6	203.7	203.1	189	193.5	187.2	165.7
Per US \$ Exchange Rate	119.7	146.27	145.5	138.3	297.67	304.16	304.67	330.72	349.53	430.49
Inflation	19.6	9.5	12.5	64.0	22.0	8.9	11.7	6.8	-2.4	4.0
Gross investment	248.8	319.4	330	75.2	158.8	198.9	254.7	292.8	326.2	309.2
Gross national savings	53.7	69.7	38.4	-325.4	-92.7	-74.7	-63.6	-3.8	5.4	46.9
Trade balance	-132.5	-172.4	-200.1	-335.2	-143.7	-156.9	-184.5	-168.5	-186.8	-153.1
Exports, f.o.b.	95.6	68.7	67.7	32.2	51.2	62	93	64.1	62	69
Imports, f.o.b.	228.1	241.1	267.8	367.4	198.1	218.7	277.4	232.6	248.8	222.1
Current account balance										
Direct Investment	4.6	5.5	5.8	0	2	2.2	2.6	7.1	1.7	14.3
In months of imports	3.7	2.4	1.4	1.2	3.4	3.3	3.7	4.5	4.5	5.3
Total External Rate	755.6	670	753.7	943.30	985.40	1,010.30	1,044.70	1,147.20	1182.30	1324.40

Sources: IMF statistical annex; and Rwandese authorities

Economic Structure

Rwanda has a predominantly agricultural economy, most of which is based on subsistence farming with very little mechanisation. The agricultural sector accounts for of 47 percent GDP, 91 percent of employment and 80 percent of the country's export earnings. Coffee, pyrethrum and quiquina are the principle export crops. Agricultural performance has been declining over the years. The government plans to transform the sector into a market-oriented high value sector. One of the measures taken has been to remove duty on imports of scheduled agricultural, and livestock inputs and implements.

The manufacturing sector is small and currently contributes 19 percent of GDP. The country has a liberal investment regime and attitude to foreign capital; as a result the manufacturing sector receives some considerable foreign investment. Currently, it is the sector that registers fastest growth. However its impact is limited relative to its given size. In order to stimulate further growth, the government created incentives for the expansion

The Rwanda oil industry is dependent on the importation of all petroleum products from the Mombassa refinery in Kenya. The country has a fledgling mining industry.

The services sector is the second largest contributor to GDP after agriculture.

Recent macroeconomic developments

Rwanda has made remarkable progress in rebuilding its social and economic infrastructure since the end of the war in 1994. A large number of internally displaced people and returning refugees have been resettled, and progress has been made in rebuilding capacity for economic management, restoring macroeconomic stability, and initiating key structural reforms. This sets the stage for the Government's policy to shift from emergency and humanitarian assistance to rehabilitation and development.

For the past six years Rwanda has maintained growth rates of above 5 percent; this is due to high foreign investment as well as increased foreign aid. Among the sectors generating growth are; the agricultural and services sector, the slump in 2000 can be attributed to the fall in coffee prices, the county's principle export. In 2000, Rwanda's growth decelerated to an estimated 5.2 percent, from 5.9 percent in 1999, on account of drought in some areas, the rise in international petroleum prices and transportation costs as well as lower economic activity in the sub-region.

Per capita GDP has risen steadily from US\$174 in

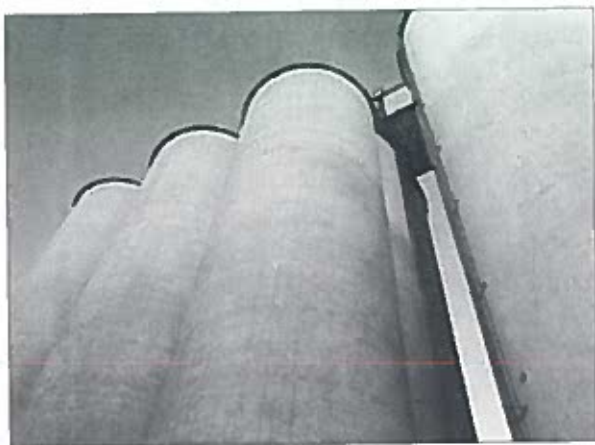
1994 to US\$320 in 2000.

Inflation has been brought down from 88.8 percent in 1995 to 4 percent in 2000, which was among the lowest in the region ensuring confidence in the currency and creating a stable macroeconomic environment.

Rwanda's fiscal position improved as a result of reduction in public expenditure and the introduction of revenue measures aimed at containing the revenue shortfall. Fiscal deficit as a percentage of GDP was 9.4 percent in 1999 and 9.9 percent in 2000.

The external current account deficit as a percentage of GDP widened from 15.2 percent in 1999 to 16.7 percent in 2000, reflecting weaker coffee export receipts, higher fuel and food import prices, an increase in international transport costs, and a relaxation of monetary policy. As a result, the currency depreciated and the central bank sold significant amounts of foreign exchange reserves to restrain the depreciation. While this meant that the net foreign assets targets of the central bank were not met, Rwanda's gross official international reserves remained at over six months of imports. The Rwandese Franc depreciated against the US dollar by 14.4 percent

External debt remains a big constraint on the country performance. In 1994 Rwanda's external debt stood at US\$1.2 billion.



Trade Policy

Rwanda's rating on the IMF trade restrictive index has improved from 8 in 1997 to 2 in 1999, and its reliance on international trade taxes fell from one third to one-fifth of total revenue, without an accompany-

Sectoral Breakdown of GDP



ing decline in income level. Overall, Rwanda's progress in trade has been faster than most countries in the region. The government also remains committed to regional integration and the Free Trade Area provisions of the COMESA treaty, and has signed the African Guarantee and Economic Cooperation fund agreement.

Rwanda is a member of the World Trade Organization (WTO), COMESA and ECCAS, and party to the CBI.

Structural Policies

By the end of 2000, the government planned to raise the number of companies for sale to 52 including Rwandex and Tabawanda and was in the process of divesting Rwandtel and Electorgaz. Among other industries that the government wants to privatise is tea.

There have been several efforts to deal with poverty in the past, by government, donors, NGOs and civil society. The poverty reduction strategy initiative is designed to complement existing initiatives.

An important lesson learnt from the existing programme is that Rwanda cannot rely on national budget and external financing alone and should identify local initiatives for mobilisation.

SEYCHELLES

Macroeconomic Data

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	2.7	6.9	6.5	-0.8	-0.6	4.7	4.3	2.3	-3.0	1.2
Per capita GDP	5,376	5,719	5,966	5,762	5,643	5,795	5,942	5,978	5,705	5,681
Per US \$ Exchange Rate	5.3	5.1	5.2	5.1	4.8	5.0	5.0	5.3	5.3	5.7
Inflation	2.0	3.2	1.3	1.8	-0.3	-1.1	0.6	2.7	6.3	6.7
Gross investment			26.0	28.3	47.0	33.0				
Gross national savings										
Trade balance				-136.0	-160.4	-184.7	-188.5	-228.2	-233.9	
Exports, f.o.b.				27.0	26.9	45.7	73.7	90.6	111.0	
Imports, f.o.b.				-175.0	-197.0	-244.9	-288.2	-342.6	-368.1	
Current account balance				-21.2	-44.3	-65.9	-63.3	-101.3	-104.6	
Direct Investment				17.0	26.0	17.0	34.0	41.7	52.0	
In weeks of imports				6.4	3.8	2.6	2.9	2.4	3.5	
Total External Debt				313.9	331.4	346.4	356.3	361.9	373.9	

Sources: IMF statistical annex; Management Information Systems Division (MISD); and staff estimates

* Estimates

Economic Structure

The services sector is the largest sector in the economy. It contributes 70 percent to GDP. Seychelles depends mainly on tourism, which employs about 30 percent of the labor force and accounts for more than 70 percent of total export earnings, and fishing. Tourism alone accounts for about 50 percent of GDP. The country has spectacular mountains and oceanic scenery, an agreeable climate and a relatively healthy tropical environment. During the past few years, there has been acceleration in FDI inflows into the sub-sector, leading to an increase in tourism related activities. Although the September 11th attacks on the US affected the sector in 2001, it remains buoyant due to efforts by the government to improve the industry.

Since early 1990 fishing has developed into a flourishing industry. Fish accounts for 70 percent of the supply of animal protein to the population, substituting the shortage of beef. About **6000 tonnes** of fish are caught annually in the shallow waters of the continental shelf. Since log line fishing was introduced the amount of fish caught has increased from 50 metric tonnes in 1995 to 390 metric tonnes in 2000. The country's major exports are canned tuna and frozen prawn, which together accounted for more than 90 percent of the total exports in 1999. Fresh tuna loins fetch as much as £5 per kg in Europe.

Agriculture is constrained by limited land and fresh

waters, and therefore accounts for less than 10 percent of GDP. The major crops are copra and cinnamon that account for the largest proportion of merchandise exports.

The main engine of growth in the industrial sector in the tuna-canning factory. The Indian Ocean Tuna Ltd. (IOT) is the biggest manufacturing entity in terms of employment, revenue and output. The rest of the sector is limited to about 50 small-scale establishments contributing 5 percent to GDP and producing, alcohol, cigarettes and plastics.

Mineral production consists of mostly unspecified quantities of construction materials such as clay, sand, and stone. Guano and organic fertilizer is also produced as a large scale.

Recent macroeconomic developments

Since its independence, Seychelles has experienced significant growth in per capita GDP, due to substantial expansion of the tourism industry. Since the 1990s, the government took significant steps to liberalize the economy; this has led to a creation of a one of the most stable economies in Africa.

Its record of performance has been good, however, real GDP in 2000 and 1999. In 2000 the economy expanded at 1.2 percent from a growth rate of -3 percent in 1999 to 1.2 percent. In absolute terms Real

GDP increased \$460m in 1999 to \$466m in 2000. Performance in the tourism sector, the nation's main export earner was disappointing due to an increase in competition from cheaper destinations. In order to revive the sector, the government undertook various initiatives such as increased campaigns of the Seychelles Tourism Marketing Authority, purchasing a new Boeing 747 and tightening of foreign exchange legislation. As a result growth rebounded in 2001 with tourism registering a growth rate of 3 percent.

Price stability has been a consistent feature of the Seychellois economy in much of the recent history. Inflation has ranged between -1.1 percent and 6.4 percent in the period 1996-2001. This in part has been due to the general economic conditions in the country as well as the efforts of the price control unit of the Vice President Office.

Foreign Direct Investment flows increased substantially, owing to the development of the offshore and the granting of tax incentives and concessions to foreign investors under the Investment Promotion act (IPA) of 1994. During the 1998/99 period there was a sharp rise in FDI, following the Heinz Company's investment in the IOT factory, investments in Lemura Hotel and other five star hotels. The main direction of FDI flow was to the tourism sectors. Investment in other sectors remained low due to macroeconomic problems.

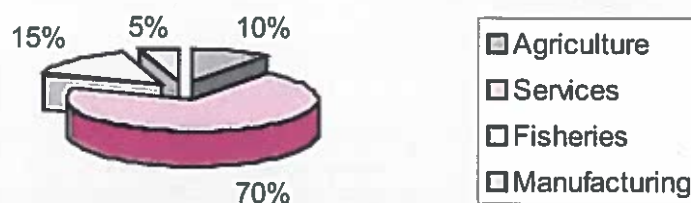
Developments in the public sector have been characterized by significant weakening of the fiscal position, with the budget deficit as a percentage of GDP increasing from 6.1 percent in 1999 to 14.5 percent in 2000.

An important development in the export sector has been the increase in tuna and frozen prawn exports. From 1995 to 1997, export receipts from tuna tripled, rising from to US\$54 million.

Reflecting large fiscal deficits and deteriorating external competitiveness, Seychelles's balance of payments has been under significant strain during the past two years. The external current account as a percentage of GDP has recorded a deficit of above 10 percent for the past five years. In 2000 it improved to 12.4 percent from 19 percent in 1999. The trade deficit also improved slightly to 32.4 percent in 2000 from 38.7 percent in 1999. The growth in real imports declined to -4.1 percent in 2000 while exports grew at -1.1 percent.

During 1998-99, official reserves were very low despite increased accumulation of external arrears. On a net basis, official reserves increased from US\$ 10million

Sectoral breakdown of GDP



in 1997 to US\$ 14.7 million in 1999, equivalent to 1.7 weeks of imports. As a result of the strain on balance of payments, the country accumulated substantial external arrears increasing from US\$ 13.4million by 1998 and by US\$ 19.1 million in 1999.

The large fiscal and external imbalances have led to growing burden of external debt for the government and problems of debt management. In 1999, Seychelles external public debt was estimated at US\$ 188.5 million. The arrears accumulated on public debt amounted to US\$14.5million at the end of 1999. However, the share of external debt in GDP declined from 23.2 percent in 1999 to 17.6 percent in 2000.

Trade Policy

In 1998 the government introduced a series of trade restrictions aimed at limiting imports of goods and services. These included; introduction of import permits, continuation of import quotas, bans on imports of second hand vehicles, reduction of the number of expatriate workers and re-imposition of withholding taxes.

Seychelles is a member of the Regional Integration Facilitation Forum, its has observer status at the WTO and is currently not a member of the COMESA Free Trade Area.

Structural Policies

Seychelles has made efforts to diversify its export base; a remarkable example has been the efforts of the government through the Seychelles Petroleum Company (SEPEC) which in recent years has significantly boosted the country's foreign exchange receipts through re-exports of petroleum products. It is projected that by the end of 2003, the fuel import bill of the country will be fully met by proceeds from re-exports.

To address the problems in the tourism sector, Seychelles has launched a number of initiatives in

the past two years, the most notable of which are the restructuring of the tourism administration, the re-organization of Air Seychelles and the granting of tax incentives, increased allocation of foreign exchange, reduction of social security payments, increased allocation of foreign exchange and the loosening of administrative procedures on foreign employment.

Seychelles has a booming offshore sector. In 1994 Seychelles enacted legislation covering the registration of offshore companies, offshore trusts and licensing of international trade zone (free zone) companies. Recently a further set of legislation was introduced to cover the licensing of offshore banks, offshore insurance companies as well as setting up a securities industry. Through the Seychelles International Business Authority (SIBA), it endeavors to attract around 8,000 International Business Companies (IBC) registered companies until the end of 2002. New innovations in financial products such as offshore credit cards, asset protection and management facilities, provision for mutual funds will be provided. SIBA participates at various international road shows, conferences, seminars and meetings with a view to bringing potential investors closer to its offshore industry.

Currently there is no stock exchange in Seychelles, although legislation for its establishment was put in place in 1996.

SUDAN

Macroeconomic Data

Economic structure

Sudan is rich in natural resources that include extensive stretches of land, huge livestock wealth, considerable water supply, broad climatic zone that stretches from lush vegetation of equatorial southern Sudan to the arid desert of the north. Huge deposits of mineral wealth are yet to be exploited.

Agriculture accounts for 37 percent of GDP and employs 80 percent of the population. Among its leading export crops are, gum Arabic (with Sudan accounting for much of the total world production), cotton, sesame, and groundnuts. Other agricultural products include sorghum, millet, wheat, dates, and sugar cane. Livestock has also been an important export product.

Industry is largely confined to agricultural processing and the manufacture of basic consumer goods. The chief products include ginned cotton, processed

food, beverages, textiles, cement, soap, and footwear. Petroleum is also refined.

The performance of the manufacturing sector has improved due to positive supply side responses to the economic reforms. Increased investment in this sector has led to an average growth rate of 21 percent since 1996. The sector's contribution to GDP also rose from 8 percent to 13 percent between 1996 and 2000.

Sudan has become almost self sufficient in petroleum production, developing from being a net importer to a net exporter of crude oil and petroleum products. Exploitation of the oil fields began in the 1970s, but the work was discontinued in the mid-1980s as military conflict in the south intensified. However, in 1999 the government began the commercial development of its petroleum sector and currently production stands at about 210,000 barrels a day.

Recent macroeconomic developments

In the year 2000, its per capita GDP slightly increased from the 1999 level of US\$1400 to US\$ 1485. In 2001, there was a decline in economic performance as a result of external shock and policy slippages. Most evident among the external shocks was the ban imposed by the Gulf countries on Sudanese livestock exports and low international prices of some agricultural products.

Inflation significantly dropped from 123.6 percent in 1991 to 8 percent in 2000. In 2001, expansionary monetary and fiscal policies fuelled inflationary pressures therefore leading to an increase in inflation, however, it was kept at single digit levels.

The overall fiscal deficit has also shown a marked improvement over the last ten-year period. In 1991 overall fiscal deficit as a percentage of GDP stood at 24.3 percent and fell to 0.7 percent in 2000. This has been mainly as a result of government's commitment to fiscal consolidation, as well as increments in revenue from the petroleum industry. Oil revenue rose to 4.9 percent of GDP in 1999 from almost zero the previous year.

Total investment as a percentage of GDP averaged about 20 percent over the 1991-2000 period. There have been slight yearly fluctuations with the lowest rate of 13 percent recorded in 1991, while the rest of the years ranged between 22 percent and 17 percent. In recent years FDI flows to Sudan have been increasing, for instance from an estimated US\$370 million in 1999 investment increased to US\$390 million in

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	1.2	11.3	12.3	7.6	4.5	4.7	6.1	6	6	8.3
Per capita GDP	1,019	975	1,008	999	1,119	1,212	1,308	1,360	1,400	1,485
Per US \$ Exchange Rate	1.5	13.28	21.6	40	83.8	140.00	171.20	237	258.00	257.3
Exchange rate (end of period)	40	52.63	144.93	172.2	237.8					
Inflation	98.1	149	118.7	107.3	70	112.4	31.7	8.3	16.6	3.7
Gross investment										
Gross national savings										
Trade balance	-942.1	-668.8	-501.6	-546.7	- 629.1	-884.2	-827.7	-1,136.50	-476.1	440.3
Exports, f.o.b.	308.7	221.5	417.3	535.6	555.6	620.3	594.2	595.7	780	1806.7
Imports, c.f.l	-1250.8	-890.3	-944.9	-1,095.50	-1,184.80	-1,504.50	-1,421.90	-1,732.20	-1256.2	-1366.4
Current account balance										
In months of imports										
Total External Debt	15.8	16.1	16.3	18	19,798	19.50	19.40	20.20	20.5	20.5

Source: Bank of Sudan annual Reports IMF statistical annex; and CSO

* Since 1997 imports have been recorded on FOB basis

2000. The FDI flows are mainly concentrated in the petroleum sector.

Sudan's trade volumes have increased, with the oil exports having caused a huge shift in the geographical distribution of trade. In 2000, the trade balance moved to a surplus, while the external current account narrowed from -23 percent in 1998 to -14 percent in 1999, reflecting in part the higher oil export prices. This shift was as a result of increased oil exports, which averaged 76 percent in 2000. But in terms of its traditional exports, Sudan recorded a decline between 1998 and 2000. This was as a result of exogenous factors such as drought, floods and a ban on Sudanese livestock exports by the Gulf countries.

Though the country performed well in 2001, its balance of payments weakened in 2001 as a result of increased imports and a decline in export revenues. The exchange rate of the Dinar against the US dollar remained stable until August 2001 when the implementation of a flexible exchange rate regime was initiated.

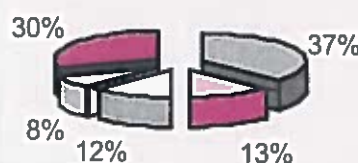
The total outstanding debt stock increased from an estimated US\$ 19.8 billion (about 280 percent of GDP) at the end of 1995 to an estimated US\$ 22.4 billion (about 225 percent of GDP) by the end of 1998. In 2000 it was estimated at US\$20.4 billion or 183 percent of GDP. At the current debt levels Sudan is a heavily indebted poor country.

Trade policies

The country's trade regime has been gradually liberalized. The number of tariff bands was cut from five to four and the maximum tariff rate was reduced from 80 percent to 60 percent in 2000 and then to 40 percent in 2001. In addition the effective tariff rate declined from 25 percent in 1999 to 22 percent in 2000. Nearly all imports are free from non-tariff restrictions, though there are some restrictions in place for religious and security reasons. In 1999 the last export tax on cotton was abolished. In addition since August 2001 Sudan has liberalized sugar imports and abolished the government monopoly on exports of gum Arabic.

Sudan is a member of the COMESA FTA and has bilateral agreements with Algeria and Chad. It is also working towards joining WTO.

Sectoral breakdown of GDP



- Agriculture
- Manufacturing and mining
- Trade, restaurants and hotels
- Transport and communications
- Other services

Structural policies

Over the years progress in privatization has been achieved in the areas of telecommunication and transportation. In an effort to lessen fiscal expenditure and increase revenue, the government has sold some major parastatals. At the beginning of 1990s the government slated 190 companies for privatization, but by 1998 only 32 transactions had been completed. In general progress has been hampered by lack of investor interest.

In 1992, Sudan established the Khartoum Stock Exchange under the amended Securities Market Act of 1982. The Khartoum Stock exchange is the only stock exchange in COMESA that operates under the directives of the Islamic Sharia.

The government has established a free trade zone at Saukin in the Eastern States and declared Osman Digma Port on the Red Sea as a Free Port.

Poverty in Sudan is a major problem with an estimated 50 percent of its population living on less than US\$1 a day. Recognizing the urgency of this situation, Sudan has put in place measures to reduce poverty by half by 2015. While it has just revised its interim Poverty Reduction Strategy Paper, Sudan's poverty alleviation strategy has since 1992 been implemented under the Comprehensive National Strategy (CNS). It aims at improving the country's very weak social indicators, in particular by introducing universal basic education and extending primary health care to the entire population.

Swaziland Macroeconomic Data

Economic structure

The Swazi economy relies heavily on the export sector, which is largely based on agriculture and agricultural based industries.

Agriculture accounts for close to 10 percent of GDP. Although it is only the third largest in terms of contribution its overall impact is significant because the majority of people directly derive their livelihood from it. The sector also supplies key inputs to the largely agro based manufacturing companies. During the past decade, the economy of Swaziland depended heavily on export-based agricultural production, which is largely influenced by climatic conditions and developments in the external sector. The main foreign

exchange earners are sugar and wood pulp.

Manufacturing is the largest contributor to GDP. It accounts for 36 percent of GDP. The major items manufactured include: soft drinks, wood pulp, refrigerators, sugar and recently textiles. In 1997, an automotive assembly was established. Over the years growth dynamics in this sector have been negatively affected by the slowdown in Foreign Direct Investment, which provided the impetus for growth.

Swaziland has major deposits of coal, asbestos and iron ore. Asbestos is the main mineral revenue earner. Mining contributes about 1.4 percent of GDP. The crushed stone industry is another sub-sector that has recorded positive performance over the years. Most coal and crushed stone are sold in the regional markets.

Tourism is well developed. Swaziland has an abundance of features to attract visitors including eight nature reserves with a range of animal and bird life, spectacular mountain scenery and rich cultural heritage. The telecommunication network has been completely automated.

Recent macroeconomic developments

Swaziland has maintained a relatively stable macroeconomic environment since 1996. These positive developments have been evident through single digit inflation, declining trend in interest rates and the relatively stable Lilangeni.

Swaziland GDP grew at 2.5 percent in 2000 showing a slight decline over the previous year's rate of 3.1 percent. The main factors responsible for the slight decline were poor industrial performance and low agricultural production. The improved regional environment however, improved performance in some industries.

It maintained single digit inflation in the period 1996 to 2000 owing to tight monetary approach of the South African Reserve Bank (The Swazi Lilangeni is pegged to the South African Rand at a 1:1 ratio). In 2000, a rise in oil prices, the depreciation of the Lilangeni against major currencies and adverse weather conditions led to an increase in inflation to 7.3 percent from the 1999 rate of 5.8 percent.

Moderate inflow from the external sector combined with the rise in credit extended to the private sector contributed to the 11.7 percent rise in broad money

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	2.4	1.3	3.3	3.5	3.0	3.6	4.0	2.7	3.1	3.5
Per capita GDP			1,089	1,093	1,091	1,096	1,112	1,117	1,129	1,146
Per US \$ Exchange Rate	2.7	2.85	3.26	3.54	3.5	4.3	4.6	5.5	6.1	6.9
Inflation	6.2	11	12.4	13.9	12.3	6.5	7.2	8	5.9	7.3
Gross investment	20.6	26.1	26.6	32.1	34.1	30.1	33.9			
Gross national Savings	18	19	26	26	29	19	19			
Trade balance				-41.0	-142.0	-180.0	-212.0	125.3	-121.8	-111.2
Exports, f.o.b.			685.0	791.0	868.0	896.0	961.0	-974.9	-898.3	-815.4
Imports, f.o.b.				-832.0	-1010.0	-1077.0	-1173.0	-1101.4	-1020.2	-926.7
Current account balance			-63.8	1.9	-30.8	-52.0	8.9	-68.7	7.2	-40.4
In months of imports	3.9	4.9	3.9	3	3.2	3.6	3.8	4.6	4.7	4.8
Total External Debt			247	224	261	268	244	308	322	393

Sources: IMF statistical appendix; Central Statistical Office

supply in March 2000. Broad money as a percentage of GDP grew at -9.3 percent in 2000.

Investment rates in Swaziland have recently been high with an average of 28 percent over the 1990s. In 2000 the ratio of total investment to GDP stood at 33.2 percent (the highest in the region). FDI performance has however declined since the mid 1990s due to the lifting of sanctions on South Africa, which has led to the shift of inflows into South Africa. Savings are amongst the highest in the region averaging 28.7 percent of GDP over the period 1990-1998. Despite high levels of savings and investment, the trend has not resulted into high rates of growth.

The country's fiscal position deteriorated in 2000. The fiscal deficit widened from 2.7 in 1999 to 4.3 percent in 2000. This was however below the COMESA average of 5.7 percent. This development was as a result of an increase in the wage bill and increased subsidies and transfers to public entities.

Swaziland's external sector grew in 2000 as a result of an increase in international demand for the country's major exports (textiles, sugar and wood pulp). Exports grew at 7 percent, while imports grew at 2 percent. The external current account as a percentage of GDP was -8.3 percent in 2000 compared to -7.2 percent in 1999.

Swaziland continues to maintain a low and manageable level of external debt. The Debt-Export ratio has been declining since the 1990s. By virtue of being a low debt country Swaziland has no HIPC status. The

share of external public debt in GDP declined from 19.1 percent in 1999 to 18 percent in 2000. Swaziland's external debt service ratio remained low in 1999 at the equivalent of 22.3 percent of GDP and 2.5 percent of exports.

Trade Policy

In the area of tariffs, common taxation system is levied on imports in conjunction with Botswana, Lesotho, Namibia and South Africa. There are ad volorem rates ranging from 0 to over 70 percent.

The country has access to many preferential markets including USA and the European Union. Regionally Swaziland is a member of COMESA, SADC and SACU.

Structural Policies

The pace of privatization has been slow; it has privatized its airline, water and dairy companies.

Recognizing the need to attract more foreign investment, the government of Swaziland established an investment promotion agency, whose mandate is to lure foreign investors into the country.

Poverty alleviation and employment creation are among the government's highest priorities. Employment creation relies on the country's ability to attract more FDI and mobilize domestic investment. In recognition of the threat posed by HIV/AIDS, the government has since 1998 provided for a TB hospital to cater for the increasing number of TB cases due to AIDS. The government also remains committed to the policy of constructing at least one clinic per year.

UGANDA

Macroeconomic Data

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	7.7	2.2	8.6	6.4	11.9	8.6	5.1	4.6	7.6	4.6
Per capita GDP	297	295	309	319	346	365	373	380	397	402
Per US \$ Exchange Rate	734	1133.8	1195	979.4	968.9	1046.1	1083	1240.3	1454.8	1544.5
Inflation	20.8	42.2	30.0	6.5	6.1	7.5	7.8	5.8	-0.2	6.3
Gross investment		15.5	14.6	17	16.4	17.1	15.6	17.6	18.8	20.5
Gross domestic savings		1.3	1.9	4.6	2	4	-2.6	0.9		
Trade balance		-365.4	-417.7	-490.2	-627.9	-575.4	-952.7	-910.1	-829.6	-1050.2
Exports, f.o.b.		157.1	253.9	595.3	590.3	670.9	458.4	503.5	514.8	491.6
Imports, f.o.b.		-522.5	-671.6	-1085.5	-1218.3	-1246.3	-1411.1	-1413.6	-1344.4	-1609.8
Current account balance		-119.4	-36.7	-141.6	-110.0	-53.4	-136.6			
Direct Investment		124.4	140.2	266.8	169.6	164.6	246	203.9	226.8	241.5
In months of imports										
Total External Debt										

Source: IMF statistical annex and Ugandan authorities

Economic Structure

Uganda is one of the fastest growing economies in COMESA and agriculture is its mainstay. Agriculture accounts for 42 percent of GDP while industry accounts for 20 percent and services 38 percent. Industry and services have led the economy's growth over the past decade; however, the country's comparative advantage still remains in agriculture.

Agriculture production generates 90 percent of the country's export earnings. Major crops produced are tobacco, coffee, cotton and tea. Coffee is the main foreign exchange earner accounting for close to 30 percent of the total exports earning. Growing at 4.6 percent, the agricultural sector showed a slight improvement in 1999/2000 compared to 4.2 percent in the preceding year. All sub-sectors except the cash crop sub sector, recorded positive growth.

Food processing, textiles and horticulture dominate the manufacturing sector. 70 percent of the new investment into Uganda's economy goes into manufacturing. Between 1990 and 2000 the sector grew at an average of 7 percent. The sector has been affected by fluctuations in terms of trade.

Among the most dynamic sub-sectors in the services sector are tourism, communications and community services. Uganda has enormous tourism potential, it is the source of the Great River Nile and Africa's largest fresh water lake, the Lake Victoria. Seven of Africa's plant kingdoms are represented in Uganda, which is more than any other country on the continent. In

addition, Uganda ranks among the top ten in the world in terms of the diversity of its mammal groups.

Recent macroeconomic developments

Uganda has shown marked improvement in its economic indicators over the past decade. The pattern of growth has been distributed among the sectors with most of the improvements originating from the manufacturing, mining, and transport, communications and construction sectors that have almost doubled the economy. The recent performance of the Ugandan economy can be attributed largely to the implementation of appropriate macro-economic and structural policies.

Growth has remained above 4 percent for eight consecutive years. However in 2000 growth decreased from 7.6 percent in 1999 to 4.6 percent due to drought, increase in oil prices and falling prices of robust coffee. Per capita GDP has almost doubled since 1991. From \$297 in 1991 it increased to \$402 in 2000.

Prudent fiscal and monetary policies have succeeded in combating inflation which ran as high as 42 percent in 1992. Since 1994, Uganda has maintained inflation of less than 10 percent. A small increase was experienced in 2000 when it averaged 6.3 percent from -0.2 percent in 1999. This outcome was as a result of drought, which caused a shortage of food crops. Broad money grew at 16.1 percent slowing down from the previous year's 13.8 percent

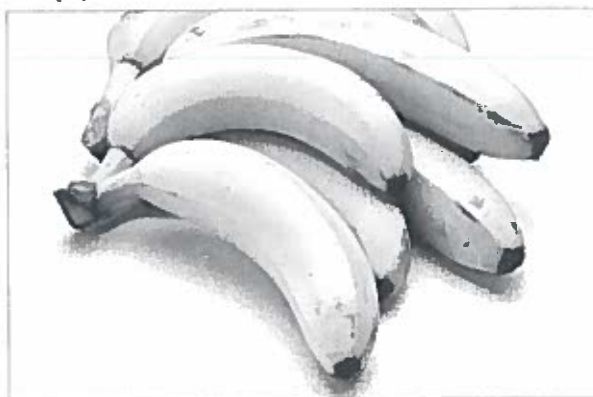
Government deficit (excluding grants) as a percentage of GDP amounted to 4.3 percent, slightly increasing from 4.2 percent in 1999. The depreciation of the shilling has had a positive impact on the country's fiscal position, largely because external grants and loans account for a large share of budgetary resources. In addition large donor inflows were able to offset the deficit.

Between 1991 and 2000, the average share of total investment in GDP was 17 percent. In 2000, Uganda's investment performance was 22.6 percent of GDP, the highest in 10 years. While there have been marked improvements in investments, domestic savings remain low. Apart from 4.6 percent recorded in 1995, domestic savings remain below 2 percent.

In 2000, the Ugandan shilling depreciated by 11.5 percent against the U.S. dollar. In nominal and real effective terms, the shilling depreciated by 9.5 percent and 4.3 percent respectively. As a result, the competitiveness of non-coffee exports was maintained.

Pressure on the external sector continued in 2000, due to the deterioration in the terms of trade and the continued decline in coffee export volumes. The trade balance rose from -13.2 percent in 1999 to -17.3 percent in 2000, while the current account deficit widened to 9.9 percent of GDP. Although the depreciation dampened the import demand, this development was offset by a reduction in export earnings. Export earnings from coffee declined from 43 percent in 1999 to 27 percent in 2000, as a result of a 4 percent fall in volumes and a 37 percent fall in international coffee prices compared to 1999. Imports increased by 8.6 percent in 2000 due to an increase in the import bill.

Uganda's External debt stock stood at \$4 billion in 1999. Under the HIPC initiative, the country's debt situation has improved. For instance there has been a decline in its debt stock to GDP ratio from 129 percent in 1991 to 54.9 percent in 2000. The debt service payments have also shown a marked decline.



Sectoral breakdown of GDP



Uganda has been faced with a serious debt problem. In order to reduce the country's external debt, and in view of its sound macro economic reform Uganda was the first country to be declared eligible for the HIPC initiative. It reached decision point in February 2000 at which the Directors approved delivery of interim assistance of SDR 5.6 million and its completion point in May 2000.

The relatively strong economic performance over the years, as well as the implementation of the broad based poverty reduction strategy, has led to a significant reduction in the incidence of poverty in Uganda.

Trade Policy

Uganda has one of the most open economies in Africa. The government's commitment towards opening up its market is evident in its decision to lower the tariff rate and remove duty on certain items. Currently, maximum duty rate is 15 percent. Import bans on beer, soft drinks and car batteries have been lifted and in 2000, government indicated that it would remove the surcharge on beer, cigarettes and other tobacco products. In January 2001, the authorities eliminated protection on textiles.

Uganda actively participates in regional integration initiative such as RIFF, COMESA and EAC. It is however not a member of the COMESA Free Trade Area. Uganda has also signed bilateral trade and investment promotion agreements with the United Kingdom, Italy, Kenya, Tanzania, South Africa, Egypt, India, China, Germany, the Netherlands among others.

Structural Policies

Poverty in Uganda is regionally concentrated with the north and the east having the largest proportions of poor people. Poverty in the north, which continues

to experience civil strife, is particularly high and has worsened since 1997. Poverty in Uganda continues to be a rural phenomenon with 96 percent of the poor living in rural areas.

The proportion of Ugandans below the poverty line has dropped from 56 percent in 1992 to 35 percent in 2000. This is a reflection of improvements of public services such as education, health care, water and sanitation. While poverty has declined, inequality in Uganda has increased.

In 1997 the government launched a poverty reduction program under the framework of the Poverty Reduction Action Plan (PRAP). The vision of the programme is **to reduce poverty by 2025**.

One of the Uganda's success stories has been the marked decline in the prevalence of HIV/AIDS. Uganda was one of the first countries in Africa to experience the devastating impact of HIV/AIDS and to take action to control the epidemic. Since 1993, HIV infection rates among pregnant women, a key indicator of the progress of the epidemic, have been more than halved in some areas and infection rates among men seeking treatment for sexually transmitted infections have dropped by over a third.

ZAMBIA

Macroeconomic Data

Economic Structure

Zambia's agricultural sector contributes close to 15.2 percent of GDP and 17 percent of employment. The agriculture sector has the potential to replace the mining sector as Zambia's major foreign exchange earner. Unlike the other sectors, performance in agriculture has been erratic leading to a deterioration of the country's food security position and increased importation of maize that has led to foreign exchange difficulties.

Manufacturing accounts for close to 25 percent of the country's GDP and 10 percent of employment. The manufacturing sector comprises fertiliser, explosives, textiles, glass, refined petroleum, leather and jewellery. Manufacturing export products include, engineering products (copper rods, cables, wire, billets and brass ingots), textiles, animal products and processed foods.

In 2001, the manufacturing sector grew by 5.8 percent mainly driven by increased value added in the wood and wood products sub-sector, as well as the



food, beverage and textile sectors.

Zambia has one of the world's most important reserves of copper, cobalt ore together with uranium, gold, nickel, lead zinc, iron and manganese. Currently, it has 6 percent of the world's copper deposits and is the fourth largest producer of copper in the world. Zambia is also reputed to have some of the highest quality gemstone deposits in the world, which are yet to be exploited. Among these are emeralds, amethyst, aquamarine, rubies, garnets, and diamonds.

Historically, mining accounted for 90 percent of the country's export earnings, but production has declined over the years. Currently copper contributes 7 percent to GDP and 50 percent to total export earnings. In 2001 the mining and quarrying sector grew by 14 percent as compared to 0.1 percent in 2000. This improvement in the mining sector was recorded against the background of the closure of the Roan Antelope Mining Corporation of Zambia (RAMCOZ) and a drop in copper and cobalt average world prices of 6.1 percent and 31.1 percent respectively. With the privatisation of the mines production is projected to pick up.

The services sector is the largest sector of the economy employing close to 60 percent of the labour force and contributing 50 percent to GDP. Zambia has a booming tourism industry with major tourist attractions.

Zambia reached the targeted growth of 4 percent in 2000 and 5.2 percent in 2001. Zambia has since 1998 been on a positive growth path. This good economic out-turn was attributed to improvements in sectoral performances especially the mining sector which registered growth of 14 percent in 2001 from 0.1 percent in 2000. Zambia also benefited from an increase in tourism revenue. On the other hand per capita GDP was estimated at \$360 in 2000, as a result Zambia is classified among the poorest nations in the world.

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000*	2001**
Growth rate	-0.7	2.0	-0.1	-13.3	-2.3	6.5	3.5	-2.2	2.4	4.0	
Per capita GDP	443	436	435	378	357	371	376	357	356	360	
Per US \$ Exchange Rate	65	172	453	669	864	1208	1315	1862		3111	
Inflation	97.7	165.7	183.3	54.6	34.9	43.1	24.4	24.5	26.8	22.3	
Gross investment	11	12	15	13	13	15	14	14	18	19	
Gross national savings	11	8	14	10	12	9	9	8	4		
Trade balance	133	-218	-24	64	-8	-62	-27	-153	-149	-221	
Exports, f.o.b.	1085	1133	994	1066	1186	993	1191	816	756	746	
Imports, f.o.b.	-952	-1351	-1019	-1003	-1194	-1055	-1128	-971	-922	-978	
Current account balance	8	-135	-30	-47	-146	-122	-239	-574	-532	-583	
Direct Investment								198	163	126	
(end of period)								0	1	1	
Total External Debt	68727	4981	5102	6397	7041	7085	6971	6613	5670	5669	

Source: IMF statistical annex; and Central Statistical Office

Inflation as measured by changes in the Consumer Price Index declined from 26.8 percent in 1999 to 22.3 percent and 18.7 percent in 2000 and 2001 respectively. Despite the increases in energy prices, inflationary pressures eased due to lower increases in import prices, resulting from the relatively stable exchange rate and a drop in food prices resulting from improved food supply. Relative stability was also restored in the exchange rate, which appreciated by 8 percent as opposed to the 58 percent depreciation in 2000.

The share of total investment in GDP has been increasing steadily from 11 percent in 1991 to 16.2 percent in 2000. The growth of FDI has been slow. In 2001, however FDI flows increased to US\$ 7.5 million from US\$ 0.9 million in 2000. Investment is expected to rise to 21 percent of GDP in 2002. This growth is expected to come mainly from the mining and manufacturing sectors, following the successful privatisation of the mines. Domestic savings on the other hand have dropped from 8.4 percent in 1991 to 0.3 percent in 1999 and thereafter rising to 7.3 percent in 2000.

The fiscal stance was weaker than programmed. Although overall expenditures were broadly in line with the program projection, revenue and grants fell short of the program target (largely because of 2.2 percent of GDP shortfall in grants) and as a result, the overall fiscal deficit was higher than anticipated. The domestic fiscal deficit, at 3.4 percent of GDP, was also higher than the program estimate.

During the year, the Kwacha depreciated vis-à-vis the U.S. dollar by some 37 percent in foreign currency terms, with most of the depreciation taking place in the fourth quarter. The main factors contributing to this depreciation included: (i) a weaker than expected overall external position; (ii) an increase in

demand for dollars stemming from a loss in market confidence in the Kwacha, as inflation accelerated; (iii) monetary expansion beyond program estimates; and (iv) possibly, political instability in the region.

Zambia's current account position improved from -16.7 percent in 1999 to -13.4 percent in 2000. This was largely due to the decline in merchandise trade deficit, which followed a decline in imports. In addition, an improvement on income arising from reduced investment income payments also contributed to the narrowing of the deficit. Exports grew at 12.3 percent in 2000, this was a marked improvement from -13.5 percent in 1999. The share of exports in GDP also grew to 28.15 percent in 2000 from 27.1 percent in 1999. Imports on the other hand grew by 14.6 percent in 2000 compared to 5.8 percent in 1999. In 2000, imports accounted for 46.9 percent of GDP. Gross official reserves increased by only US\$2 million to US\$46 million or 2 weeks of imports by the end of 1999.

Zambia has an exceptionally high debt burden. In 2000, Zambia's external debt stood at \$7.3 billion from \$6.3 billion at the end of 2000. Debt service paid in 1999 after rescheduling was about 16 percent of exports of goods and services similar to 1998. Towards the end of 2000, Zambia became the eleventh country to obtain debt relief under the enhanced HIPC programme.

In 1998, it was estimated that 70 percent of Zambians were living in poverty, with levels of poverty particularly high in rural areas. High HIV prevalence rates have led to a significant decline life expectancy and have contributed to a decline in many other social indicators.

Trade Policy

Zambia is a member of the WTO, SADC and the

COMESA FTA.

Export permits are no longer required. Export licenses are required for most goods, while import licences are required for statistical purposes. Zambia has progressively liberalised and simplified its tariff regime. Maximum tariffs have been lowered from 100 percent to 25 percent. The tariff structure now comprises four tiers, ranging from 0-25 percent, 0-5 percent for most basic raw materials, 15 percent for intermediate goods, 25 percent for final and capital goods. About 60 percent of all tariff lines bear rates of 15 or 25 percent, while 20 percent of lines have zero rates.

Structural Policies

Zambia's privatisation program has been one of the most dynamic in the region. Privatisation of the mines and companies of the Copperbelt and other companies in Zambia has led to a flood of enquiries and substantial investment. The Lusaka Stock exchange had a 117 percent growth in value during 1997 and a number of large companies were moving to equity placings in 1998. Currently, the Lusaka Stock exchange has a market capitalisation of about US\$248m.

In the area of taxation, Zambia has reduced excise duty on diesel from 60 percent to 30 percent. Excise duty on electricity has also been reduced from 7 percent to 5 percent.

Measures to fight poverty in Zambia were initiated soon after independence. The main focus of these was to promote rural development. These measures included among others, credit schemes, resettlement schemes and integrated rural development programmes, but no substantial change occurred in the rural economy. In the 1990s, Zambia adopted various measures to cushion the people from the impact of SAP, such as public welfare assistance schemes, micro finance and food for work programmes. Despite these efforts Zambia has a sustained decline in per capita GDP and an increase in poverty levels.



ZIMBABWE

Macroeconomic Data

Economic Structure

Zimbabwe is a major food producer in the region. It exports beef, tobacco, sugar and horticultural products to Europe. Its other main exports are cotton lint, nickel, asbestos, copper, iron and steel and gold. The main imports are machinery and transport equipment, chemicals and related products, mineral fuels and manufactured articles

The structure of the Zimbabwean economy is characterised by dualism in its markets, production and consumption structure. It counterpoises a few large enterprises with a high foreign ownership in various sectors, against a large informal sector and peasant economy. The peasant economy occupies over 65 percent of the population in sub-commercial activities. The commercial and industrial sectors are relatively modern and capital intensive with established enterprises operating in the fields of agriculture, mining, commerce (services) and manufacturing. The GDP structure conceals the bulk of peasant-manned informal sector of production because it is based mostly on formal sector outputs.

The performance of Zimbabwe's economy is heavily influenced by the agricultural sector, which forms the bulk of GDP. Agriculture employs 70 percent of the labor force in Zimbabwe and supplies 40 percent of the exports. The strong backward and forward linkages that exist between agriculture and other productive activities and commercial services have contributed in the past to the positive performance of the economy.

Tobacco contributes 6 percent of GDP and one third of the country's export earnings. Other export earners include, fruits, flowers and seasonal vegetables.

Recent developments however show mixed performance in the sector. In 2000 cotton deliveries increased by 30 percent whilst deliveries of maize, wheat and soya beans decreased by 12 percent, 85 percent and 87 percent respectively compared to 1999.

Zimbabwe has one of the most sophisticated and diversified manufacturing industries on the continent comprising of food, beverages, tobacco processing, textile, metals and non metallic products.

(In millions of US Dollars, unless otherwise indicated)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Growth rate	5.5	-9.0	1.1	7.1	-0.6	8.7	3.7	2.5	-0.2	-5.5
Per capita GDP	918	810	790	819	787	828	832	827	801	737
Per US \$ Exchange Rate	3.4	5.1	6.5	8.2	8.7	9.9	11.8	21.4	38.3	43.3
Inflation	23.3	42.1	27.6	22.2	22.6	21.4	18.8	32.3	57.8	55.9
Gross investment	19.1	20.2	22.8	23.5	19.4	23.3	19.4	17.1	10	
Gross national savings	12.7	7.7	18	22	17	18	8	12	12.3	
Trade balance	85	-251	98	169	89	249	-230	-95	249	276
Exports, f.o.b.	1785	1,530	1,610	1,947	2,216	2,469	2,424	1925	1924	1801
Imports, f.o.b.	-1,700	-1,781	-1512	-1,778	-2,128	-2,247	-2,654	-2,020	-1675	-1525
Current account balance										
Direct Investment	3	15	32	30	98	35	107	436	50	16
In months of imports	1.7	3.1	2.5	2.8	3.7	2.9	0.9	1	1.5	1.2
Total External Debt	1860.4	2620.6	2674.3	3472.0	3636.0	3694.0	3647.0	3645.0	3720	

Source: IMF statistical annex; and Central Statistical Office

* Estimates

Since the establishment of export processing zones, the share of manufacturing in merchandise exports has grown.

There has however been a marked decline in the industry as a result of the instability in the country. From January to March 2001 the volume of manufacturing output decreased by 9.25 percent when compared to the same period in 2000. The beverage and tobacco industries recorded the highest decrease in production. During the first seven months of 2000, manufacturing fell by 11 percent for the same period during the previous year.

Mining makes a vital contribution to Zimbabwe's economy as a producer of a wide variety of minerals. A few large groups comprising well-known multinationals produce the bulk of the minerals. In addition there are approximately 1000 mines (mainly gold), worked by small companies, syndicates and individuals.

Gold contributes about half of the value of annual mineral production. While nickel, asbestos, coke, black granite, diamonds, graphite and emeralds constitute the other half of mineral production and exports.

Developments in the industry show that mineral production decreased by 8.1 percent from January 2000 when compared to the same period in 1999. Copper and Nickel recorded the largest decreases in output of 88.7 percent and 37.8 percent respectively. Production of asbestos on the other hand, increased by 72.9 percent.

Zimbabwe's services sector is well developed and has potential. Zimbabwe has a very sophisticated transport system, especially the road freight industry. Tourism also has a lot of potential, contributing 5 percent to GDP. The tourism sector has earned the country the title of best eco-tourism destination in Africa. Zimbabwe's financial sector is well diversified and offers a wide range of specialised services.

Recent macroeconomic developments

Macroeconomic volatility has been primarily due to lack of synchronisation between fiscal and monetary policies. In 1999 GDP grew at -0.2 percent deteriorating further at -5.5 percent in 2000. Initially the main factor behind the slow down was the overvalued exchange rate, which caused foreign exchange and import shortages and made many producers unable to recoup their production costs in domestic currency terms.

In addition, real GDP was flat in 1999, as gains



from farming activities and tourism were offset by a 7 percent drop in manufacturing output owing to the gradual erosion of earlier competitiveness gains, the crowding out of the private sector arising deficit, and shortages of imported inputs stemming from the depletion of usable foreign exchange reserves. In addition cyclone Eline aggravated the problems as a result of damaged crops and infrastructure.

The annual rate of inflation was 55.9 percent in 2000, despite the introduction of informal price controls on some commodities. Inflation was driven by rapid monetary expansion, currency depreciation, rising energy and food prices and growing prices due to currency shortages.

Private investment has been crowded out by high interest rates due to the aid squeeze that has led the government to meet its borrowing requirements on the local money market. The share of total investment in GDP declined to 4.3 percent in 2000 from 10 percent in 1999.

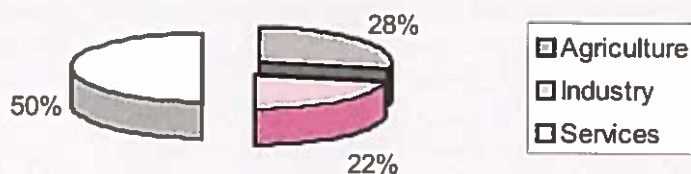
Zimbabwe's fiscal situation deteriorated dramatically in 2000 with the budget deficit increasing to 22 percent of GDP from -11.5 percent in 1999. This was as a result of shortfall in tax collections sparked by the downturn in activity and the accumulation of tax arrears by the state Oil Company NOCZIM, as well as by sizeable expenditure overruns.

Broad Money growth accelerated at 66.3 percent in 2000 as a result of rapidly rising domestic requirement.

Zimbabwe's balance of payments position has deteriorated as a result of weakening macroeconomic policies, confidence problems and disruptions in farming activities. In 2000 the current account moved to a deficit of 2.7, from a surplus of 0.4 percent in 1999. In addition, exports have declined by a quarter since 1997, constrained by the overvalued exchange rate. In August 2000, the Reserve Bank of Zimbabwe announced a 24-step devaluation and introduced a crawling peg.

Zimbabwe's external debt averaged \$6.85 billion in 2000 representing 87.9 percent of GDP. The growth in external debt was as a result of the accumulation of external payments of about \$600 million.

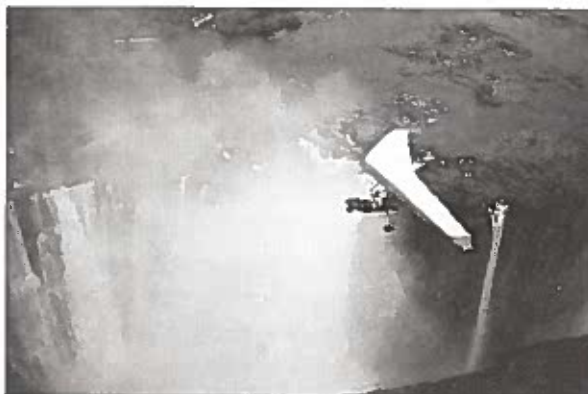
Sectoral breakdown of GDP



Trade Policy

Zimbabwe has enhanced trade liberalisation within the framework of regional initiatives it subscribes to. These include COMESA, SADC and RIFF. It ratified its membership to the WTO in March 1995.

Currently there are no export tariffs, though the country still maintains a system of permits and export monopolies for certain agricultural commodities.



Structural Policies

Zimbabwe had a relatively well-developed financial sector, and a vibrant stock exchange, which is the second largest in Africa. Zimbabwe has no HIPC status; it has no Poverty Reduction Strategy Paper.

PART II: COMESA ORGANS

A) The Authority of Heads of State and Government:

Except in extra-ordinary circumstances, the Summit of Heads of State and Government is held once a year. The Sixth Summit of Heads of State and Government took place in Cairo Egypt on 24th May 2001. 19 COMESA Member States were represented. The Summit was held under the theme of “*COMESA FTA: Gateway to investment*”. At this Summit, H E Mohamed Hosni Mubarak, President of The Arab Republic of Egypt was elected by acclaim as the Chairman of COMESA Authority. Ethiopia and Mauritius were elected as Vice Chairman and Rapporteur respectively.

The Libyan Arab Jamahiria, The Republic of Togo, The Republic of South Africa and the Republic of Somalia attended as observers. The Summit urged the Member States that had not yet joined the FTA to do so soon, and endorsed the programme leading to the attainment of the Common External Tariff and Customs Union by 8th December 2004. The Summit also endorsed the decisions of the Council of Ministers on the implementation of a new cross border payment system and directed that the system be completed within one year, among other things. The Summit also appointed Justice A M Akiwimwi as the new President of the COMESA Court of Justice, and Justice Jean Mustinzi as a Judge of the Court.

B) The Council of Ministers:

In the year 2001 Council held two regular meetings. These were the eleventh and twelfth meetings held in Cairo Egypt in May 2001 and in Lusaka Zambia in November 2001.

The eleventh meeting of the Council of Ministers preceded the Summit of Heads of State and Government, having discussed the reports of lower organs, the Inter-governmental Committee, and the Committee on Administrative and Budgetary Matters. The Council gave in its report, decisions and recommendations to the Summit of Heads of State and Government. The Decisions were endorsed.

The twelfth meeting of the Council of Ministers took place in Lusaka Zambia on 30th November 2001. The meeting was mainly administrative. It received reports from the COMESA Secretariat on progress in implementation of COMESA programmes including the COMESA Free Trade Area. The Council also

received status of implementation of different programmes from the member States, recommended March 31st 2002 as the deadline under which the countries that have not joined FTA to do so. The meeting discussed and approved the budget and the working programmes for the year 2002.

C) Intergovernmental Committee:

This committee is an interdisciplinary body that is comprised of senior government officials who are experts in different fields relevant to COMESA integration process. This committee met twice in 2001 and scrutinised different COMESA programmes and co-operation. They made recommendations to the Council of Ministers. The later makes decisions and recommendations to the Authority.

D) Technical Committees:

The Technical Committees comprise of experts in various fields. They are responsible for various economic sectors, as well as administrative and budgetary matters. The committees include the Trade and Customs Committee, the Committee on Legal Affairs, the Committee on Agriculture, and the Committee on Transport and Communication, the Committee on Industry and the Committee of High Commissioners and Ambassadors.

Technical Committees make recommendations on technical issues to the Council through the Inter-governmental Committee. The Council either decides on the issues or submits further recommendations to the Authority. Committees can also originate issues that arise from time to time, however their deliberations can only become binding when they are adopted and /or decided upon by the Council of Ministers. In the year under review different committees met at different times and venues as indicated below.

a) The Trade and Customs Committee:

This Committee met twice in the year 2001. Both meetings took place in Lusaka Zambia. The Committee discussed the progress in the implementation of the COMESA Free Trade Area as well as remedial measures within the framework of the Free Trade Area. The meetings also discussed issues related to small scale cross boarder traders whose small consignments need

to be facilitated without necessitating the certificate of origin.

The Namibia and the Swaziland derogation on COMESA tariff removal programmes was also debated since the derogation expired within the period under review.

b) The Committee on Legal Affairs

The Fifth Meeting of the Committee on Legal Affairs was held in Lusaka 25-26 April 2001. Several legal and institutional issues of importance to the COMESA integration agenda were discussed. Their recommendations were submitted to the Ministers of Justice and Attorneys General meeting which took place on 27th April 2001.⁶

c) The Committee on Agriculture:

In the year 2001, The Committee on Agriculture met once from 1-3 November 2001. This is the third meeting since its creation. The committee discussed Food Security in the region; progress made in the implementation of the value added fish and fishery products project; sanitary and phytosanitary issues; non-trade barriers in agriculture and how to combat the problems. The Committee gave its report to the Council of Ministers, which met in November 2001.

d) The Committee on Industry:

The Fifth Meeting of the Committee on Industry was scheduled to meet in Khartoum Sudan in the second half of the year 2001. The meeting however did not take place due to unforeseen circumstances. It has been scheduled to take place during the second half of the year 2002.

e) The Committee on Transport and Communication:

The sixth Meeting of the Transport and Communications Committee met from 3rd to 5th November 2001 in Lusaka Zambia. The meeting deliberated on COMESA CNS/ATM system programme, air transport liberalisation, road transport facilitation, road safety, railway and rail transport, maritime transport and inland waterways, Inland water transport, progress made on the establishment of COMTEL. During this meeting, a five country-working group on CNS/ATM Systems programme was proposed. The team shall be comprised of Egypt, Sudan, Kenya, Madagascar and Zambia. The working

group was approved by the Council of Ministers meeting in Lusaka, Zambia in November 2000 and has since started its work.

f) The Committees of Ambassadors and High Commissioners:

During the last six years, COMESA Committees of Ambassadors have been formed in Africa, Europe, Asia and America. These include Addis Ababa, Beijing, Bonn, Brussels, Cairo, Harare, Geneva, Kinshasa, London, Lusaka, Moscow, Nairobi, New Delhi, Stockholm, and Tokyo. These Committees comprise of Ambassadors and Higher Commissioner from COMESA member States accredited to different regions.

The Committees of High Commissioners and Ambassadors have helped raise worldwide awareness of COMESA.

g) The Committee of Permanent Representatives

In May 2001, a decision was made that the Committee of High Commissioners and Ambassadors in Lusaka be made a "Committee of Permanent Representatives."

The Committee in Lusaka being physically closer to the COMESA Secretariat has been actively involved in different COMESA Secretariat activities and attended different functions including Council meetings. The committee was therefore given particular terms of reference under which to work so as to contribute even more.

E) The COMESA Secretariat

The COMESA Secretariat whose Headquarters is in Lusaka, Zambia is the technical arm of the Common Market. It implements the annual programmes approved by the Council of Ministers as well as co-ordinate different projects that are supported by co-operating partners. The Secretariat in collaboration with Member States and different stakeholders, organised all the COMESA functions that took place in the year 2001, and performed different duties as per annual work programme approved by the council⁷.

Part III:

COMESA Independent Institutions

COMESA member States with the facilitation of the COMESA Secretariat and different co-operating partners create independent institutions, the most recent being the African Trade Insurance Agency (ATI). These institutions play a big role in the integration process. They participate in COMESA activities and meetings and brief member States on their progress. Below is progress made in the year 2001 by different institutions.⁸

A) COMESA CLEARING HOUSE

The COMESA Clearing House was created during the period when the region had foreign currency control, although this purpose seemed to have been overtaken by foreign currency liberalisation in many countries, economic and structural changes have resulted again in a shortage of foreign exchange. The COMESA Clearing House therefore has been searching for an alternative payment arrangement that would suit the unique environment of economic liberalisation and acute foreign exchange shortages now prevalent in the COMESA region. This has yet to be achieved.

In the year 2000 the Clearing House was tasked with the creation of an organisation that would build investor confidence through a political risk insurance cover. This led to the creation of The African Trade Insurance Agency (ATI) that was launched in the year 2001.

At the meeting of Committee of Central Bank Governors on 23rd and 24th April 2001, in Kampala, Uganda, the Clearing House was tasked to undertake the following two programmes in the year 2001:

- The Regional Payment and Settlement System (REPPS);
- The African Commerce Exchange

B) AFRICAN TRADE INSURANCE AGENCY (ATI)

The Year 2001 saw another financial institution added to the COMESA promoted independent institutions. ATI was officially launched in Kampala on 20th August 2001, with an objective of creating investor confidence through a political risk cover. It was promoted with

the assistance of the World Bank. The initial group of participating countries are Burundi, Malawi, Rwanda, Kenya, Tanzania, Uganda, and Zambia.

ATI is a Pan African institution governed by the Agreement establishing the African Trade Insurance Agency and the depository of the agreement being the organisation of African Unity (OAU). The objective and purpose of the Agency are to facilitate, encourage, and develop the provision of, or the support for, insurance, including coinsurance and reinsurance, guarantees, and other financial instruments and services, for purposes of trade, investments and other productive activities in Africa in supplement to those which may be offered by the private sector, or in co-operation with the private sector. A number of African States have indicated willingness to join the Agency.

The promotion of the Agency was brought about by the realisation that political risk cover from commercial sources or export credit agencies is not available at all for some COMESA countries, and where cover is available it is usually very costly and on unfavourable terms. Available cover is either very thin or non-existent for transactions over the medium term, thereby restricting the import of essential capital goods into COMESA countries.

ATI has full juridical personality and is a legally constituted body corporate. It is endowed with the legal capacity of a corporation. Even though the ATI's constituent instrument is an Agreement between sovereign states, its character was modelled as a private corporation incorporated or organised under the laws of a state. Legal and Natural Persons can take out judicial or administrative proceedings against ATI.

ATI is autonomous. It enjoys administrative and financial independence. The Agreement establishing ATI provides that ATI will be independent from political control from its members. ATI's operations are based on commercial considerations.

In The Year 2002 and beyond, ATI will cooperate with private risk insurers so as to provide insurance products that are tailored to the needs of the market. ATI's target market will include foreign (non-African) firms selling goods and/or services in participating African countries, foreign banks/financial institutions financing exports to participating African countries, and African companies from participating countries exporting goods and/or services to other participating African countries or foreign (non-African) countries.

C) THE REGIONAL PAYMENT AND SETTLEMENT SYSTEM

This payment and settlement system which is open to all countries of Eastern and Southern Africa irrespective whether they belong to COMESA, SADC or EAC is viewed as the bedrock for achieving and institutionalizing the COMESA Free Trade Area, leading to the next stage of a Common External Tariff and eventually to the adoption of a common currency. It is envisaged that the system will make payments for imports and exports within the region much easier and faster.

Box 2 Project Plan

Between July to October 2001, work on the Project Plan incorporating the business requirements and the business case for the Regional Payment and Settlement system (REPSS) was carried out. This included holding interviews and discussions with international, regional and local commercial banks, the central banks, and the business communities in 14 COMESA and SADC countries with a view to ascertaining their business requirements. This exercise resulted in the report entitled "Project Plan for the Regional Payment and Settlement System – REPSS" incorporating the business requirements and the business case for REPSS. This report was considered by the second meeting of the committee of international payments experts from Central banks, which met in Harare on 29, and 30 October 2001. The recommendations and the revised Action Plan of the Committee of International Payment Experts were then submitted to the Steering Committee and the Bureau of the Committee of Central Bank Governors, which met also in Harare on 12th and 13th November 2001, respectively. The Bureau also accepted the offer of the Bank of Mauritius to extend its Real Time Gross Settlement (RTGS) system to accommodate REPSS. This offer entails the Bank of Mauritius availing for use the system of its Automated Clearing and Settlement System. Work shall continue in the year 2002 so that the cross border payment system becomes a reality in the near future.

Although this project was promoted by The Common Market for Eastern and Southern Africa (COMESA), all African countries are eligible to participate in the project. The objective of the project is to increase the number of participating countries over time and cover most of the continent in due course.

D) THE AFRICAN COMMERCE EXCHANGE

The African Commerce Exchange (ACE) was launched during the Summit of Heads of States, in May 2000 in Mauritius with the aim of providing a SWIFT Service Bureau (SB) to small and medium sized banks on a shared cost basis and an electronic communication Bureau (ECB) service, aimed at utilising the existing networks of various users using various protocols.

The year 2001 saw the successful implementation of ACE services at Akiba Bank in Nairobi, Kenya. The Middle East Bank Kenya and Prime Bank, went live in September 2001, as did Chase Bank (Kenya) in December 2001. Five other banks in Kenya began preparations for the March 2002 cut over through ACE. These are the African Banking Corporation, Charterhouse Bank, Dubai Bank, Imperial bank and the Trans-National Bank. A further nine Kenyan Banks also began the process of completing documentation and plan for a June 2002 cut over. Furthermore, in a circular to its members the Kenya Bankers Association indicated that all banks in Kenya would be required to be on SWIFT by March 2002 (which has now been extended to June 2002) and that ACE provided an affordable entry to the swift network. In Botswana, Investec Bank successfully went live in June 2001.

The Managing Director of Exim Bank of Tanzania visited the operational site of ACE during August 2001 and completed the necessary documentation shortly afterwards. As a result of this, Exim Bank of Tanzania is scheduled for a March 2002 cut over.

In the year 2001, ACE representatives made a visit to Kampala to promote its SWIFT Bureau service to the Bank of Baroda (U) Limited, Cairo International Bank, Tropical African Bank and Orient bank. In addition to meeting with the above non-swift banks, a presentation was made to the Managing Director of Barclays and Chairman of the Uganda Bankers Association.

E) COMESA BANKERS' ASSOCIATION

The COMESA Bankers' Association aims to act as a forum for the exchange of information on banking practices in the sub-region and for the discussion of common problems. Its other objectives include: enhancing the promotion and strengthening of links between banks in the sub-region and therefore ensuring correspondent relationships network; facilitating training in the field of banking through seminars and courses; and fighting against banking fraud with a

view of strengthening public confidence in the banking system.

In the year 2001, the Association had a membership of five national Bankers Associations and one National Commercial Bank. In the same year, the association embarked on a recruitment drive by producing a marketing strategy and conducting road shows and national sales launches, to expand its membership base to include individual banks and financial institutions, where the national bankers association is not currently a member of the COMESA Bankers' Association or does not want to be a member.

In the area of training, a total of nine seminars were held for the regional Bankers on the following issues: payment-systems; trade finance, financial markets, bank fraud prevention, assets and liabilities management, treasury management, information technology for banking, credit risk management, strategic planning and performance management.

The COMESA Bankers' Association concluded an extensive survey of other banking associations in order to judge the progress that the association is making. Following this survey, the association made adjustments to its work programme in a number of areas including its website, online newsletters, job postings, research tools and consumer related information. The association also conducted a similar survey of various regional and international training centres, which would provide services to members' employees.

F) COMESA COURT OF JUSTICE

In the year 2001, progress was made in finding a permanent seat for the COMESA Court of Justice, which is temporarily based at the COMESA Secretariat. A COMESA mission consisting of the Lord President of the Court, The Registrar of the Court and the Director of Legal and Institutional Affairs of the COMESA Secretariat inspected the host facilities offered by the governments of Djibouti, Kenya, Malawi and Sudan in an effort to determine the permanent seat of the court. Following these visits the COMESA mission submitted a draft of its report in respect of each hosting member state to that member state for its comments. The final decision as to which country shall host the seat of the court is expected to be made by the Authority of Heads of State and Government at their May 2002 Summit to be held in Addis Abba Ethiopia.

The Authority of Heads of state and government at its

meeting held on 22nd and 23rd May at Cairo appointed the Right Honourable Lord Justice A M Akiwimwi of Kenya as the Lord President of the Court and the Right Honourable Lord Justice J Mutsinti of Rwanda as the Lord Justice of the Court. Other Members of the COMESA Court of Justice are:

Lord Justice Adrien Nyankiye, Burundi ; Lord Justice Barnabas Kalaile, Malawi; Lord Justice Ernest L. Sakala, Judge, Zambia; Lord Justice James Munange Ogoola, Uganda; Lord Justice. Justice K . R Andoh Korsah , Zimbabwe

The Year 2001 was a particularly busy one for the COMESA Court of Justice. The Court registered four references, one application for revision and seven interlocutory applications. Seven interlocutory applications were heard by the Court on 20th to 28th March 2001 and one on 15th to 22nd October 2001 respectively. All judgements were delivered. One reference was adjourned sine *die* due pursuant to one of the seven interlocutory applications.

Due to financial constraints, three References and two Preliminary Applications were adjourned to the next season in 2002. More and more References are expected to be received by the Court in future as potential litigants become more familiar with it and as the COMESA Free Trade Area gathers momentum.

G) COMTEL

COMTEL, is intended to create a regional terrestrial telecommunications interconnectivity. Its shareholding consists of National Telecoms Operators (NTOs), a Strategic Equity Partner, (SEP) and Public Shareholders (PS). The shareholding ratio for the NTOs, SEP and PSs are 25:35:45 respectively.

In the year, 2001 a number of important developments took place. Notable among them were:

- i) Meetings of the Interim Board of COMTEL Investment Company Limited; and
- ii) Meetings of the Steering Committee

The meeting of the Interim Board endorsed the conclusions of the Negotiations Team. An Interim Chief Executive and an Interim Company Secretary were appointed from the Secretariat. After the due diligence the SEP estimates the project cost at US\$ 215 million.

The African Development Bank has expressed interest

to finance the project through its private sector window. The European Investment Bank has also expressed interest in financing the project.

H) Leather and Leather Products Institute (LLPI)

The mission of the Leather and Leather Products Institute (LLPI), which is based in Addis Ababa, is to contribute to the transformation, productivity, competitiveness, sustainability and integration of the COMESA leather and leather products manufacturing sector by operating as a technical institution and centre of excellence in leather processing and manufacturing technology.

During the year 2001, The Institute helped a number of firms and entrepreneurs with the preparation of pre-feasibility, feasibility, technical and financial studies and plans for investment purposes. These studies were submitted to PTA Bank, National Development Bank and Common Fund for Commodities (CFC). The PTA Bank approved one of the leather projects submitted through LLPI for financing to the tune of US\$3 million. In addition, with financing from the World Bank, a feasibility study was completed for the establishment of a tannery in Swaziland.

Also in the same year Dr Geremew Debelie was appointed new director LLPI. This in accordance to the COMESA (LLPI) establishment Charter, which stipulates that the director of the Institute can serve for only two four year term. The previous director completed the stipulated two terms on 1st October 2001

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

The Eastern and Southern African Trade and Development Bank (the PTA Bank) was established as a financial intermediary in 1985 pursuant to the provisions of the Treaty (1981) establishing the Preferential Trade Area for the Eastern and Southern African States (PTA), which was later, transformed to COMESA. It has a membership comprising of seventeen countries. These are: Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, The Peoples Republic of China, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. It also has one institutional investor, the African Development Bank (ADB). The Eastern and Southern Africa Trade and Development Bank (PTA Bank) aims at accelerating the integration of trade practices, industrialization programmes and overall economic development efforts of the region by pro-

viding finance and technical assistance in areas and investment ventures with positive cross-border and regional impact. These financing activities are carried out through two windows: Project Finance and Trade Finance. Through the two windows, the Bank intervenes using direct loans, equity financing, lease financing and other off balance sheet instruments. Direct lending constitutes the largest make of intervention. In exceptional circumstances, however, the Bank may intervene by way of equity financing.

The Bank's cumulative project approvals stood at COMESA Dollars (CMD) 181.9 million, as at 31st December 2000, in support of 122 project loans and 7 equity investments. During 2001, the number of approvals increased by eight (8) projects bringing the cumulative total to 130 project loans amounting to CMD 209.3 million.

The sectional breakdown of approvals shows that the agri-business sector was leading with CMD 63.44 million (30 percent) followed by manufacturing sector at CMD 54.04 million (or 26 percent) infrastructure with CMD 32.409 million (or 15 percent); other with CMD 23.60 million or 11 percent and mining with CMD 106. Million (or 5 percent).

By the third quarter of 2001, the Bank's cumulative loan commitments (net of cancellations) stood at CMD 156.9 million, compared to CMD 130.0 million in December 2000.

The Bank's trade financing activities are focused on facilitating business activities in the member states and particularly to assist in the diversification of exports. The sectors that have continued to be active and have received more attention are agriculture and energy.

Total cumulative trade finance activities as at 30th September 2001 were CMD 795 million compared to CMD 748 million at the end of 2000. This represents an increase of 10 percent on 2000. The transactions channeled through commercial banks amounted to CMD 25.3 million up to September 2001.

In terms of financial performance, for the year ended 31 December 2000, income from the Bank's operations amounted to CMD 8.71 million, a decrease of 16 percent on CMD 10.27 million earned in 1999. The decrease was mainly because of increased borrowing costs resulting from higher interest rates on short-term dollar loans. Interest income amounted to CMD 10.79 million down from CMD 11.05 million in 1999.

Overall, the Bank made a modest profit of CMD 0.741 million in 2000 compared to a loss of CMD 16.016 million in 1999.

In respect to implementation of regional projects, the Bank has continued to play its role as the financial adviser on COMTEL and COMESA NET. COMTEL is a privately owned regional terrestrial telecommunications network linking national telecommunications operators (NTOs) in the COMESA region, while COMESA NET is a privately owned telecommunications data network linking financial institutions in the region.

In the year under review the bank began a comprehensive restructuring programme whose key objective is to enhance its corporate governance and repositioning itself appropriately in the market.

J) PTA Reinsurance Company (ZEP-RE)

By end of December 2001, The PTA Reinsurance Company (ZEP-RE) was underwriting business in twenty-nine countries. Those in the COMESA region are: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Kenya, Uganda, Zambia and Zimbabwe. The non-COMESA countries are: Algeria, Ghana, Morocco, Mozambique, Nigeria, Turkey, Pakistan, Senegal, Tanzania, Togo and Tunisia.

There has been a steady growth in the recent years. The gross premium income of CMD 10,579,914 was, for instance, recorded in 2000 compared to CMD 8,999,906 in 1999. This resulted in a profit of CMD 499,249 being recorded. Following this profit, the company declared a dividend of CMD 200,000, which has been paid to all shareholders.

The paid up share capital has increased from CMD 7,154,155 to stand at CMD 7,897,051. Additional shares were acquired by the Governments of Kenya, Rwanda and Zambia and the Eastern and Southern African Development Bank, PTA Bank. Burundi Insurance Corporation joined the membership of the Company on 2nd August 2001. In the same period the first ZEP-RE regional office was opened in Khartoum, Sudan, following the signing of the Hosting Agreement by the Government of Sudan. With the opening of the office, an underwriter was recruited to manage the affairs of the Regional Office.

Part IV: Status of Economic Integration in COMESA

A) The COMESA Free Trade Area

After the landmark launch of the COMESA Free Trade Area on 31 October 2000, with Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe trading among themselves on a zero tariff basis on COMESA originating goods, an assessment reveals that it has had significant impact on trading operations and business culture in the FTA participating countries. The introduction of the FTA has not only raised consciousness regarding competitiveness but has helped to promote transparency with regard to production costs in the region. This will help the COMESA business community to focus on issues like competitiveness and efficiency.

The FTA has also ushered in a new era in cross border trade with significant increase of this traffic. The major beneficiaries of the Free Trade Area remain the consumers and citizens of the region with new products, better quality and their increased availability.

In the year under review, progress was made by a number of states towards joining the FTA. Seychelles prepared the legislation on the zero tariff regime, while studies were carried out on the implications of the FTA on their economies by Burundi, Ethiopia, Rwanda, Namibia and Swaziland.

Meanwhile the Democratic Republic of Congo published the legislation on 70 percent tariff reduction, which was submitted to the Secretariat. At the request of DR Congo the Secretariat sent a mission to the country to discuss loss of revenue with the Ministry of Finance and re-assure the authorities on her adhesion to the FTA. Rwanda is to move from 60 percent reduction to 80 percent tariff reduction effective from January 2002 and 100 percent reduction in 2003 when she will effectively join the Free Trade Area and ready to join the Common External Tariff. The COMESA Treaty comprises the following as well:

i) Trade Remedy Measures

The COMESA Treaty provides for trade remedies

and safeguards that member States can invoke in the event they experience difficulties arising from the implementation of the COMESA integration arrangements. Trade Remedy measures provide temporary protection to allow affected industries to restructure themselves and to prepare themselves for the increased competition they will have to face from the reduction in tariffs and from the removal of other barriers to trade.

Trade Remedy Regulations have now been elaborated and adopted by the Twelfth Council of Ministers for the invocation of the safeguard and remedial measures. These Regulations define the safeguard, anti-dumping, subsidies and countervailing measures as well as the conduct of trade remedy regulation.

The Regulations also provide for settlement of disputes arising from their application.

ii) Elimination of Non Tariff Barriers, other obstacles and restrictions to intra-COMESA Trade

A schedule for the implementation of measures for the relaxation and elimination of non-tariff barriers and other obstacles and restrictions to intra-COMESA trade was adopted in the year under review.

iii) Rules of Origin

After the successful work accomplished in the year 2000 regarding facilitation measures for small scale traders and the standardization and harmonisation of the issuance of the COMESA Certificate of Origin, 2001 saw the focus on the definitions of workings and processes leading to a change in tariff heading and exclusion from this principle for the application of 2.1.b (iii) of the Protocol on Rules of Origin for products to be traded between member States of COMESA.

Tribute must be paid to the World Customs Organisation for the technical assistance provided to COMESA in the elaboration of definitions and processes.

Specifications related to the paper and print of the COMESA Certificate of Origin have been made to prevent falsification by chemical or mechanised means. Training Workshops were undertaken in Sudan and Zimbabwe and assistance was provided to member States to resolve origin disputes.

iv) WTO Negotiations

In compliance with decisions of the Eleventh Meeting of the Council of Ministers, a meeting of Trade Ministers from Eastern and Southern Africa was held in Cairo in July 2001 to draft a common position on the Fourth WTO Ministerial Conference, which was held in Doha, Qatar in November 2001.

B) COMESA Compensation and Infrastructure Fund (COMESA Fund)

In order to consolidate the COMESA Free Trade Area, a Compensation and Infrastructure Fund has been proposed. In the year 2001, progress was made towards the setting up of this special fund for co-operation, compensation and development. This COMESA Fund aims at assisting countries to address structural imbalances in their economies and the lack of infrastructure. The COMESA Fund is to comprise of the Base Fund, which will hold contributions from participating member states of COMESA, and the General Fund, which will hold contributions from donor agencies and other financing agencies and will be the fund, which is leveraged by the Base Fund.

The establishment of a COMESA Fund and the modalities for creating the Fund were discussed at the COMESA Ministers of Finance Meeting on 27th August 2001 in Nairobi, Kenya, where it was agreed that the COMESA Secretariat would prepare a discussion paper to be sent out to member states and co-operating partners, which would form the basis for the deliberations of the COMESA Fund Committee. The COMESA Fund Committee met on 23rd October 2001 in Lusaka and put forward their recommendations which were discussed at the Policy Organs meetings in November/December 2001 and a task force to study the details was set up. The Fund is likely to become a reality in the year 2002.

C) Regional Harmonisation of Customs and Trade Statistics System Project (RHCTSS).

Objectives

The objectives of the ASYCUDA/EUROTACE programme under the RHCTSS Project are as follows:

Capacity building of national and regional experts and technical support to COMESA member States; sustainability of the existing ASYCUDA systems in member States; upgrading the technical facilities of the ASYCUDA system at the Regional Centre and

giving technical advice to member States considering migration to ASYCUDA++

The ASYCUDA/EUROTRACE programme is an important component of the overall regional integration programme of COMESA. ASYCUDA (Automated System for Customs Data and Management), is designed to make the customs process more efficient, promote trade through reducing the time taken to clear goods (thus saving importers and exporters money), and reducing non-tariff barriers to trade. The ASYCUDA programme also has a strong positive effect on revenue generation by making the tariff collection procedure more efficient. This, in turn, allows national governments to streamline tariffs and reduce tariff rates without having an adverse effect on revenue collected.

The Automated System for Customs data and Management (ASYCUDA) is a computerised customs management system developed by UNCTAD to cover foreign trade procedures. The ASYCUDA software is provided free of charge to member States through the regional centre. The system is currently being used on over seventy countries worldwide.

Over the past seven years, the COMESA Regional Centre, UNCTAD and member States together implemented the ASYCUDA system in a number of customs sites in most of the 13 member States that decided to adopt the ASYCUDA system.

The ASYCUDA system is widely implemented on Local Area Networks (LANs) at the local Customs posts, border posts and airports, to enable multiple Customs functions to be run at the same time by different Customs officials within the Customs premises.

The main objective of the ASYCUDA programme under the project is trade facilitation through the automation of data collection mechanisms, computerisation of customs departments and declarations and capacity building to ensure sustainability of the system. The project also provides technical assistance to member States.

The two systems, working in harmony together, are therefore considered to be an extremely important component of COMESA's regional integration programme. The focus of phase II of ASYCUDA/Euro Trace programme (titled "Regional Harmonisation of Customs and Trade Statistics Systems"), which became operational on 1st December 1999, is on the harmonising and improving of national customs

practices; strengthening the capacity at the national and regional levels for producing high quality trade statistics; improving the links between the customs departments and the National Statistical Offices; and establishing a regional trade information system.

Box 3

Status of the ASYCUDA Project in Member States as at December 2001

The Project, which was launched in 2000, achieved significant progress in 2001 in all components of the Project.

Negotiations have reached an advanced stage on the Common Tariff Nomenclature. Work has commenced on the drafting of a COMESA Customs Code for the operation of the Customs Union.

National Working Groups on the Customs Union have been established in member States

Service Level Agreements have been signed in many countries between Customs Administration and Statistics Offices to improve the compilation of external trade data.

The ASYCUDA and EUROTRACE system has been implemented in the following 13 COMESA member States namely, Burundi, Comoros, D. R. Congo, Ethiopia, Madagascar, Malawi, Namibia, Rwanda, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. All these countries run ASYCUDA version 2.7 under the UNIX operation system except two countries which run ASYCUDA under the Twin server operating system.

ASYCUDA implementation projects are in progress in four other COMESA member States namely: Djibouti, Eritrea, Seychelles and Swaziland, as well as two non-COMESA States: Lesotho, and Botswana. All back up for software and upgrades are managed from the Regional Centre with assistance from UNCTAD. Once this installation is complete 17 out of 20 COMESA Member States will be using the ASYCUDA system. This is particularly significant as we head the COMESA Common External Tariff (CET).

For all new implementations, ASYCUDA ++ will be installed, as ASYCUDA version 2.7 will gradually be

phased out by 2004.

The Future of ASYCUDA

With the technological advances taking place in the computer industry, UNCTAD decided to upgrade ASYCUDA 2.7 to ASYCUDA ++, which has more functions and is more user friendly. ASYCUDA ++ uses Oracle, Linux, UNIX and RDBMS which is a relational database management system for more efficient processing of customs declarations.

In The year 2001, Zimbabwe became the first country in Africa to migrate to ASYCUDA ++. The second country to migrate to ASYCUDA ++ was Zambia and its first operational site was at Lusaka airport on 11th December 2001. Zambia's migration project is unique in that the implementation of ASYCUDA ++ is on a Wide Area Network, which makes it realise more benefits than a country, which is not. Most COMESA member States that are presently using ASYCUDA 2.7 are expected to migrate to ASYCUDA ++ in the coming year. These countries are Uganda, Namibia, Rwanda, Sudan, Ethiopia and Malawi.

ASYCUDA ++ addresses most of the problems being encountered in ASYCUDA version 2.7. ASYCUDA ++ also has facilities such as DTI (Direct Trader Input) which will allow traders to key in declaration entries, EDI (Electronic Data Interchange) and language utilities. It also has better functionalities such as the Transit and Warehousing modules.

EDI, is the merging of computer technology with communications technology thus providing an opportunity to speed up the international trade transaction and to eliminate some of the paperwork that accompanies the movement of goods.

In order to prepare the Member States for this Migration, An Advanced Eurotrace and Calculation of Trade Indices Workshop was conducted in English from 10-21 December, 2001. The training was undertaken by 30 Statisticians from 14 member states and two non COMESA States that are beneficiaries of the system. The countries that attended were Angola, Egypt, Ethiopia, Kenya, Lesotho, Malawi, Mozambique, Namibia, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. A similar workshop is scheduled to be conducted for French speakers in Feb/March 2002.

D) Monetary and Fiscal Policy Harmonisation

The primary objectives of the COMESA Monetary

Harmonization Programme are to create a common area of monetary stability, which will facilitate economic integration and economic growth. This will culminate in the creation of a monetary union by the year 2025, which involves complete harmonization of economic, fiscal and monetary policies of the member states; single currency; full integration of the financial structures of the member states; pooling of the foreign exchange reserves and the establishment of a common monetary authority.

At a meeting of the Committee of Central Bank Governors and technical experts, on 23rd and 24th April 2001, in Kampala, Uganda, the COMESA Clearing House was tasked with a project on creating a Regional Payment and Settlement System (REPPS); 2001 taking into account that markets have been liberalised yet the costs of transacting business through foreign currencies has remained costly and time has been a non trade barrier when the liberalisation of currencies was supposed to do the reverse.

It was also agreed that the liberalisation of both the current and capital account should be pursued in order to facilitate intra-COMESA trade.

It was further agreed that the stage leading up to the implementation of a monetary union, should be reassessed and recommendations made with regard to advancing the period for the implementation of the Monetary Harmonisation Programme.

E-Commerce

Recognising the potential that e-commerce offers for business in the region, in the year 2001 COMESA began working on developing a strategy for e-commerce. In this regard in April 2001 the COMESA Secretariat organised a workshop, hosted by the Seychelles International Business Authority, which had the aim of assisting COMESA to define its role in e-commerce and to identify areas on which to concentrate its future efforts.

TRANSPORT AND COMMUNICATIONS

A) Air Transport

Air transport liberalisation remains an important component of COMESA's regional integration process. In the year under review, COMESA continued to encourage member States to fully implement the liberalised air transport regime.

The preparation of competition rules in the industry

was initiated and is scheduled to be completed by the middle of 2002. The members of the permanent Air Transport Regulatory Board were submitted by member States.

On the goal of establishment and management of a common air space, a Working Group was established by Council to undertake various tasks leading to this goal. The working group has already commenced its work.

B) Transit Traffic Facilitation

Work on transit transport facilitation continued with sensitisation on the COMESA facilitation instruments being disseminated to stakeholders. The implementation of axle load limits and overload control, harmonised road transit charges were given particular importance.

In the year 2001, a study on a comparative costs for various corridors in COMESA and SADC was undertaken through funding from USAID/REDSO. The final report of the study has already been submitted and will be made available to stakeholders in 2002.

The following are some elements in the Transport and Communication Sector:

(i) Advance Cargo Information System (ACIS)

In the year 2001, The Advance Cargo Information System (ACIS) came to a close with Rail Tracker Module commissioned in five railway networks namely Kenya Railways, Tanzania Railways, TAZARA, Uganda Railways and Zambia Railways. The Harbour Master Module of Port Tracker is now operational at Dar Es Salaam and Mombassa ports. Work is going on in the preparation of a successor project to ACIS.

(ii) The Yellow Card Scheme

The Third Party Motor Vehicle Insurance Scheme, commonly known as the Yellow Card Scheme, achieved significant progress in the year 2001. The number of inter-state motorists using the Yellow Card, premium income earned by insurance companies issuing the card and claims compensation paid to road accident victims increased significantly during the period under review. The Yellow Card Reinsurance Pool mechanism established to enhance the efficiency of the scheme registered a profit in its 2000 operations and the net assets of the Pool had reached 1.1 million US\$ at the end of 2001.

COMESA and SADC have formed a Task Team with the view to interfacing the Yellow Card Scheme with the Fuel Levy System.

A programme for the integration of the Insurance Services in the COMESA region to establish a single region insurance market was adopted the 12th meeting of the Council of Ministers.

C) Telecommunications Regulatory Harmonisation Programme

In the period under review USAID funding enabled a baseline study to be completed on the status of the Telecoms Regulatory Harmonisation framework. The study on the harmonisation of the telecommunications framework was completed. A workshop for member States was held in Djibouti. Funding for Phase II was made available and implementation will be undertaken starting with 2002.

D) Regional Customs Bond Guarantee (RCBG) Scheme

Progress was made in developing the modalities for the implementation of the Regional Customs Bond Guarantee (RCBG). The Working Group on the Regional Customs Bond Guarantee (RCBG) Scheme has prepared the documents for the implementation of the RCBG. Stakeholders workshops are planned for 2002 to build consensus for the implementation of the Scheme before the end of 2002. The second meeting of the working group on the RCBG Scheme was held from 29 to 30 March 2002 in Harare, Zimbabwe.

LEGAL AND INSTITUTIONAL AFFAIRS

A) Meeting of ministers of Justice and Attorney Generals:

The Ministers of Justice and Attorneys-General held their Fifth Meeting in Lusaka, Zambia on 27 April 2001. Their meeting was preceded by that of the Fifth Meeting of the Committee on Legal Affairs held at the same venue on 25-26 April 2001.

The Ministers of Justice and Attorneys-General considered several legal and institutional issues of importance to the COMESA integration agenda. These included:

- i) The COMESA Protocol - on the Free Movement of Persons, Labour, the Right of Establishment and Residence

ii) Consideration of the Draft Rules for the Admission of Members, Associate Members and Observers

iii) Consideration of the Draft Regulations for the Establishment, Functions and Operations of the COMESA Air Transport Regulatory Board

iv) Report on Nomination of one Judge to the COMESA Court of Justice

The Ministers reviewed and adopted a final text of the Protocol on the Free Movement of Persons, Services, Labour, the Right of Establishment and Residence. The final text was submitted to the Sixth Summit of the COMESA Authority and opened for signature.

The Ministers also adopted Draft Rules for the Admission of Members, Associate Members and Observers, which were eventually adopted by the Sixth Summit of the COMESA Authority.

The Draft Regulations for the Establishment, Functions and Operations of the Air Transport were also scrutinized and adopted by the Ministers of Justice and Attorneys-General.

The meeting of the Ministers of Justice and Attorneys-General is empowered by the COMESA Authority to sit as an Electoral College for the election of members of the COMESA Court of Justice. The Fifth Meeting duly elected Mr. Justice A.M. Akiwumi of Kenya as the new President of the Court to replace Justice L. Kanywanyi of Tanzania, who resigned as Judge and President of the COMESA Court of Justice in November 2000. The ministerial meeting also elected Justice J. Musinzi of Rwanda to the COMESA Court of Justice.

B) COMESA Public Procurement Reform Project

On 30 May 2001 in Valencia, Spain the COMESA Secretariat signed a Project Agreement to finance the development of regional and national public procurement laws and practices project with the African Development Bank (AfDB). Under this financing Agreement, AfDB will provide UA 1.17 million to the COMESA Secretariat. The recruitment of a Consulting Firm and Project Manager was also undertaken during the same period.

C) The COMESA Programme on Peace and Security

The second meeting of the Ministers of Foreign Affairs

was held in Lusaka, Zambia in April 2001. The Sixth Summit of the COMESA Authority subsequently endorsed the Report of the Second Meeting of the COMESA Ministers of Foreign Affairs which embodies a policy on the procedure to be adopted by COMESA in addressing issues of Peace and Security as a way of enhancing the COMESA integration agenda. The COMESA Secretariat has continued with consultations with stakeholders in the region. The decision of the Authority endorsing the above mentioned report of the Ministers came after consultations with the Private Sector and Civil Society Organisations which were held through a Consultative Workshop which was held in Nairobi, Kenya in February, 2001. Another Consultative Workshop for Parliamentarians was held from 4th to 6th February 2002 in Harare, Zimbabwe.

In all these consultations, Stakeholders have agreed that Peace and Security are a fundamental pre-requisite to development. All the stakeholders consulted have pledged their support to work with COMESA in this task of addressing issues of Peace and Security in the Region. In order to formalise this working arrangement, the Secretariat has set up a desk through which the stakeholders such as the Private Sector and Civil Society Organisations in their consultative role shall be working with COMESA.

The Secretariat is currently in the process of developing criteria and rules of procedure for accreditation of the stakeholders in their consultative role. As soon as the Authority has adopted the criteria and rules of procedure, the desk shall become functional. On the other hand, in order to avoid duplication of efforts in this area, the Secretariat is looking at the possibility of having a meeting with other organisations operating within the same region as COMESA such as the East African Community (EAC), the Intergovernmental Authority on Development (IGAD), the Indian Ocean Commission (IOC) and the Southern African Development Community (SADC). The meeting shall be aimed at coming with up with a framework for a comprehensive co-ordinated approach to addressing issues of peace and security that will avoid duplication of efforts and ensure maximum utilisation of human and financial resources.

INVESTMENT PROMOTION AND PRIVATE SECTOR DEVELOPMENT

Investment Promotion Strategies: The COMESA region continues to receive low levels of investment particularly foreign direct investment (FDI). This is

in spite of the proven fact that the African continent is the most profitable investment location as investors receive the highest rates of return on their investment than in any other developing region. The year 2000 shows a drop in FDI inflows with most of the investment flows into the petroleum sector. Despite these low investment inflows, a number of COMESA countries received a significant proportion of the FDI. In the clothing and textile sector for example, new operations have been opened in Kenya and Swaziland in response to the AGOA initiative.

There is a need for the region to attract more investment as well as diversify the sectors that attract the FDI. One of the major attractions for investors is access to the market. The new initiatives namely the FTA, COTONOU, and AGOA agreements provide that incentive to investors.

In an attempt to lay down strategies for investment promotion, the Chief Executives of the Investment Promotion Agencies (IPAs) held their fourth meeting in Lusaka in November 2001. The meeting discussed some of the strategies that the region could adopt to maximise benefits from some of these emerging initiatives. The meeting also discussed the 2002 operational plan of the Nucleus Unit of the Regional Investment Agency that was established at the Secretariat.

The Regional Investors Roadmap study was finalised and was discussed by the Chief Executives during the same meeting. The Roadmap study and the recommendations from the meeting are a good basis for initiating the implementation of the program on the harmonisation of investment policies and regulations.

Privatisation Program in COMESA

The major investment activities have been through countries' privatisation programs. Countries in the region that have privatised or are in the process of privatising major operations include Egypt, Kenya, Madagascar, Malawi, Uganda, Zambia, and Zimbabwe. Swaziland is one of the countries currently considering the privatisation programme. A private firm has

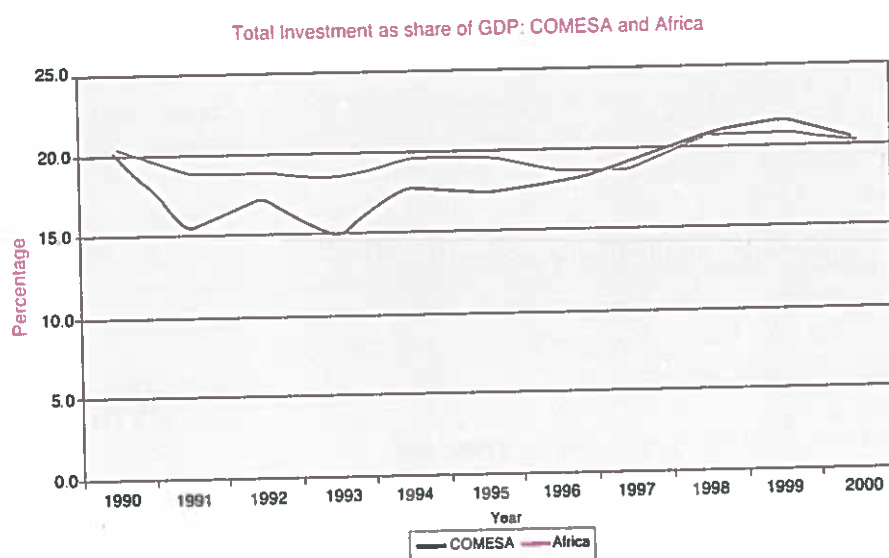
been hired to draft a policy paper on privatisation. In terms of privatisation revenue flows, Zambia had received a total of US\$827 million from privatisation of state companies by 1998, the highest in the region followed by Kenya, which had received a total of US\$258 million.

In all these countries, privatisation initially focussed on primary sectors (e.g. mining). The trend has now broadened to telecommunications, transport, utilities and manufacturing sectors.

Agricultural Development

(i) Food Security Situation in the COMESA Region, Common Agricultural Policy and Agricultural Strategy

The food security situation in the COMESA Region in the year 2001 remained precarious due to the problem of drought and civil strife. According to an FAO report, some 20 million people in the region needed emergency food assistance.⁹ The food shortage is expected to continue in the short run. There is need for a more comprehensive investigation of the nature of the food security problems in each COMESA member States as a basis of preparing a comprehensive national and regional food security programme at national and regional level. This should then be followed by the development of a comprehensive strategy at national and regional level designed to attain a reasonable and sustainable level of food security. The problem of food security in the COMESA region should be seen within the context of national and regional food self-reliance not only because the region clearly has a comparative advantage in food production but also because the attainment of an acceptable



growth rate in per capita food production will coincide with the attainment of both increased food security and greater self-sufficiency in food supply.

National and regional food security must, therefore, be built on sustainable access to food by all citizens of the region. This access must not depend more than marginally on food produced outside the region either as direct imports obtained along commercial lines or as food aid. If such a dependency were forced in the region it will impact negatively on scarce foreign exchange and capital resources. COMESA member States may have to increase investment in agricultural production with emphasis on land and water management techniques in order to enhance food security.

³Angola, Burundi, Comoros, DR Congo, Ethiopia, Kenya, Madagascar, Malawi, Rwanda, Sudan, Uganda and Zambia.

⁴Uganda, Madagascar, Malawi, Ethiopia, Rwanda and Zambia.

⁵By December 2001, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Swaziland, Uganda and Zambia had qualified to get the textiles and apparel benefits under AGOA.

Box 1 Agricultural Policy

During the year 2001 COMESA Secretariat started a study on the Agricultural Policy with a view of co-ordinating and harmonising the agricultural policy and strategy amongst COMESA Member States. Though agricultural policies and strategies exist within Member States, there is little co-ordination in the region among them. The Agricultural policy study was funded by the Perez Guerrero Trust funds for economic and technical co-operation among developing countries. The contribution from the fund amounted to \$54,000 that will assist in the formulation of the common agricultural policy. In this regard, COMESA made progress in negotiating an additional fund from FAO that will develop a comprehensive review of member States' agricultural policies and strategies, and assess their implication to the promotion of regional trade and co-operation in the agriculture sector. The negotiations are expected to be finalised early 2002 and a co-operation agreement signed

(ii) Upgrading the Quality and Safety of Fish and Fishery Products

In the year under review, a regional workshop on Safety of Fish and Fishery Products was held

in Seychelles from 6th to 10 August 2001. The workshop was attended by Egypt, Eritrea, Ethiopia, Kenya, Namibia, Seychelles, Uganda and Zambia. Selected fish processing plants were also assisted in the application of the Hazard Analysis of Critical Control Points (HACCP). The main objective of the workshop was to build capacity in fish quality assurance. The Project on Upgrading Quality and Safety of Fish and Fishery Products will enable member States assure compliance. The project has assisted member states in capacity building in complying with overseas market requirements. By the end of the year 2001, a total of 178 government and industrial representatives from 18 COMESA

Member states had been trained. These trainees are expected to extend their skills to other domestic industries and the private sector.

Standardisation, Quality, Metrology and Testing (SQMT) Programme

The Standardisation, Quality, Metrology and Testing (SQMT) Programme is in its third year of implementation having been launched in May 1999. The program, which, is supported by the European Union aims to develop the practice and harmonisation of standards in the region, whilst strengthening the 20 National Standards Bureaux (NSBs).

The expansion of intra COMESA trade as well as cross-border investment as a result of the launching of the Free Trade Area would benefit greatly from this program as it also aims at promoting quality management in industry and other sectors. The programme also aims at upgrading capacities of metrology departments and testing laboratories. A number of activities were undertaken during the year. Studies were conducted to identify capacity deficiencies in National Standards Bureaux. The studies also looked at twinning arrangements, marketing strategies and implementation of Standards. To facilitate future work, it is envisaged that several technical committees will be established. To this effect terms of reference were formulated for the Technical Committee on Import/Export Inspection agreements and the Technical Committee on Documentation Centre and database.

In order to publicise the SQMT program to member States, preparations for a one-day SQMT awareness seminar for NSBs were finalised and the seminar will be held early 2002.

A number of countries in the region do not have

fully fledged NSBs. To this effect, technical assistance was provided to Rwanda and Namibia to look at organisational structures, legal status and mandates, as well as the aims and objectives. Technical assistance was also extended to countries with established NSBs. In addition, the program during the period recruited an international expert who conducted training on Implementation of Hazard Analysis of Critical Control Points (HACCP) System focusing on Conformity Assessment and Risk Assessment activity in Malawi and Zambia.

COMESA BUSINESS FORUM

The fourth COMESA Business Forum was held in Cairo, Egypt on 21st May, 2001, based on the theme: "COMESA Free Trade Area: A Gateway to Investment".

Some of the topics discussed at the Forum were: Promoting Policy Dialogue Between the Public and Private Sector, and other Stakeholders; Communications, Infrastructure and Service Provision in the FTA; and Industrialisation Under the Free Trade Regime. The group presentations and discussions were presided over by the Minister of Finance, Economic Planning and Development of the Republic of Zimbabwe Dr Simba Makoni.

COMPETITION POLICY

Concern that the benefits of trade liberalisation could be denied through anti-competitive business practices has prompted COMESA to begin work on the formulation of a regional competition policy to meet the needs of countries at different stages of development.

This policy shall be consistent with provisions and intent of the COMESA Treaty and with internationally accepted practices and principles of competition especially the principles and rules of competition elaborated by UNCTAD under the United Nations set of multilaterally agreed equitable principles and rule for the control of Restrictive Business Practices. Currently only three COMESA countries Kenya, Zambia and Zimbabwe have passed Competition Legislation and established fully functional competition authorities. Malawi has passed the law but not yet implemented it. Namibia, Mauritius, Uganda and Swaziland are at various stages of drafting a competition law.

Between 26th to 30th November 2001 COMESA held a regional competition conference on competition

law and policy with the aim of building capacity and raising awareness of competition issues. This workshop was held in Kampala, Uganda.

Prior to the Kampala Conference, COMESA had organised and participated in a number of meetings, workshops, seminar and fora on competition policy. These are: COMESA/SADC/UNCTAD seminar on competition of July 2000; UNCTAD's Intergovernmental Experts Group (IGE) meetings on Competition; the July 2000 Competition Roundtable organised by the Department of International Development of the UK; the October 2001 Global competition Forum of the OECD Committee on competition law and policy; and various meetings of the WTO working Group on the interaction between Trade and Competition policy.

INFORMATION AND NETWORKING

The Secretariat, using funds secured from USAID/ REDSO IESA, purchased computers, printers and scanners for the co-ordinating ministries of the member states. In its own capacity the Secretariat also purchased twelve computers for its staff. The computers and printers were distributed to the following member states: Egypt, Ethiopia, Kenya, Malawi, Mauritius, Namibia, Rwanda, Uganda, Swaziland, Zambia and Zimbabwe. Additional computers are to be distributed to Angola, Burundi, Comoros, DR Congo, Djibouti, and Madagascar. Sudan also received a computer with the assistance of COMESA Secretariat.

PART V: CO-OPERATION ACTIVITIES

a) Development PARTNERS Regional and Multilateral Organisations.

In the year 2001, COMESA made efforts at the technical and political level to strengthen ties with its partners and other regional and multilateral Organisations.

In this light COMESA undertook high-level missions to the EU, China, Sweden and Saudi Arabia. This was with the aim of informing and consulting with these partners on issues of mutual concern.

It actively participated in the OAU summits in Sirte, Libya and Lusaka, Zambia. It also took part in the First and Second Co-ordination Committee meetings that took place in Tripoli, Libya and Addis Ababa, Ethiopia.

In the same year, COMESA also held discussions with the Directors of the UNESCO Sub- regional offices for Eastern Africa and Southern Africa to enhance collaboration with the two offices. COMESA also actively participated in preparations for ADF 2002 seminar that will take place in March 2002 in Addis Ababa, Ethiopia.

b) The European Union

In January 2001 EU and COMESA signed a 5 million Euro financing agreement to undertake a pilot programme designed to develop the capacity of five East African countries (Eritrea, Ethiopia, Kenya, Rwanda and Uganda) in the production and utilisation of official statistics, mainly on trade.

In March 2001 COMESA and three other regional organisations East African Community (ECA), the Intergovernmental Authority on Development (IGAD) and the Indian Ocean Commission (IOC) met in Mauritius to discuss developing a Regional Support Strategy (RSS) and a Regional Indicative Programme. They also agreed to maintain the position to move together to form one enlarged programming region. Later in the year at their meeting in Brussels on 15 October 2001, the four organisations reviewed the first draft of the RSS. Once they finalise the RSS the four organisations will jointly develop a Common Regional Indicative Programme (RIP).

c) Economic Partnership Agreements (EPAs)

One of the objectives of the Cotonou Agreement, which replaces the Lome Convention, is that ACP member states enter into Economic Partnership Agreements (EPAs) with the European Union, either individually or collectively. In preparation for the negotiations of EPAs COMESA participated in the workshops on EPAs organised by the ACP Secretariat. The workshop for southern Africa was held in Gaborone, Botswana on 26th-28th August, while the one for East African countries was held in Nairobi, Kenya from 30th to 1st September 2001. One of the outcomes of the workshops was that the COMESA Secretariat commenced work on an in-depth study on the impact of EPAs in Eastern Africa. The COMESA study will include specific sections on IOC and IGAD.

d) USAID

In the year under review as a result of the initiative of the new USAID Administrator known as "The

Global Development Alliance" some unutilised funds from the two Limited Scope Guarantee Agreements (LSGAs) signed with COMESA were de-obligated. During the same reporting period, USAID/REDSO allocated to COMESA additional funds by way of amendment to the two LSGAs. The net result of the de-obligation and the amendment was to increase funds allocated to COMESA by about US\$600,000.

As part of the private sector support programme, COMESA and USAID jointly supported the participation of the private sector representatives from COMESA member states at the US-Africa Summit in Philadelphia in October 2001. The Summit contributed greatly towards introducing the potential in COMESA for trade and investment and also for the COMESA businesspersons to establish personal contacts with their counterparts in the US.

Another development that took place during the reporting period was the Professional Development Programme, which was negotiated and agreed upon with the University of North Texas. This programme aims to enhance the capacity of the professional staff of COMESA Secretariat through provision of short term courses on topics like administration and management, economic integration, dispute resolution, organisational skills, performance management etc. The US Government is to finance the programme.

On 5th September 2001 USAID and COMESA met in Lusaka to review their co-operation over the last three years. The level of co-operation, the achievements and the problems encountered were reviewed with a view to providing solutions to problems encountered. Later in October a tripartite meeting was also held in Gaborone, Botswana, between COMESA, the USAID Regional Office in Nairobi and the Regional Office in Gaborone to discuss how the two USAID offices could jointly support the COMESA Integration Program.

As a result of the excellent collaboration over the past three years between COMESA and the US Government, the two sides on 29th October 2001 signed the Trade and Investment Agreement (TIFA) which will promote trade and investment between the US and COMESA member states. COMESA is the first regional body to sign this agreement.

COMESA also actively participated in the US -Sub Saharan Africa Trade and Economic Forum that took place in Washington on 29th and 30th October 2001. The Forum focused on the implementation of

AGOA, on key WTO issues and on how to strengthen commercial links between Africa and the USA.

e) World Bank

COMESA and the World Bank worked closely together in consolidating the Regional Integration Facilitation Forum (RIFF), as well as in the establishment of the African Trade Insurance Agency (ATI).

The World Bank also showed willingness to work with COMESA in the area of transportation and telecommunications.

f) The International Monetary Fund (IMF)

In the year 2001, COMESA continued to co-operate with the IMF, which is a co-sponsor of the Regional Integration Facilitation Forum (RIFF). COMESA also initiated discussion with IMF and the World Bank to urge them to develop a programme of support to help countries meet the short term costs of adjustment which come about as a result of implementing COMESA trade liberalisation measures.

g) The African Development Bank (ADB)

On 30th May 2001, under the ADF funds earmarked for supporting multi-national projects and programmes, COMESA and the African Development Bank (ADB) signed a Grant Protocol Agreement which provides for 1,170,000 units of account to support the COMESA public procurement reform programme.

In October of the same year COMESA mounted a mission to ADB, which was headed by the Assistant Secretary General. During the mission COMESA presented five projects for the bank's consideration. The Bank expressed a strong interest in supporting two of the projects combined as one. These projects were 'Facilitating Safe Agricultural Trade Within and Outside the COMESA Region' and 'The Establishment of a COMESA Food and Agricultural Trade Promotion Unit'. Furthermore, the Bank agreed to send an identification mission in the first quarter of 2002.

h) The World Trade Organisation (WTO)

COMESA retains a strong interest in developments at the WTO as fifteen of its twenty member states are members of WTO and three are observers. It

is currently formulating two programmes with the support of the African Capacity Building Foundation (ACBF) and USAID to enhance the capacity of the member states and Secretariat staff on WTO issues.

Preceding the fourth WTO Ministerial Conference in Doha Qatar in November 2001, COMESA in conjunction with SADC held a trade ministers preparatory meeting on 30th July 2001 in Cairo Egypt. The meeting was mandated to craft a common position on the fourth WTO conference.

i) The Commonwealth Secretariat

To assist the member states with future WTO negotiations, COMESA secured the assistance of the Commonwealth Secretariat to provide a regional adviser to be based at the Secretariat and five national advisers who will be based in five members states, which are also Commonwealth countries. These experts will provide technical assistance in the elaboration of policy positions; undertaking required research, analysis and participating in negotiating fora.

In September 2001, the Commonwealth Secretariat visited the COMESA Secretariat to explore areas of mutual co-operation and to discuss how it can support COMESA's trade and economic integration efforts.

j) The Common Fund for Commodities (CFC)

In the period under review the Common Fund for Commodities (CFC) supported project to promote trade in value added fish products was operational, while the project to study rice production is under consideration.

Also in the year under review, COMESA and CFC held discussions regarding a project to undertake a pilot study on the feasibility of establishing a Regional Commodity Exchange in the COMESA region. The study will focus on selected agricultural products that are major foreign exchange earners.

k) The African capacity Building Foundation (ACBF)

In the period under review, COMESA formulated a major capacity building programme, which was submitted to ACBF for consideration. The programme focuses on building the capacity of COMESA member states to optimise national benefits to be gained from regional and international trade.

APPENDIX I - FINANCIAL STATEMENTS

BUDGETARY CONTRIBUTION TO THE SECRETARIAT BY MEMBER STATE, 2001

Member State	Assessment for 1998	Assessment for 1999	Assessment for 2000	Assessment for 2001
	COM \$	COM \$ ¹	COM \$	COM \$
Angola	417,427	343,252	-	-
Burundi	118,685	132,020	145,432	166,359
Comoros	50,720	57,400	62,922	56,393
Congo, DR	384,966	340,956	375,155	384,600
Djibouti	-	57,400	62,922	56,393
Egypt	659,363	746,200	820,949	733,109
Eritrea	50,720	57,400	62,922	56,393
Ethiopia	298,235	266,910	293,832	307,906
Kenya	659,363	676,172	743,781	733,109
Madagascar	190,201	199,178	219,038	236,287
Malawi	167,884	179,088	197,075	215,421
Mauritius	382,430	380,562	418,488	425,767
Namibia	156,218	175,070	192,326	210,910
Rwanda	102,455	133,742	147,213	168,615
Seychelles	50,720	57,400	62,922	56,393
Sudan	312,436	321,440	353,786	364,299
Swaziland	133,394	141,204	155,523	175,946
Tanzania*	400,690	319,144	350,818	-
Uganda	188,172	208,362	229,130	246,437
Zambia	347,941	271,502	298,581	311,853
Zimbabwe	659,363	675,598	743,187	733,109
Total	5,731,383	5,740,000	5,936,002	5,639,299

*Tanzania ceased its membership to COMESA in the year 2000.

BUDGETARY CONTRIBUTION TO THE COURT OF JUSTICE BY MEMBER STATE, 2001

Member State	Assessment for 1999 COM \$	Assessment for 2000 COM \$	Assessment for 2001 COM \$
Angola	29,509	-	-
Burundi	11,350	14,526	17,568
Comoros	4,935	6,285	5,955
Congo, DR	29,311	37,471	40,616
Djibouti	4,935	6,285	5,955
Egypt	64,149	81,998	77,420
Eritrea	4,935	6,285	5,955
Ethiopia	22,946	29,349	32,516
Kenya	58,129	74,290	77,420
Madagascar	17,123	21,878	24,953
Malawi	15,396	19,684	22,750
Mauritius	32,716	41,799	44,963
Namibia	15,050	19,210	22,273
Rwanda	11,498	14,704	17,807
Seychelles	4,935	6,285	5,955
Sudan	27,634	35,337	38,472
Swaziland	12,139	15,534	18,581
Tanzania	27,436	35,040	-
Uganda	17,912	22,886	26,025
Zambia	23,341	29,823	32,933
Zimbabwe	58,080	74,231	77,420
TOTAL	493,457	529,900	595,538

AUDITED ACCOUNTS OF THE COMESA SECRETARIAT FOR THE YEAR ENDED 31ST DECEMBER 2000

INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2000

	1997 Actual UAPTA	1998 Actual COM \$	1999 Actual COM \$	2000 Actual COM \$
INCOME				
Contributions from Member States	3,070,000	5,731,383	5,740,000	5,936,002
Miscellaneous Income	83,539	116,455	199,590	219,873
Total Income	3,153,539	5,847,838	5,939,590	6,155,857
Expenditure				
Secretary General's Office	357,492	646,100	786,731	910,432
Administration Division	808,106	1,411,778	1,578,330	1,486,313
Investment Programming and Private Sector Development Division	350,062	392,168	397,581	470,301
Trade and Customs and Monetary Harmonisation Division	215,935	303,647	320,374	485,862
Infrastructure Development Division	161,525	186,767	137,264	178,459
Information Networking Division	-	-	167,978	164,065
Consultancy	76,436	102,399	165,396	150,226
Meetings	152,708	440,407	618,931	458,460
Development Expenditure	-	-	163,274	364,055
Total Programme Expenditure	3,483,266	2,122,062	4,335,859	4,668,178
Other Expenditure				
Contributions written off		2,547,687	353,344	1,273,990
Depreciation	-	-	-	167,116
Provision for Audit Fees	-	16,000	16,000	
Lotti House Amortisation	18,000	28,994	28,994	
Other Provisions	64,174	-	42,123	
Fluctuation in Exchange Rate	-	40,028	40,028	65,982
Write back of charges	(84,684)	-	-	(42,416)
	-			
Excess of Income over Expenditure Transferred to Contingencies Funds	1,033,987	(268,137)	1,208,264	23,030

**COMMON MARKET FOR EASTERN AND SOUTHERN AFRICAN STATES
(COMESA) - SECRETARIAT**

BALANCE SHEET - 31 DECEMBER 2000

	Notes	2000 COM \$	1999 COM \$ (As restated)
ASSETS			
Non-current assets			
Fixed assets	3	<u>839,579</u>	<u>677,433</u>
Current assets			
Loan and advances	4	2,041,474	1,699,053
Outstanding contributions	5	8,498,362	7,917,247
Bank balance and cash	6	<u>627,892</u>	<u>1,440,292</u>
		<u>11,167,728</u>	<u>11,056,592</u>
Total assets		<u>12,007,307</u>	<u>11,734,025</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated Fund	7	<u>11,234,235</u>	<u>11,213,554</u>
Members' Fund		<u>11,234,235</u>	<u>11,213,554</u>
Capital grants	8	144,901	-
Current liabilities			
Creditors	9	627,119	508,501
Bank overdraft	10	<u>1,052</u>	<u>11,970</u>
		<u>628,171</u>	<u>520,471</u>
Total equity and liabilities		<u>12,007,307</u>	<u>11,734,025</u>

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