

COMESA

Common Market for Eastern and Southern Africa



Annual Report 2006



COMESA

member States are:

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

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

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

Letter of Transmittal from the Secretary General

**His Excellency Ismail Omar Guelleh
President of the Republic of Djibouti and
Chairman of the COMESA Authority
State House
Djibouti**

Your Excellency,

In accordance with the provisions of Article 1, Paragraph 8 of the COMESA Treaty, I have the honour and privilege to submit to you, Sir, the COMESA Annual Report for the year ending 31st December, 2006.

The Report covers the general performance of the world economy, Africa, and the COMESA economies and how they relate to and influence our regional integration agenda. It also covers the activities of the COMESA Organs, Secretariat and COMESA Institutions in support of member States in the quest to achieve regional economic integration.

You will note, Mr Chairman, that, as in previous years, COMESA countries continue to consistently pay their budgetary contributions to the Secretariat. Your Secretariat also continues to receive support from a number of co-operating partners. This co-operation is also described in the Report. The member States continued to implement the various COMESA integration programmes including expansion of the Free Trade Area (FTA) and preparation for launching of the Custom Union.

This shows the unflagging commitment of the member States to COMESA and the continued confidence of our co-operating partners in the institution.

We have every confidence that this spirit of commitment and co-operation will continue as we enhance the region's single market and move towards achieving more advanced forms of integration.

**Erastus J.O Mwencha, MBS
SECRETARY GENERAL**

Message from the Chairman of the Authority

It gives me much pleasure, to introduce the COMESA Annual Report for the year 2006.

The Report vividly demonstrates progress made by our organisation over the year, and the role it has continued to play regionally, continentally and within the international arena. This role bears testimony to our common resolve to change the status quo in order to improve the standards of living of our people and to guarantee a better future. The year 2006 was indeed, as the report shows, a very busy one for our region. The COMESA Authority, the Council of Ministers, different COMESA organs and institutions, our Secretariat with the support of our cooperating partners all worked tirelessly to enhance our integration agenda.

Our COMESA institutions have continued to play a very meaningful role. The PTA Bank continues to mobilise investment funds. Our re-insurance company, (ZEP-RE), has literally gone continental in its reinsurance offerings. The African Trade Insurance Agency, (ATI), that was created to serve the whole continent, developed new products within the year under review. The COMESA Court of justice, now with two chambers, continues to ensure that we remain rules based. The Leather and Leather Products Institute, (LLPI), has grown from strength to strength and indeed it now owns its own headquarters. The COMESA Clearing house continues to work on the payments systems. The COMESA Regional Investment Agency (RIA) was officially launched in 2006. Several jobs have also been created in our Member States as a result of increased trade and investment that has been brought about by our integration with the support of all the above institutions.

The COMESA FTA, the first of its kind in Africa, continued to witness expansion in membership, and at the Summit that took place in Djibouti, we saw the number increase to 13. We hope to bring in all the rest ahead of the Customs Union to be launched by 2008. In the international arena COMESA continued to play a leading role in Economic Partnerships Agreements (EPAs) negotiations going on between the EC and ACP countries.

Because of our focus and tangible results, COMESA has continued to gain support from the international community. We are grateful to all the partners that have continued to render us support.

Besides our traditional partners namely Europe and the US, the year 2006 saw our institution enhance its cooperation with Asian countries, particularly China, India and the Gulf States.



The accomplishments that our region continues to attain are driven by common ideals and principles, particularly the principle of integration which is fundamental to our development.

Our regional integration arrangements focus on promoting co-operation to enhance sustainable growth and development knowing very well that ours is a means not an end. We are all aware that our organisation is first and foremost a building bloc for the African Union. We shall therefore continue to strive to contribute to the overall African economic integration. Africa can only compete globally if it integrates with itself. The ultimate objective therefore is to integrate our economies into the global economy and COMESA is the best vehicle for that as it assures more trade, more growth and development.

Finally, I wish to state that it was a pleasure, for me and an honour for Djibouti to serve as Chairman of COMESA. I am indeed grateful for the support and co-operation that our Member States and my fellow Heads of State and Government gave me during my tenure of office.

Let us build on the strong foundation that COMESA provides and march forward with even more determination for the betterment of our region and our continent as a whole.

**H.E. Ismail Omar Guelleh,
President of The Republic of Djibouti,
and Chairman of The COMESA Authority.**

COMESA Annual Report 2006

1.1 Growth Estimates for Gross Domestic Product (GDP) in 2006

Projections for global GDP growth for 2006 are optimistic, with most countries expected to exceed the forecasts made in the first quarter of the year. Overall world GDP growth is estimated at around 5 per cent, slightly higher than the 4.7 per cent forecast by most economists early in the year. Indeed, there seems to be a continuous trend for economists to prudently forecast on the low side: the 2005 forecast, for example, had been around 4.3 per cent, but actual growth ended up close to 4.8 per cent.

1.2 Projections for 2007

The projection for global GDP growth in 2007 is 4 per cent. If this forecast proves accurate, it would mean the lowest such growth in the last three years.

Developments in the U.S. and Chinese economies will continue to have major impacts on the rest of the world. It is worth noting, however, that the U.S. economy has experienced slow growth for two consecutive years and is expected to slow even further in 2007: projected GDP growth to USA is just above 2 per cent, lower than the 3.75 per cent and 3.5 per cent experienced in 2005 and 2006, respectively. Amongst the causes of this continued decline in growth are continued monetary tightening, the fall in real estate values on the U.S. market as well as increased military expenditures. It is projected, therefore, that there will be a small "growth recession" in the U.S. in 2007, and a substantial slowdown in global GDP growth, which is estimated at 4 per cent. A small consolation is that developing countries will generally show above average GDP growth, projected at 6 per cent. Even if attained, such a figure would be below 2006 growth, which is estimated to be approximately 7 per cent.

1.3 China Continues to be Fastest Growing Economy

China continues to be the fastest growing developing economy, with an annual growth of

above 10 per cent per annum. The China Statistical Agency projects that GDP growth in 2006 will be 10.5 per cent, although other sources, such as the Institute for International Economics in the U.S. put it slightly lower at 10.25 per cent, which would in any case remain one of the highest rate in the world. This is followed by India at 7.75 per cent. On average, GDP in Africa is expected to have grown at 5.8 per cent, a healthy rate, but still below the targeted Millennium Development Goal (MDG) of 7 per cent.

1.4 Global Oil prices have tripled since 2002

One major factor that continues to influence the global economy in recent years is the movement of oil prices. Such prices have tripled since 2002. During 2006, global oil prices continued to rise reaching US\$78 per barrel by July-August before falling to below US\$70 in the final quarter of the year.

Despite continued high energy prices, global energy demand continues to grow. It is expected that in 2007 there will be more than 3 per cent increase in world energy consumption, with growth continued to be led by China. Global oil demand will continue to rise in 2008. Nevertheless, the cost of oil (subject naturally to developments in the Middle East) is expected to be slightly lower in 2007 than 2006. It is estimated that the average oil price in 2007 will be about US\$65 per barrel, still a high figure when one recalls that only four years ago it was just above US\$20.

The year 2007 will see reduced economic growth in all major economies, with the U.S. and Western Europe growing at only around 2 per cent, and even China falling from more than 10 per cent to less than 9 per cent, and Japan from 3 per cent to just above 2 per cent. Overall global growth will fall from 5 to 4 per cent.

Fig 1

1.5 Real GDP Growth Rate Projection 2005-2007 (percentage change year-on-year in major economic zones)

	2005	2006	2007
Country/Region			
Developed Countries	2.75	3	2
United States	3.75	3.5	2.25
Canada	3	3	2.5
Japan	2.25	3	2.25
Western Europe	1.75	2.5	2
United Kingdom	2	2.5	2.25
Other Western Europe	2.25	3.25	2.5
Euro area	1.5	2.25	1.75
Germany	1	2.25	1.5
France	1.25	2.25	1.75
Italy	0	1.5	2.75
Other Euro Area	2.75	3.25	2.5
Developing Countries	7	7	6
Asia	8.5	8.5	7
China	10.25	10.25	8.75
India	8.5	7.75	7
Other Asia	4.75	5.5	4.5
Latin America	4.25	4.25	3.75
Argentina	9.25	7.5	4.5
Brazil	2.25	3.75	3.75
Mexico	3	4	3.25
Other Latin America	7	5	4
Central and Eastern Europe	5	4.5	4
Commonwealth of Independent States	7	7	6
Russia	6.5	6.5	6
Middle East	6	5.5	5
Africa	5.3	5.8	5.5

Source: Institute for International Economics (U.S.) and COMESA Statistics

2.1 African Growth Estimates Optimistic

Africa has shown continuous growth over the past few years. This strong economic performance, and prospects for the future, can be attributed to a certain degree to an improvement in peace and security. There has been relative absence of armed conflicts in comparison to the last decades, despite continuing problems in Chad, Somalia and Sudan, Ivory Coast and to a certain extent DR Congo.

In addition, strong commodity prices, particularly benefiting Africa's oil exporters, such as Angola, Congo Brazzaville, Equatorial Guinea, Nigeria and Sudan, as well as historically high and stable prices of minerals, benefiting countries such as Botswana, Namibia and Zambia, played an important role. There is danger, however, in continued reliance on exports of unprocessed products.

Estimates for 2006 indicate that African GDP growth is expected to have risen to 5.8 per cent, up from 5.3 per cent for 2005. However, such growth is projected to ease to 5.5 per cent in 2007. This growth rate, whilst healthy, would remain below the MDG target of 7 per cent. There clearly remains a need for increased value addition and measures to alleviate supply-side constraints if most African economies are to enjoy sustainable economic growth.

2.2 Oil Producing Countries Projected to Remain Stable in 2007

Most African economies, particularly the oil producing ones, are projected to remain stable in 2007, and a number of them will enjoy balanced growth, with inflation in check. Most will be able to keep inflation in the single-digit range, and virtually everywhere where double digit inflation continues, it will be within manageable limits. Indeed, inflation in Africa is expected to be at its lowest level in the last 25 years.

A sample of oil-producing countries gives a clear picture. Angolan GDP, for example, is expected to grow by 8.3 per cent, with inflation maintained at 16.6 per cent; Congo Brazzaville's GDP growth is estimated at 3 per cent, with inflation of 4 per cent;

Cameroon is expecting GDP growth of 4 per cent and inflation of 3 per cent; Equatorial Guinea's GDP growth is forecast at 6.5 per cent and inflation at 4.1 per cent; Sudan, despite the problems in Darfur, is expected to grow at 11.8 per cent, with inflation at only 8.5 per cent. The insecurity in Chad, however, is expected to lead to slow growth despite the fact that it is an oil exporter: its GDP growth is estimated at 2 per cent, accompanied by 4 per cent inflation. Similarly, Nigeria is likely to experience negative effects on oil production due to continued militant activities in the Niger Delta, with GDP growth of 5.3 per cent and inflation of 10.9 per cent. A number of African oil exporters will continue to have China as their best customer.

Countries that export metals and those that have invested in tourism are also expected to do quite well. Namibia, for example, is expected to enjoy 5 per cent GDP growth, with inflation of only 5 per cent, thanks to high outputs of diamonds, uranium and copper. However, she still faces a serious problem with income inequality. Mozambique will also see favourable macroeconomic developments with economic growth of 7.5 per cent and 8.9 per cent inflation. Zambian GDP growth is expected to be 6.2 per cent with inflation at 8.6 per cent.

The tourism industry will do well, especially in countries, such as Kenya, where the bulk of tourists come from the Euro zone. With an economy boosted by tourism, horticulture and tea, Kenya's GDP is expected to grow by 5.5 per cent in 2007 with inflation at 8 per cent.

It is important to note that a low, manageable level of inflation is not harmful to the economy, as it encourages money markets: borrowing is encouraged because in real terms the amounts repaid are worth less and banks also avoid holding large amounts of cash.

Africa is now viewed by many as the "continent of the future." Much, however, will depend on whether it remains united on the international front, enhances peace and security, and fast tracks its integration agenda. It is worth noting that one major asset that China and India, the world's fastest growing economies, have is the size of their domestic markets.

2.3 Investment

In 2006, Africa's share of global Foreign Direct Investment (FDI) inflows remained below 2 per cent. Investments were largely in the following sectors: energy, information and communication technology (ICT), transport, mining and tourism and hospitality. Factors influencing investment performance include small domestic markets, the high cost of doing business, high cost of capital, difficulties in access to credit and a continued negative perception of the investment climate. In view of this negative perception, Africa may as well learn from China and India, where FDI is not foreign per se, but from their own Diasporas. Sixty percent of Chinese FDI is said to come from the ethnic Chinese Diaspora. In this regard, African countries, such as Cameroon, Rwanda, Senegal and Uganda, have the potential for large-scale remittances in the future.

2.4 Debt Relief and Global Politics in 2007

Several Sub-Saharan African Countries continued to participate in the debt cancellation process under the Highly Indebted Poor Country initiative in 2006, with several having reached the completion point. Nonetheless, the overall debt-stock remains high and cancellation remains a desired alternative.

The year 2007, however, will witness remarkable political changes that might affect decisions for better or worse depending, on where new leaders decide to put their focus. Germany, for example, will take over both the G8 and European Union (EU) Presidencies at the start of 2007. The current leadership in Germany has been known to advocate African debt cancellation. These political developments may also affect progress on the Economic Partnership Agreements (EPAs) under negotiation between the EC and the Africa, Caribbean, Pacific (ACP) countries.

Tony Blair will be stepping down after ten years as the British Prime Minister. The tenure of Jacques Chirac as the President of France will also come to an end, and in Washington George Bush will be in his last quarter, not to mention the fact that he will govern without a majority in Congress. The United Nations has a South Korean Secretary General. All of these developments are bound to have an impact on where the priorities of the world's great

powers will lie.

2.5 Africa-U.S. Trade under AGOA

2.5.1 Africa Investment Incentive Act of 2006

At a White House ceremony on December 20, President Bush signed into law "the massive tax-trade-health care package" that includes the Africa Investment Incentive Act of 2006, i.e. the long-awaited amendments to the legislation governing the African Growth and Opportunity Act (AGOA). In remarks delivered during the signing ceremony, President Bush observed,

"The bill is going to extend a series of programs with developing nations to give duty-free status to products they export to the United States. By encouraging exports, we're going to help nations in Sub-Saharan Africa, the Caribbean and Latin America to develop their economies and ultimately create new markets for U.S. goods and services."

"Trade is an engine of economic growth, and I'm looking forward to continuing to work with the new Congress to open up markets for farmers and manufacturers and service providers, and provide new opportunities for people around the world and help eliminate poverty".

The AGOA amendments include the following provisions:

- (1) *Extending the third country fabric provision for Least Developed Countries (LDCs) through 2012;*
- (2) *including the abundant supply provision for yarn/fabric found to be readily available in Africa in commercial quantities, including the designation of denim as being currently available in abundant supply up to 30 million square meter equivalents (sme); and*
- (3) *extending duty-free eligibility to yarns, fabrics and non-apparel textile products made in LDCs from yarn/fabric made in LDCs. This is positive .COMESA will not continue to advance contractual arrangements under AGOA.*

3.1 Overview

3.1.1 In 2006, COMESA Continued to Engage in Multilateral Trade Dialogue

The year 2006 marked six years after the launching of the COMESA FTA, and was only two years before the scheduling debut of the Customs Union. During the year, as in earlier years, the state of integration in the COMESA region was shaped by the pertinent global and regional events. The global dynamics dictated by technological developments, oil prices and globalisation of business mean that the region must position itself strategically to continuously derive optimum benefits. The combined efforts of COMESA States and their ability to respond to fast paced globalisation, commodity price increases, variable and unpredictable agricultural seasons and domestic policies supported by progress in peace and security were the major determinants of the region's economic performance.

It is in recognition of this that within the last few years, COMESA has continued to engage in multilateral trade dialogue as a launch pad to integrate the region into the world economy. However, the design of a just and equitable global trade architecture under the Doha Development Agenda remained elusive. The World Trade Organization (WTO) negotiations have stalled, largely because of the Developed Countries' unwillingness to compromise on issues of great concern to the Developing Countries. Even if the negotiations had succeeded in the format they were taking, the benefits to economies of COMESA member States, who in the majority are LDCs, would have been minimal because of their low global competitiveness. COMESA's position is that it is in the region's interest that the talks resume, as it is only through negotiations that the voice of LDCs can be heard and progress made. Despite the current stalemate, it is hoped that implementation will proceed in areas where agreement was reached, especially Duty Free/Quota Free market access for LDCs and Aid-for-Trade.

Notwithstanding the WTO framework, there is a global trend to create larger regional markets. The EU continued to expand; the Free Trade Area of the Americas continued to strengthen; so was the Asian Integration. The China-India FTA made progress. In Africa, one of the continent's economic powerhouses, South Africa, will be consolidating FTAs with Brazil and India, in addition to an existing Trade, Development Co-operation Agreement with the EU. These trade arrangements will impact on COMESA economies. There is growing evidence that the region is already losing markets in the USA and Europe, largely due to increasing competition from China and India. The possible expiry of the Multifibre Agreement was a threat. It was therefore some relief when third-country fabric provision for LDCs under AGOA, was extended to 2012 in December 2006.

Taking into account all the above examples and the need to face globalisation, there is an obvious need to react proactively to these developments and be better prepared. It is with this in mind that 16 Eastern and Southern Africa (ESA) countries all of them members of COMESA, have been negotiating EPAs with the European Union. COMESA's stand towards EPAs is that they should serve as an instrument for development, support regional integration, enhance its competitiveness and enable member States to integrate into the world economy, preserve the *Lomé* acquis and ensure special and different treatment for the future.

In 2006, a draft EPA text was concluded and submitted to the European Commission (EC). The text underlined the importance of the EPA to address development issues comprehensively mainly focusing on supply and infrastructure constraints as well as creating a conducive regulatory environment. EPAs are being negotiated in areas namely: Market access, Development, Agriculture, Fisheries, Trade-related Issues and Trade in Services.

There is a tendency on the part of the EU to use EPAs to influence configuration options. ESA maintains the position adopted at the 2003 Summit in Khartoum, Sudan, according to which EPAs should be a development instrument that

promotes and supports regional integration, whilst being compatible with the WTO. It is imperative that trade is used as a development instrument. There is also need to secure effective market access in the EU if ESA countries are to benefit optimally from EPAs.

3.1.2 COMESA Agenda

To address the challenges arising from the global dynamics, COMESA member States have agreed to work together. Guided by its Treaty, and its vision and strategy, COMESA seeks to become a fully integrated economic community that is internationally competitive and ready to merge into an overall African Economic Community for the prosperity of the continent. COMESA's economic integration process takes on board global developments without losing sight of its vision for the region. The COMESA Roadmap envisions progress through the stages of a PTA, FTA, Customs Union, free movement of persons, Monetary Union and eventually an Economic Community.

In 2006, COMESA worked towards the completion of unfinished business related to the Common External Tariff (CET) for member States, with the view to meeting the target launch date for the Customs Union of December 2008. Progress was made towards the harmonisation of the administrative procedures and technicalities of customs management in the member States.

3.2 Economic Performance in COMESA

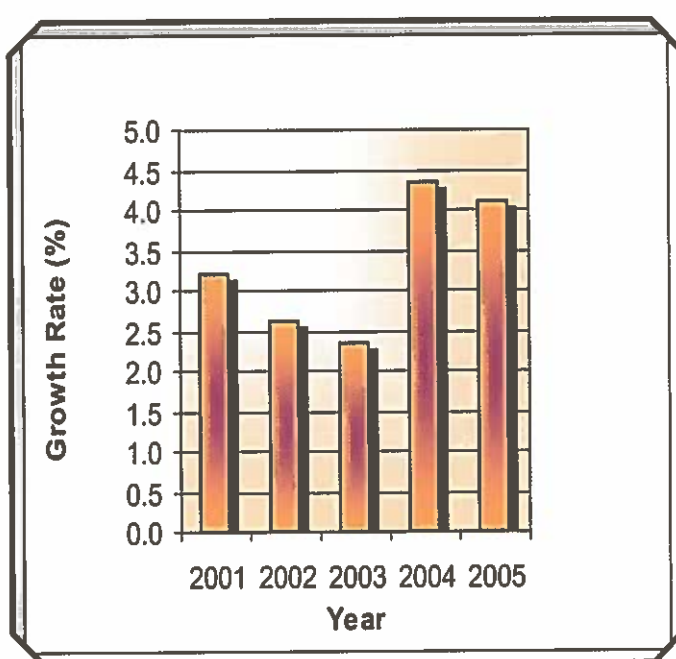
3.2.1 Economic Growth

The economic performance of the COMESA region has been respectable, although still below the desired target for the MDGs. At the end of 2005, GDP growth for the COMESA region was estimated at only 5 per cent, but more recent estimates put the growth rate at 5.8 per cent. This was close to the 6 per cent achieved in 2004. Growth in 2006 was buoyed by the high prices of petroleum and metal products. During the same period, the average growth rate for the entire African continent was 4.9 per cent. Total COMESA exports increased by 54 per cent in 2006, whilst imports surged by 46 per cent, primarily due to higher fuel prices.

In 2005/2006, the oil-exporting economies saw

the fastest growth with Sudan's economy growing at 13.4 per cent in 2005 and an estimated 12 per cent in 2006 and a projected 11.8 per cent in 2007. Non-oil economies that export mineral and metal commodities also witnessed strong growth. GDP in DR Congo grew by 6.2 per cent in 2005, and on the heels of the democratic process that came at the end of 2006, it is expected to grow at 7 per cent in 2007. Zambia is expected to grow at 6.2 per cent. The agriculture and tourism sectors are also expected to do well in the future, with Kenya expected to grow at 5.5 in 2007 and Burundi, which is rebuilding its economy, at 5 per cent.

Fig 2



COMESA GDP Annual Average Growth (constant prices)

Source: International Monetary Fund (IMF)

3.2.2 Inflation

During 2006, as in 2005, inflation remained generally low, as many countries recorded single digit rates. Low inflation rates lead to low interest rates, encouraging long-term investment. High interest rates, on the other hand, tend to encourage short-term investments such as trading in treasury bills.

Fig 3**Inflation (annual percentage change)**

	2001	2002	2003	2004	2005
Burundi	9.3	-1.3	10.7	8	13.6
Comoros	5.6	3.5	3.8	4.5	4.9
DR Congo	357.3	25.3	12.8	4	21.4
Djibouti	1.8	0.6	2	3.1	3.1
Egypt	2.4	2.4	3.2	10.3	11.4
Eritrea	14.6	16.9	22.7	25.1	12.4
Ethiopia	-5.2	-7.2	15.1	8.6	6.8
Kenya	5.8	2	9.8	11.6	10.3
Libya	-8.8	-9.9	-2.1	-2.2	2.5
Madagascar	6.9	16.2	-1.1	14	18.4

Source: IMF

3.2.3 Investment

As already indicated, Africa's share of global FDI inflows remains below 2 per cent. The percentage is even lower for Sub-Saharan Africa, where most of COMESA countries are located. Investments have largely been in the energy, ICT, transport, tourism and hospitality and mining sectors. Factors influencing investment performance include the small domestic markets, the high cost of doing business in the region, the high cost of capital and poor access to credit.

The immediate objective of the COMESA regional integration agenda is to create a larger regional market and to reduce the cost of doing business in the region. To further encourage investment in COMESA, the Investment Framework Agreement will be ready for consideration and adoption by the policy organs in 2007. It will be operational after at least six member States have signed and ratified it.

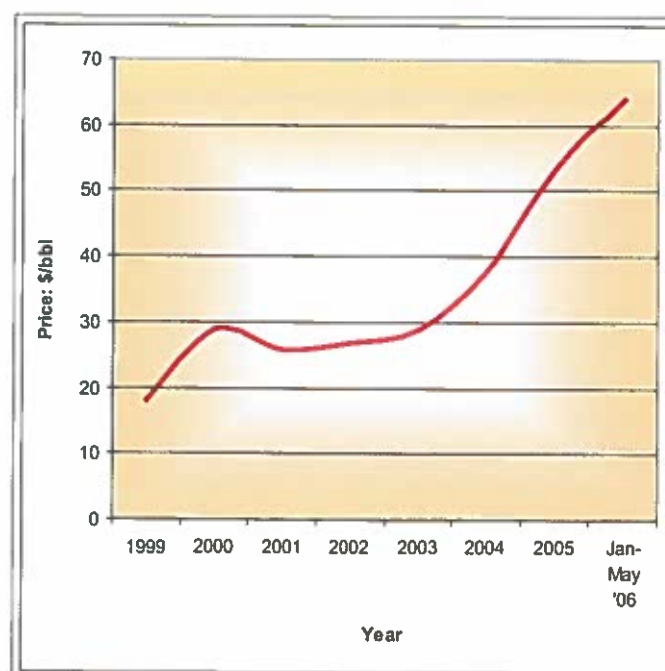
The COMESA Regional Investment Agency (RIA), based in Cairo, Egypt, was officially launched in June 2006. It aims to attract and promote regional investment by, inter alia, creating synergies with national investment agencies.

3.2.4 Commodity Trends

The dynamics of global commodity prices have a direct impact on the economies of the region.

As earlier indicated, for instance, energy price dominated headlines, as oil prices reached a record of US\$78 between July and August 2006, up from US\$70 per barrel in 2005. Oil prices are expected to remain well above US\$70 per barrel in 2007. Non-energy commodities registered a 13 per cent increase in prices. The performance of energy price translated into windfall gains for oil exporters. Contributing to these developments were the prices of beverages and minerals and metals, which rose by 24 per cent and 27 per cent, respectively, in 2005. Most COMESA economies are net exporters of primary products, and agriculture continues to be the largest exporting sector in the region. The fact that the U.S. dollar, in which most of the region's commodity prices are valued, is expected to fall against other major international currencies will mean that most countries will have to export proportionately more of the primary products in exchange for less oil and finished industrial goods.

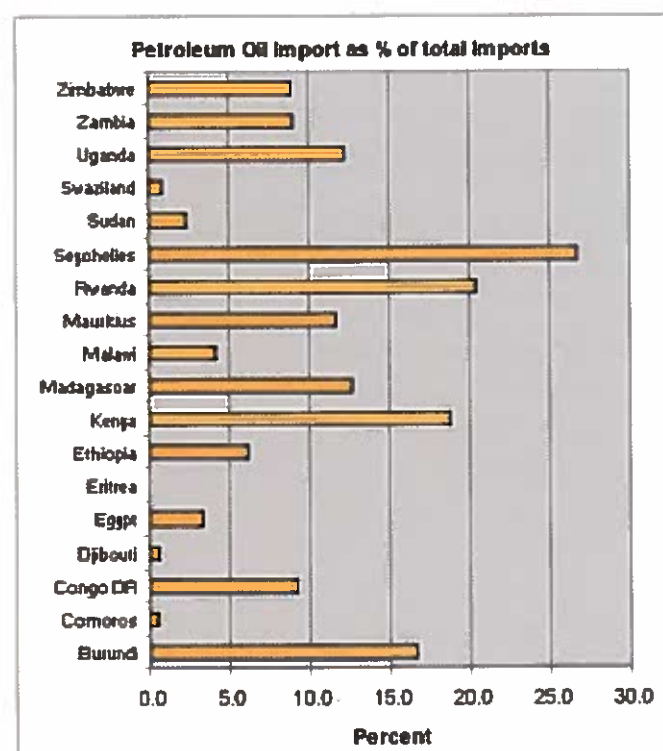
The impact of oil has a double-sided effect as petroleum imports constitute a significant proportion of most COMESA countries' import profile. The proportions of petroleum imports to total imports in 2005 for example ranged from 2 per cent for Swaziland to 27 per cent for Seychelles.

Fig 4**Average Annual Oil Prices**

Source: World Bank (Pink Sheet)

Fig 5

Petroleum Imports as Percentage of Total Imports



Source: National Statistical Offices

Tea and coffee are key export commodities for many COMESA countries. Their performance was mixed in 2005. Coffee prices increased by 41 per cent in 2005 but as production remained the same in most countries; the increased earnings were due to the price effects. Burundi's coffee exports were adversely affected by drought.

Tea prices on the Mombassa market declined by 4 per cent. The performance of coffee bolstered the beverage index in 2005. For some COMESA countries, such as Malawi, the lower tea earnings in 2005 were due to drought.

The performance of metals and minerals was characterised by higher prices in 2005. Copper prices increased by 28 per cent and continued to rise into 2006. Nickel and zinc registered 7 per cent and 32 per cent increases in prices in 2005, respectively. Gold, iron and steel also gained.

Predicting future oil prices is difficult, but high prices are expected to continue in 2007, although predictions put the average oil prices within the

year at \$US65 per barrel, below the US\$70 plus that prevailed in 2006. This could have a particularly adverse effect on the terms of trade, as other commodity prices are expected to ease. Metal and mineral prices are forecast to decline, as are prices of agricultural products.

3.3 COMESA's Trade Performance with Outside World

3.3.3 COMESA-European Union Trade

The EU remains the major trading partner, accounting for about 30 per cent of total trade. COMESA exports to the EU grew by 32 per cent in 2005. This was largely due to high oil prices. Imports of fuels and mineral oils rise by 45 per cent in 2005. In all, mineral fuels and oils constituted 72 per cent of all COMESA originating imports in 2005. Libya and Egypt were the main COMESA exporters of mineral fuels and oils to the EU in 2005. Libya alone accounted for 72 per cent of mineral fuel and oil exports to the EU from COMESA in 2005.

Diamonds were the second most significant export product to the EU from COMESA in 2005. These gemstones came mainly from DR Congo.

Sugar is the largest agricultural import into the EU from COMESA. This was mainly sourced from Mauritius, with 2005 exports approaching US\$372m, representing a 7 per cent increase over the 2004 levels. Swaziland and Zimbabwe were the second and third largest COMESA exporters of sugar to the EU market. However, they registered declines of 15 per cent and 5 per cent, respectively, in their sugar exports to the EU.

Cut flower exports to the EU from COMESA were dominated by Kenya, whose exports increased to US\$330m, representing a 12 per cent rise in 2005 over 2004 levels. Ugandan exports of cut flowers increased by 7 per cent, whilst Zimbabwean exports declined in value terms by 23 per cent. Exports by Ethiopia are growing fast too.

Favourable coffee prices led to a boom in exports to the EU by COMESA producers. Ethiopian coffee exports to the EU increased to US\$194 million, representing a rise of 53 per cent over 2004 levels. Kenyan, Ugandan and Rwandese coffee exports to the EU rose by 21 per cent, 15 per cent and 48 per

cent respectively in 2005.

Tobacco exports to the EU in 2005 were dominated by Malawi, which exported US\$132 million compared to US\$122 million in 2004. Zimbabwean exports of tobacco registered a decline of 53 per cent in 2005. Tobacco exports from Zambia into the EU were worth US\$21 million.

Egyptian exports to the EU represent the most differentiated export profile within COMESA, with products such as airplane parts, ignition wiring sets, aluminium products, iron and steel products, ceramic products, textiles, polythene products and fertiliser in addition to petroleum products and natural gas.

Mauritius, Egypt and Madagascar are the key textile exporters to the EU in COMESA. The performance of chapter 61 and chapter 62 textiles is highlighted in table 5. Mauritian exports of chapter 61 and 62 textiles declined by 14 per cent and 12 per cent, respectively, in 2005. Egyptian and Madagascan export of chapter 62 textiles declined by 9 per cent and 4 per cent respectively, whilst Zimbabwean and Kenya exports of chapter 62 textiles declined by 40 per cent and 8 per cent respectively, in the same period.

Fig 6

Apparel Exports to European Union

	Chapter 61			Chapter 62		
	Articles of apparel & clothing accessories, knitted/crocheted			Articles of apparel & clothing accessories, not knitted/crocheted		
	2004 Millions, US\$	2005 Millions, US\$	Growth	2004 Millions, US\$	2005 Millions, US\$	Growth
Mauritius	507.6	434.5	-14.46	131.9	115.8	-12.26
Madagascar	108.2	139.4	28.74	89.6	85.9	-4.17
Egypt	272.4	272.7	0	150.5	137.0	-9.09
Kenya	3.0	2.7	-8.33	3.0	2.7	-8.33
Zimbabwe				10.4	6.2	-40.48
China	5330.5	8275.5	55.12	8953.1	12596.9	40.59
India	1234	1511	22.46	641.4	589.3	38.34
Thailand	564	484	-14.23	328.9	297.3	-9.60
Vietnam	141	167	0.46	489.5	515.9	5.41
Brazil	49.0	45.9	-6.36	26.3	33.2	26.19

Source: EUROSTAT Database

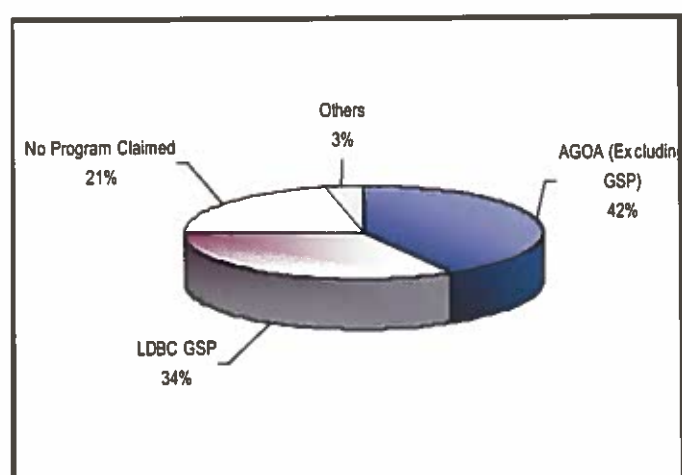
3.3.4 COMESA-U.S. Trade

COMESA country exports to the United States fall under two major U.S. import programmes, namely AGOA and the Generalized System of Preferences (GSP). The GSP system is further broken down into GSP for lesser developed beneficiary countries (LDBCs) and non-LDBCs. The distribution of trade

between the AGOA imports and the LDBC GSP imports was 42 per cent and 34 per cent, respectively, in 2005. Imports brought into the U.S. market under no preference programme constituted 21 per cent of the total imports. Imports under all other programmes including non-LDBC GSP programme constituted 3 per cent of the total.

Fig 7

COMESA Exports under AGOA (2005 shares)



Source: U.S. International Trade Commission (USITC) Database

Growth rates for AGOA imports excluding any GSP have been higher compared to the other programmes. Growth in COMESA exports to the USA under this provision in 2005 were 126 per cent over the 2004 levels. COMESA exports under the GSP for LDBCs programme registered 32 per cent growth in 2005. Exports of clothing formed the bulk of these exports under AGOA for the above countries. Ugandan and Ethiopian exports under AGOA grew by 21 per cent and 3 per cent, respectively, in 2005, albeit from small bases. A number of legible countries however did not take advantage of the facility.

Below is the performance of some of the legible countries in 2005 as compared to 2004

Fig 8

COMESA/U.S. Trade under AGOA

Country	Growth in AGOA Exports, in 2005	Percentage of Total AGOA Exports
Ethiopia	3.20%	0.07%
Kenya	-2.80%	5.27%
Madagascar	-13.20%	5.29%
Malawi	-7.60%	0.63%
Mauritius	-0.70%	2.84%
Namibia	-30.10%	1.03%
Swaziland	-8.80%	3.11%
Uganda	20.70%	0.09%
Zambia	-100.00%	0.00%

Fig 9

Duty Free Exports to the U.S.

	Duty Free Export to U.S.as of 30th November, 2006
Country	sme and % of tariff rate quota
Ethiopia	523,823 sme 0.14%
Kenya	10,888,459 sme 2.91%
Madagascar	8,881,662 sme 2.37%
Malawi	1,043,700 sme 0.28%
Mauritius	1,850,656 sme 0.12%
Uganda	56,113 sme 0.01%
Swaziland	6,951,138 sme 1.86%

Source: African Coalition for Trade (U.S.) (full report available on Web site (<http://www.acttrade.org>))

Exports to COMESA countries from the U.S. were almost US\$6 billion in 2006. Exports to Egypt formed the bulk of this, 54 per cent in all. Exports to Kenya and Ethiopia accounted for 11 per cent and 8 per cent, respectively. These exports were dominated by machinery, aircraft, vehicle accessories and cereals.

Non-oil export performance, however, was poor for all the above countries. Madagascar's AGOA exports declined by 13 per cent in 2005, whilst Swaziland's declined by 9 per cent. The observed negative performance is attributed to the removal of quota restrictions under the Agreement on Textiles and Clothing (1995-2004). This is demonstrated by the concurrent performance of major textile exporters such as China, which increased their exports to the United States at the expense of smaller producers such as those in COMESA. China increased its market share of apparel products to 27 per cent. AGOA-eligible COMESA countries registered slight declines in market share for the same products.

3.3.5 COMESA-India Trade

COMESA exports to India grew by 22 per cent to US\$664 in 2005. The exports were dominated by petroleum products (70 per cent), followed by cotton (10 per cent). COMESA exports constitute about 27 per cent of total trade with India.

On the other hand, COMESA imports from India grew by 12 per cent in 2005 to about US\$1.8 billion. The dominant imports are refined petroleum

products, rice, pharmaceuticals, steel etc.

Fig 10

COMESA's Trade with India (US\$ millions)

	2001	2002	2003	2004	2005
Exports	320.5	495.1	617.1	518.4	653.6
Re-exports	2.4	1.4	6.5	18.1	10.0
Total exports	322.8	496.5	623.6	536.5	663.6
Imports	975.1	1344.7	1080.7	1529.2	1782.0
Trade balance	-652.2	-848.2	-457.1	-992.7	-1118.3

Indian investors continued to invest in the region in 2006. In Uganda, for example, Indian investors built dairy and pharmaceutical plants. In Sudan, a power plant and a pipeline was built with Indian assistance, whilst in Zambia, Vendetta is mining copper and cobalt and Tata has set up a truck assembly plant in Ndola, which will gradually replace imports of some completely knocked down parts with COMESA produced components. Furthermore, India has funded the largest Information Technology (IT) Park in Mauritius. Through lines of credit to the PTA Bank from Exim Bank of India has provided funding to private sector projects in manufacturing and agriculture, which have created employment, contributed to export earnings and fostered regional integration.

3.3.6 COMESA-China Trade

The 2005 COMESA-China trade figures show a better balance from COMESA's standpoint, with COMESA exports representing about 40 per cent of total trade. However, over 90 per cent of COMESA exports to China in 2005 consisted of petroleum products, followed by raw cotton, marble and cobalt.

COMESA imports from China, on the other hand, have been steadily rising and grew by 42 per cent in 2005. Imports are more differentiated than exports.

Fig 11

COMESA's Trade with China (US\$ millions)

	2001	2002	2003	2004	2005
Exports	1,006	818	2,046	5,786	2,432
Re-exports	4	1	9	16	18
Total exports	1,010	819	2,055	5,803	2,449
Imports	1,284	1,612	1,777	2,630	3,739

3.3.7 COMESA-South Africa Trade

South Africa, although not a member of COMESA remains a major trading partner for a number of COMESA member States. COMESA exports to South Africa declined by 70 per cent in 2005 and now constitute only 21 per cent of the total trade. Major exports were copper, nickel ores, cotton, tea and tobacco. Zambia and Zimbabwe between them accounted for about 80 per cent of exports in this direction.

Imports by COMESA countries from South Africa declined by 24 per cent in 2005. Major imports in 2005 were petroleum products, helicopters, steel, motor vehicles and maize. Zambia, Kenya, Zimbabwe, Malawi and Mauritius in that order accounted for over 90 per cent of imports from South Africa.

Fig 12

COMESA's Trade with South Africa (US\$ millions)

	2001	2002	2003	2004	2005
Exports	1,058	1,378	2,889	2,697	810
Re-exports	27	38	32	45	35
Total exports	1,086	1,416	2,922	2,742	844
Imports	3,306	3,512	3,676	5,487	3,198

3.3.8 COMESA- Rest of Africa Trade (excluding South Africa)

COMESA-Africa (excluding South Africa) trade grew by 30 per cent in 2005. Such trade is evenly balanced, with COMESA exports accounting for 49 per cent of the total trade in 2005. These exports

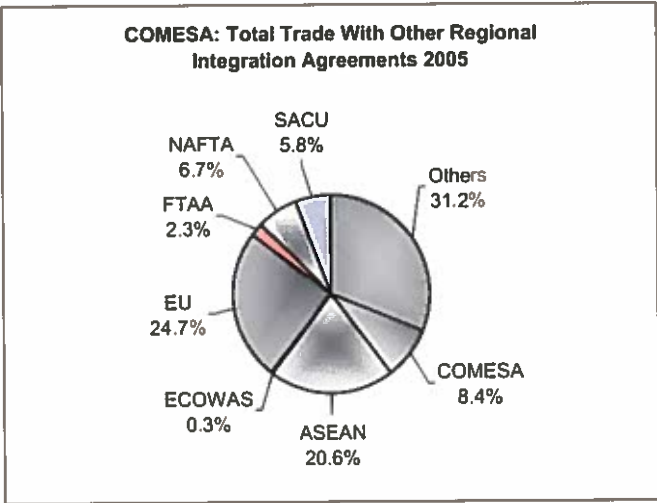
are also more differentiated and evenly distributed across the sectors than those to any other region.

There is more intra-industry trade with the rest of Africa so defined than is the case vis-à-vis South Africa. Major products in this category include petroleum, cement, copper products, tobacco, sugar and rice.

Fig 13
COMESA'S Trade with Africa (excl. South Africa)
(US\$ millions)

	2001	2002	2003	2004	2005
Exports	1,789	2,511	2,625	2,854	3,624
Re-exports	480	368	631	679	758
Total exports	2,269	2,879	3,256	3,533	4,382
Imports	2,104	3,136	3,169	3,196	4,519

Fig 14
COMESA: Total Trade with Other Regional
Economic Communities 2005



4.1 Introduction

Although many factors have contributed to COMESA's success over the years, there is no doubt that one of the most important ones is the efficiency of its decision-making process. Below is an outline of the structure and functions of each of the major COMESA organs, how each fits into the policy-making process, the ways in which they relate to one another and to the member States and the roles that they played in 2006.

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

The COMESA Authority comprises the Heads of State and Government; the Authority is COMESA's supreme policy-making organ. It is responsible for the general policy, direction and control of the performance of the executive functions of COMESA. It is headed by a Chairman elected for an agreed period.

The Authority meets once a year, but may hold an Extraordinary Summit at the request of any member of the Authority, provided that one-third of the members of the Authority support such a request. The last extraordinary Summit was held in 2000 at the official launching of the COMESA FTA. No Extraordinary Summit has been necessary since then. Summits are held in various member States, with the host Government and the COMESA Secretariat bearing joint responsibility for their organisation. Usually, the country hosting the Summit assumes the chairmanship of the Authority for the year.

4.2.1 Decision-making process:

Under normal circumstances, the Authority takes decisions by consensus. Although its meetings are in closed session, at the end of each meeting, the leaders issue a communiqué recording their decisions. The Authority sometimes issues declarations or statements on matters of particular concern. The directions and

decisions taken by the Authority are binding on all member States and the other organs to which they are addressed.

4.2.2 Eleventh Summit of the COMESA Authority of Heads of State and Government

The Eleventh Summit of the COMESA Authority of Heads of State and Government was held in Djibouti, Republic of Djibouti, on 15th and 16th November, 2006, under the theme, "Deepening Regional Integration through the COMESA Customs Union."

4.2.4 The following countries were represented at the Summit by their Special Representative to COMESA: Cuba, USA, France and India.

4.2.5 The following countries were also represented: Tunisia and Yemen

4.2.6 The following individuals represented their respective Organisations at the Summit:

Commissioner Dr Maxwell Mkwezalamba of the African Union (AU); Dr Attalla Bashir, Executive Secretary, Intergovernmental Authority on Development (IGAD); Ms Beatrice Kiraso, Deputy Secretary General, East African Community (EAC) Ms Jennifer Kargbo, United Nations Economic Commission for Africa.

4.2.7 The following represented the COMESA Institutions:

Honourable Nzamba Kitonga, President, COMESA Court of Justice; Dr Michael Gondwe, President, Eastern and Southern Africa Trade and Development Bank (PTA Bank); Mr Shadreck Lubasi, Managing Director, PTA Re-Insurance Company (ZEP-Re); Dr Kombo Moyana, Executive Secretary, COMESA Clearing House; Dr Geremew Debele, Director, Leather and Leather Products Institute (LLPI); and Mr Peter Jones, Managing Director of the African Trade Insurance Agency (ATI).

4.2.8 The following organisations were also represented:

COMESA Heads of State and Government



- (a) His Excellency Mr Ismail Omar Guelleh, President of the Republic of Djibouti
- (b) His Excellency Mr Robert Gabriel Mugabe, President of the Republic of Zimbabwe
- (c) His Excellency Mr Omer Hassan Ahmed El-Bashir, President of the Republic of Sudan
- (d) His Excellency Mr Meles Zenawi, Prime Minister of the Federal Republic of Ethiopia
- (e) His Excellency Mr Paul Kagame, President of the Republic of Rwanda
- (f) His Excellency Mr Isaias Afwerki, President of the State of Eritrea
- (g) His Excellency Mr Mwai Kibaki, President of the Republic of Kenya
- (h) His Excellency Dr Bingu wa Mutharika, President of the Republic of Malawi
- (i) His Excellency Mr Ikilou Nidhoime, Vice President of the Union of Comoros
- (j) Her Excellency Mme Marina Barampama, Second Vice President of the Republic of Burundi

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

- (a) His Excellency Mr Sam Kutesa, Minister of Foreign Affairs of the Republic of Uganda
- (b) His Excellency Mr M. Murlidhar Dulloo, Minister of Foreign Affairs, International Trade and Cooperation of the Republic of Mauritius
- (c) His Excellency Mr Patrick Pillay, Ministry of Foreign Affairs and International Cooperation of the Republic of Seychelles
- (d) His Excellency Dr Mathendele Dlamini, Minister of Foreign Affairs and Trade of the Kingdom of Swaziland
- (e) His Excellency Mr Rachid Mohamed Rachid, Minister of Trade and Industry of the Arab Republic of Egypt
- (f) His Excellency Kenneth Konga, Minister of Commerce, Trade and Industry of the Republic of Zambia
- (g) His Excellency Al-Tayab Al-Safi Al Tayab, Minister of Economy, Trade and Investment of the Libyan Arab Jamahiriya
- (h) His Excellency Mr Jacques Mamboleo, Head of the Delegation of DR Congo
- (i) Her Excellency Madam Justin Marie Angeline, Head of the Delegation of the Republic of Madagascar



Southern African Development Community (SADC); the African Capacity Building Foundation; the African Development Bank (AfDB); the EC; the U.S. Agency for International Development (USAID)/Regional Economic Development Services Office for East and Southern Africa; the World Bank; the East and Central Africa Global Competitiveness Hub (ECA Hub); Commonwealth Secretariat; the UN Food and Agriculture Organization (FAO); the ACP group of States; International Civil Aviation Organization; Gulf Cooperation Council (GCC); Association for Strengthening Agriculture and Research in Eastern and Southern Africa; and the International Organisation of the Francophonie (IOF).

4.2.9 Opening

His Excellency Ismail Omar Guelleh, President of the Republic of Djibouti, in his welcoming statement extended the hospitality of Djibouti to delegates attending the Eleventh COMESA Summit. President Guelleh expressed Djibouti's commitment, given its strategic location, to the COMESA regional integration agenda, and its preparedness to take over the Chairmanship of COMESA and to play its part towards the noble goal of establishing a Customs Union.

His Excellency Ismail Omar Guelleh noted that Djibouti is strategically located in COMESA to provide a transport gateway for the region to the world. He commended the progress that the region had made in peace and security building, good governance and democracy, which augurs well for deepening regional integration and spurring economic growth and development, which will lead to a reduction of poverty. President Guelleh reminded the Summit that the main challenge for the region is to consolidate peace and stability. Finally, he expressed the hope that COMESA would maintain the momentum towards establishing the Customs Union by 2008.

The outgoing Chairman of COMESA, President Paul Kagame of Rwanda, thanked the President and

people of Djibouti for the warm hospitality accorded to the COMESA delegates since their arrival in Djibouti. He indicated that he was pleased to hand over the Chairmanship to President Guelleh, who had shown visionary leadership in positioning Djibouti as an international trade hub and gateway amongst the Gulf States, Asia and Africa.

President Kagame observed that whilst peace and security were returning to the region, certain other conflicts, such as those in Darfur and Somalia, still required attention. He pointed out that these conflicts needed to be addressed to ensure that the integration agenda is not interrupted. The outgoing Chairman welcomed the joining of the COMESA FTA by the Comoros. In this regard, he observed that, despite earlier misgivings by some segments of the public and studies that had shown a negative impact on Rwanda of joining the FTA, the net effect had been positive for the country. Removal of duties had led to a reduction in input costs, spurring construction and employment creation and having multiplier effects on the economy. In addition, the Rwanda Revenue Authority had seen an increase in government revenue through the promulgation of domestic measures to replace lost tariff revenue. On that basis, he encouraged those member States that had not yet joined the FTA to do so and implement other key COMESA programmes such as the Protocol on the Free Movement of Persons.

President Kagame also stated that, despite having a population of over 400 million people and a combined gross domestic product of about US\$30 billion, COMESA was still a relatively small market compared to other regions and required deeper integration to improve production, industrial linkages and value addition and thereby diversify the region's production base. President Kagame implored the region to improve its competitiveness through investment in modern infrastructure. Finally, he wished the in-coming Chairman every success in taking the organisation to greater heights.



President Paul Kagame of Rwanda handed over to Ismail Omar Guelleh of Djibouti

4.2.10 Vote of Thanks

His Excellency Dr Bingu Wa Mutharika, President of the Republic of Malawi, congratulated His Excellency Ismail Omar Guelleh on assuming the Chairmanship of COMESA. He observed that his visionary leadership would help COMESA during his term of office. He stated that the region was confident that under the new Chairman's leadership, COMESA would achieve more milestones.

President Mutharika expressed the appreciation of all the Heads of State and Government and other delegates to His Excellency Paul Kagame for his leadership over the preceding period, during which the COMESA FTA expanded and COMESA's position on the international scene was consolidated. He further observed that significant progress had been achieved by COMESA in trade, economic growth and macroeconomic stability. However, he pointed out that the

new challenges and opportunities arising from the global environment should inspire COMESA to expedite the implementation of its regional integration agenda.

He concluded by stating that the Eleventh Summit of COMESA Heads of State and Government was an opportune occasion to move as one region, to face the global economic challenges and to share the benefits of regional integration, with the ultimate goal in mind of improving the livelihoods of the people of the region.

4.2.11 Bureau of Authority 2006-2007

After the formal opening of the Summit, the Authority elected by acclamation the Republic of Djibouti as Chairman, the Republic of Kenya as Vice-Chairman and the Republic of Rwanda as Rapporteur.

4.2.12 During the two days, the Summit pronounced itself on the following issues:

- (a) **NOTED** with appreciation the Report of the Secretary General on the State of Integration in COMESA.
- (b) **CONSIDERED AND ADOPTED** the Reports of the Twenty-second Meeting of the Council of Ministers and the Seventh Meeting of the Ministers of Foreign Affairs.
- (c) **ENDORSED** the recommendations of the Third COMESA Business Forum and agreed on the need to strengthen public/private sector partnerships.
- (d) **ENDORSED** the Communiqué of the Third Roundtable of the First Ladies of the COMESA countries, which took place concurrently with the Eleventh COMESA Summit.
- (e) **Trade and Customs Development**
 - **COMMENDED** the Union of Comoros and Libya for joining the COMESA Free Trade Area
 - **EXTENDED** up to the end of 2008 the derogation granted the Kingdom of

Swaziland from reciprocating tariff preferences to enable her to complete consultations with her partners in the Southern African Customs Union (SACU) and allowing her to join the COMESA FTA.

- **CALLED** on all member States not yet participating in the FTA to join it before the next COMESA Summit of Heads of State and Government
- **URGED** member States to expeditiously implement the roadmap for the elimination of Non Tariff Barriers
- **NOTED** with satisfaction the rapid growth in intra-COMESA trade in 2005 over 2004 and urged member States to take all necessary measures to ensure its further growth.
- **DIRECTED** that work on the CET be finalised before the next COMESA Summit of Heads of State and Government
- **INSTRUCTED** the Secretariat to work out the modalities of implementing Article 168 of the Treaty on the charging and collection of the Community Levy on the value of total non-COMESA imports, with the proceeds to be used to fund Common Market programmes and projects
- (f) **Monetary and Financial Matters**
 - **NOTED** with appreciation that the Protocol Establishing the COMESA Fund that came into effect on 14th November 2006 and **DIRECTED** the Secretariat to expedite the implementation of the Protocol.
 - **NOTED** with appreciation the decision of the Committee of Governors of Central Banks to establish a COMESA Monetary Institute to undertake necessary preparatory work leading to the creation of a COMESA Monetary Union
 - **DIRECTED** the COMESA Clearing House to accelerate the establishment of the Regional Payment and Settlement System (REPSS) so that it becomes operational before the end of 2007



The Summit elected President Mwai Kibaki as Vice Chairman of the COMESA Authority 2006 he will host the 2007 summit

(g) Private Sector Development

- **COMMENDED** the private sector in the region for convening a successful Business Forum and for making recommendations to the COMESA Policy Organs to enhance and deepen regional integration.
- **NOTED** the nomination of an interim Executive Committee to oversee the affairs of the COMESA Business Council (CBC) and to initiate dialogue with all relevant stakeholders with a view to putting in place a strong and vibrant regional business organisation
- **FURTHER NOTED** the establishment of formal structures of RIA to spearhead the promotion of both cross-border investment and FDI, as well as the development of a regional business intelligence strategy
- **DIRECTED** the Secretariat to finalise the Investment Framework Agreement, in order to speed-up the establishment of the COMESA Common Investment Area (CCIA)
- **CALLED** on member States to formulate a well-defined industrial strategy for the industrialisation of the region based on value addition and promotion of industrial linkages
- **INSTRUCTED** the Secretariat to establish a comprehensive inventory of the main industrial production and manufacturing structures in all member States in order to identify existing and potential industries that can produce for the COMESA market and benefit from market and procurement opportunities.
- **DIRECTED** the Secretariat to produce promotional materials for attracting foreign, regional and national investors to invest in industries that are identified in the comprehensive industrial inventory of COMESA
- **DIRECTED** the Secretariat to develop a strategy that would enable member States to jointly promote industrial investment

clusters on the basis of common resource endowments

(h) Agriculture and Food Security

- **NOTED** that the regional food security situation remained precarious and that there was need for member States to take concerted efforts to increase productivity in the agricultural sector
- **URGED** member States to harmonise national agricultural policies and align their programmes to the Comprehensive African Agricultural Development Programme (CAADP) so as to ensure both national and regional food self-sufficiency.
- **WELCOMED** the formation of commodity-specific regional industrial associations for coffee, cotton and textiles and dairy as a means of achieving greater and deeper integration in these sectors across the region and promoting greater efficiency and competitiveness in these commodities
- **URGED** member States to implement the trade facilitation instruments already adopted by the Council of Ministers, particularly those aiming at promoting cross-border trade.
- **WELCOMED** efforts by regional and international co-operating partners aimed at developing the agricultural sector and enhancing the food security situation in the region.

(i) Infrastructural Development

- **APPLAUDED** the entry into force of the COMESA Fund, which has a window for infrastructural development
- **AGREED** that some member States will take the lead in championing resource mobilisation and promoting the implementation of key priority infrastructure projects with a regional dimension
- **DIRECTED** the Secretariat to convene a meeting of Ministers of Infrastructure to work out the modalities of how the member

States that take the lead in championing regional projects would be supported.

• **NOTED** with appreciation progress in the implementation of the Shire-Zambezi Waterways Project and applauded the leading role that the Government of Malawi is taking in championing this regional project, which will have immense social and economic benefits.

• **AGREED** that the Secretariat should support the Government of Malawi in mobilising funding for the implementation of the Shire-Zambezi Waterways Project

• **NOTED** with appreciation progress made with respect to the implementation of the Kalisimbi Communication Navigation Surveillance and Air Traffic Management (CNS/ATM) project, which is led by Rwanda and will create a single airspace in the COMESA region

• **AGREED** that the Secretariat should support the Government of Rwanda in mobilising resources for the Kalisimbi CNS/ATM project

• **ADOPTED** the East African Power Pool (EAPP) as a COMESA specialised institution and as a vehicle for the enhancement of energy interconnectivity in the region and the rest of Africa

• **REAFFIRMED** the importance of the COMESA Telecommunications Company (COMTEL) and the East African Submarine System regional telecommunications backbone projects in interconnecting the markets and communities of the region

• **COMMENDED** the role of and re-affirmed its support for COMESA transit facilitation instruments along regional transport corridors and at border points.

(j) Multilateral Issues

• **NOTED** that the EPA negotiations that were launched in 2004 between the ESA group of countries and the EU had made significant

progress since the last Summit, with the ESA countries having tabled a comprehensive draft EPA text for negotiations

• **REAFFIRMED** the principle that EPAs should be a development tool, in that they improve access to the EU market as well as enabling ESA countries to address the region's supply side constraints.

• **CALLED** upon the EU to consider, in accordance with the relevant decision of EU Council, to provide additional resources taking into consideration the region's development needs as spelt out in the ESA development matrices

• **EXPRESSED** concern that the Doha Development Agenda has been suspended and that this could impede the negotiations and further delay the process to concluding an EPA with the EU.

• **COMMENDED** the Government of Mauritius for convening a donors' conference to mobilise resources for the Union of Comoros and expressed appreciation to the co-operating partners for their pledges at the conference.

• **NOTED** with concern that some of the pledges for the Union of Comoros have still to be realised and **AGREED** on the need for the Secretariat to support the country in following up the pledges made at the donors conference.

(k) Co-Operation Between COMESA And Partners

• **EXPRESSED APPRECIATION** to the co-operating partners for their continued provision of support for the implementation of COMESA programmes.

(l) Co-Operation between COMESA and Other Regional Economic Communities

• **NOTED** with satisfaction the enhanced collaboration between COMESA and other regional organisations in Africa, particularly with the EAC, IGAD and the Indian Ocean

Commission in the framework of the Inter-regional Coordination Committee (IRCC), with the objective of achieving programme harmonisation and convergence to expedite the realisation of the AEC

- **COMMENDED** the progress being made in the framework of the Joint Task Force between COMESA and SADC, which had expanded to include EAC, to discuss the co-ordination and harmonisation of the activities of the three institutions, including consultations on the ongoing negotiations with the EU of the EPA

(m) **Economic and Social Development**

- **AGREED** on the need to accelerate the implementation of the Protocols on Free Movement of Persons and Labour in order to enhance economic integration
- **EMPHASISED** the importance of enhancing co-operation in labour migration and endorsed the Council decisions on the key requirements of such a policy.
- **AGREED** on the need for the establishment of trading houses for small and medium scale entrepreneurs, especially women, in all COMESA member States for supporting greater efficiency in marketing and exports
- **ENDORSED** the proposal to develop a COMESA comprehensive strategy for gender mainstreaming at the regional and member State levels

(n) **Institutional Issues**

The Summit **APRECIATED** that the restructured COMESA Court of Justice had commenced hearing cases as provided for under the Treaty

- **ADOPTED** the Medium Term Strategic Plan for COMESA and agreed that it should be disseminated widely in all member States.

(o) **COMESA Institutions**

- **NOTED** with appreciation the operations of

the COMESA Institutions and their positive contributions to the COMESA integration agenda

- **AGREED** that the PTA Bank should return to Bujumbura, Burundi, by March 2007 and **MANDATED** the Bureau to facilitate the return in consultation with the Government of Burundi and the Bank's Board of Governors

(p) **Peace and Security Matters**

- **REVIEWED** the progress made so far in addressing peace and security issues, which is a fundamental prerequisite for regional economic integration in the COMESA Region.

- **COMMENDED** member States for the ongoing efforts in addressing issues of peace and security and **URGED** them to intensify their efforts in the search for modalities for addressing issues of peace and security as well as post conflict transformation issues with a focus on addressing the root causes of conflicts in the COMESA region.

- **REAFFIRMED** the continuous need to enhance solidarity amongst member States through adherence to the principles under which the COMESA Treaty was founded such as the promotion of good governance, good neighbourliness and the resolution of conflicts through dialogue.

- **URGED** the Secretariat to carry out an in-depth assessment of conflicts in the COMESA region, taking into account their various economic consequences, including such less obvious effects and opportunity costs of conflicts

- **COMMENDED** and **CONGRATULATED** the people and Governments of the Comoros, DRC, Congo, Djibouti, Egypt, Seychelles, Uganda, Zambia and Zimbabwe for successfully holding peaceful democratic elections; and the government and people of Kenya for successfully holding a national referendum on a new constitution.

- **ENCOURAGED** member States in the



Minister Rifki Bamakrama Chairman of the COMESA Council of Ministers exchanges ideas with Assistant Secretary General Sindiso Ngwenya, at the 22nd Council of Ministers

consolidation of democratic governance through democratic elections

- **AGREED** that COMESA should continue observing elections in member States in order to uphold the integrity of electoral processes and as a measure of conflict prevention
- **URGED** the people of the DR Congo to accept the results of the second round of the Presidential elections there and the two presidential candidates to adhere to the commitments they made to accept the results of the elections as expressed by the people of the country through the ballot box and in maintaining peace and security in the country, which will also positively contribute to the peace and security situation of the entire COMESA and Great Lakes regions.
- **CALLED UPON** member States and the wider international community to continue supporting the DR Congo and member States in the Great Lakes Region towards consolidation of peace and security as well as addressing issues of post conflict transformation
- **COMMENDED** the Government of Burundi for the signing of a comprehensive ceasefire

agreement with *Partie pour la libération du peuple Hutu—Forces nationales de libération (Palipehutu-FNL)* and **URGED** the Government of Burundi to continue on the path of reconciliation, which started with the release of political prisoners and the establishment of the Truth and Reconciliation Commission.

- **URGED** the Government and people of Sudan to continue working with the UN and the AU in search for a lasting peaceful solution to the conflict in the Darfur region of western Sudan as well as to address humanitarian issues
- **URGED** the people of Somalia to give peace a chance for the development and stability of the region through a process of negotiation involving all stakeholders, especially the Transitional Federal Government and the Islamic Union Courts

(q) **Closure of Summit**

Before the closure of the Summit, the Authority agreed to hold the next Summit in Nairobi, Kenya, in 2007, it expressed appreciation to His Excellency Ismail



Rwandan President Paul Kagame (then Chairman of the Authority poses for a photo with Heads of delegations at the 21st Meeting of the Council of Ministers in Kigali in June 2006



Heads of delegations at the 22nd Meeting of the Council of Ministers pose for a photo with Djibouti Prime Minister Dileita Mohamed Dileita

Omar Guelleh, President of the Republic of Djibouti, the Government and people of the Republic of Djibouti for the warm and fraternal hospitality extended to all delegates.

His Excellency Mwai Kibaki, President of the Republic of Kenya, in moving the vote of thanks, expressed the appreciation of the Heads of State and Government and their delegations to the President of the Republic of Djibouti and his Government for the warm hospitality extended to all the delegations. President Kibaki commended COMESA member States for the remarkable achievements made in integrating member States' economies. Finally, he invited all the Heads of Government to the next Summit of the COMESA Authority to be held in Nairobi, Kenya.

4.3 COMESA Council of Ministers

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

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

The COMESA Council of Ministers comprises Ministers whose Ministries are responsible for the co-ordination of COMESA activities (so-called Co-ordinating Ministries); member States select their

own Co-ordinating Ministries. The Chairman, Vice-Chairman and Rapporteur – who together form the Bureau of Council – Ministers from the COMESA member States currently holding the Chairmanship, Vice-Chairmanship and Rapporteur of the COMESA Authority, respectively form a bureau.

The Council meets twice a year to review the progress and operations of its subordinate institutions. The Council may hold Extraordinary Meetings at the request of a member State, provided that such requests are supported by at least one-third of such States. The Council did not hold an Extraordinary Meeting in 2006. The Council takes decisions by consensus, or failing that, by two-thirds majority of its members. Where a member State lodges an objection to a proposal submitted for Council decision, that proposal shall, unless such objection is withdrawn, be referred to the Authority for decision.

4.3.1 Twenty First and Twenty Second Meetings of Council of Ministers

During the year under review, The Council of Ministers met twice, in June in Kigali Rwanda and in November in Djibouti. The Twenty-first Meeting of the COMESA Council of Ministers held in Kigali, Rwanda, in May 2006 it was opened by His Excellency Paul Kagame, President of the Republic of Rwanda, who was also at that time the Chairman of the COMESA Authority. He challenged COMESA to seriously address the bulk of unfinished business, a message that he repeated as he handed over the Chairmanship to His Excellency Ismail Omar Guelleh, President of the Republic of Djibouti in November 2006. The Meeting was preceded by the Twenty-first Meeting of the Committee on Administrative and Budgetary Matters and the Twenty-first Meeting of the Intergovernmental Committee. Both committee Meetings took place in Gisenyi, Rwanda.

The Twenty-first Meeting of the Council of Ministers looked at the progress that had been made in the area of integration, particularly progress towards the launching of the Customs Union, and then set targets that were to be met ahead of the Twenty-Second Meeting of the Council that was scheduled for November 2006, and report the progress to the Summit of the Head of States and Government. The 21st Meeting of the Council of Ministers was

chaired by Hon Protais Mitali, Rwanda's Minister of Commerce, Investment Promotion, Tourism and Co-operatives, who was at the time Chairman of the Council of Ministers.

The Twenty-second Meeting of the Council of Ministers was held in November 2006 in Djibouti. The meeting was officially opened by His Excellency Dileita Mohammed Dileita, Prime Minister of the Republic of Djibouti. He welcomed the delegates and invited guests to the Twenty-second Meeting of the COMESA Council of Ministers.

In underlining the importance of regional integration for Djibouti, the Prime Minister highlighted the fact that Djibouti's economy relies on the provision of services, particularly through the Port and the merchandise sectors, and reflected on the efforts made to modernise the Port and the setting up of the export processing zone at Doraleh to provide the African hinterland with clearing, forwarding, trans-shipment and distribution services.

The Prime Minister emphasised the need to put an end to tensions in the region through dialogue and consultation (including public-private sector consultation), so that the region could focus on programmes that enhance its competitiveness at the regional and global levels and on protecting investment. He also underlined the need to involve the youth and women in COMESA activities, particularly decision making.

The Prime Minister identified the consolidation and expansion of the FTA, the launching of the Customs Union, the realisation of the COMESA Common Investment Area and enhancing agriculture and infrastructure development as the areas of focus for COMESA in the short term.

The Prime Minister noted that the various measures put in place have facilitated the free movement of goods, resulting in a 20 per cent increase in intra-COMESA trade. As testimony to this fact, he informed the meeting that Djibouti's exports to the region have increased from US\$4.1 million to US\$62 million in 2005. He also noted the extensive preparations made to launch the Customs Union in 2008 and expressed his hope that once the Customs Union was in place, it will foster economic growth, attract investment and enhance the

region's capacity to adopt a common approach in multilateral trade negotiations.

The Prime Minister underscored the importance of agriculture to the region and the challenges that surround it, mainly the dependence on erratic rainfall, lack of finance and an inappropriate support system, all of which have contributed to the current food insecurity. He underlined the importance of ensuring free movement of agricultural products and challenged the Secretariat to come up with programmes to make regional agricultural products competitive.

The Secretary General Mr Erastus J. O. Mwencha MBS, also made a statement, in which he thanked the Government of Djibouti for their excellent reception and facilities put at the disposal of the Meeting, this was testimony to Djibouti's commitment to COMESA. He indicated that this indicated that the country had the vision to become a trade and logistical hub for COMESA.

The Secretary General highlighted the pertinent issues on the Council's agenda. He reported on the progress made in the areas of trade customs, monetary co-operation, infrastructure development, agriculture, EPA negotiations and co-operation with partners.

Mr Mwencha also informed the gathering that the Council would have an opportunity to consider the Report of the Special Ministerial Task Force charged with following up on the implementation of the FTA and Customs Union. He also informed Council that COMESA was progressing well in harmonising programmes with the other sister institutions particularly EAC, IGAD, Indian Ocean Commission (IOC) and SADC. Mr Mwencha also highlighted the contribution made by the COMESA institutions. Finally, he informed Council that they would have an opportunity to consider the 2007 Recurrent and Development Budgets, which he estimated at US\$30 million.

He also informed the Council about issues of major concern to the business community, especially non-tariff barriers, the high and ever-increasing cost of transport, access to and the high cost of finance and the challenges of multiple memberships.

4.3.2 Deliberations and Decisions

1.3.2.1 Council held two days of deliberations based on the following:

- a) *Report of the Chairman of Council on the Activities of the Bureau for 2005/2006*
- b) *Report of the Tenth Meeting of Ministers of Justice and Attorneys General*
- c) *Report of the Second Meeting of the COMESA Ministers of Gender and Women Affairs*
- d) *Report of the Eleventh Meeting of the Committee of the Governors of the Central Bank*
- e) *Report of the Twenty-second Meeting of the Intergovernmental Committee*
- f) *Statements by Co-operating Partners*
- g) *Report of the Business Forum*
- h) *Report of the Bureau of Council*
- i) *Report of the Twenty-second Meeting of the Committee on Administrative and Budgetary Matters*

4.4 Bureau of Council 2005-2006

The Bureau of Council from June 2005 to November 2006 was comprised of Rwanda as Chairman, Djibouti as Vice Chairman and Uganda as Rapporteur. A new bureau took over in November 2006, with Djibouti as Chairman, Kenya as Vice Chairman and Rwanda as Rapporteur. The latter bureau is expected to serve up to the next scheduled Council Meeting in Nairobi, Kenya, in May 2007.

4.4.1 Report of Chairman of Council on Activities of Bureau 2005-2006

Just ahead of the handover, the outgoing Chairman of the Council of Ministers, Hon Protais Mitali, presented to the Council of Ministers the highlights of the Activities of the Bureau for the period June 2005 to November 2006. Council noted that during the period under review the Bureau held several meetings and undertook many missions and other activities. Some of them were as follows:

- (a) *Meeting of the Bureau held in Kigali, Rwanda, in March 2006 with the Bureaux of the SADC and EAC Secretariats.*
- (b) *Mission to the headquarters of the African Development Bank in Tunis, Tunisia, in February 2006.*
- (c) *Representation of COMESA at the AU Meeting for Ministers of Integration on rationalisation of Regional Economic Communities (RECs), held in Ouagadougou, Burkina Faso, in March 2006.*
- (d) *Meeting of the Bureau in Djibouti in August 2006.*
- (e) *Meeting of the Ministerial Task Force in Nairobi, Kenya, in September 2006.*
- (f) *Mission to India in October 2006.*

4.5 Other Ministerial Meetings

4.5.1 Second Meeting of Ministers Responsible for Gender and Women Affairs

The Second Meeting of COMESA Ministers Responsible for Gender and Women's Affairs took place in October 2006 in Lusaka, Zambia. The theme of the meeting was "Creating Markets in COMESA Member States."

The meeting was attended by COMESA Ministers Responsible for Gender and Women's Affairs from Burundi, Djibouti, Eritrea, Libya, Malawi, Mauritius, Rwanda, Zambia and Zimbabwe. Also in attendance were representatives of Ministers of Gender and Women's Affairs from Egypt, Kenya, Madagascar, Sudan and Swaziland.

The meeting was officially opened by the Vice President of the Republic of Zambia, Hon Rupiah Banda. His Excellency Rupiah Banda concurred that establishing trading houses in the region was an excellent idea. In an increasingly global economy and with strong foreign competition in international and domestic markets, trading houses would play an important role in the economies of member States. The availability of trading houses would be extremely beneficial, not only to small and medium enterprises and women entrepreneurs, but also



Secretary General Mwencha welcomes
Zambian Vice President
Rupiah Banda to the
Secretariat



Zambian Vice president Rupiah
Banda greeting Ministers of
Gender at the Ministerial Gende
meeting in Lusaka



FEMCOM representatives from business organisa-
tions pose for a photo at the COMESA Secretariat
with them is Ambassador Nagla El-Hussainy



Assistant Secretaries General for Programmes and
Administration and Finance Mr Sindiso Ngwenya
and Ambassador Nagla El-Hussainy.

o manufacturers who already have experience in exporting to international markets.

He noted that trading houses had great potential for increasing the export capacity of small and medium enterprises (SMEs). If implemented adequately in all member States, the programme would go a long way towards achieving the Millennium Development Goals, especially those targeting poverty reduction, gender inequality and health issues. He urged the COMESA Secretariat to take all the necessary actions to ensure that the programme was successful. Immediately preceding the Minister's Meeting in Lusaka, were the FEMCOM regional meeting and the Third Meeting of the COMESA Technical Committee on Gender. The Technical Committee reviewed reports from the FEMCOM meeting and presented recommendations to the Ministers Responsible for Gender and Women's Affairs.

The Ministers made a number of recommendations on the various reports discussed during the meeting. Those reports were on the following themes: Progress Report on the Implementation of the Decisions of the First Meeting of the COMESA Ministers of Gender and Women's Affairs; Establishment of Trading Houses in the COMESA Region; Programme on Mainstreaming Gender and Women in Regional Trade; Establishment of a Gender Directorate at the Secretariat; Gender and Agro-processing Development Project; and Development of the COMESA Gender Mainstreaming Strategy.

4.5.1.1 Highlights of Meeting

The highlight of the meeting was the discussion of the issue of the establishment of trading houses in the COMESA region. The Ministers noted that a paper on the theme, "Creating Markets in COMESA Member States," was presented to the members of the Technical Committee on Gender to sensitise it to current issues relating to the COMESA Trade Regime. The presentations also sensitised the Committee to gender issues and concerns relative to the COMESA trade regime.

The Ministers welcomed the proposal for each country to establish trading houses, which would contribute to the economic empowerment of women entrepreneurs, who have been marginalised

under existing economic structures. This is unacceptable when account is taken of the fact that women account for more than 50 per cent of the COMESA population and agricultural production. With regard to informal cross-border trade, women entrepreneurs are in the majority. The Ministers observed that COMESA provided opportunities through collective action to empower women entrepreneurs.

The Ministers agreed on the need for each member State to establish trading houses, which would be networked to facilitate bulk procurement. The Ministers further agreed on the need for each member State to build warehouses from which women entrepreneurs, who are members of the trading houses, would draw their stocks. The meeting observed that the Regional Payment and Settlement System being developed by the COMESA Clearing House would facilitate the operations of the trading houses. The trading houses would enable the informal cross-border traders to benefit from zero customs duties under the COMESA FTA.

The expected effects of COMESA programmes on trade are to create a single economic space that would result in increased economic integration of the region. It is envisaged that by 2018 a number of milestones would have been achieved including a single currency and a borderless region, along with a single market for primary and secondary goods.

The Ministers, in appreciating the exchange of experiences on how member States are dealing with economic empowerment, agreed on the need for the documentation and exchange of best practices. The Ministers further observed that there was need for consultations with Immigration and Customs Officials to ensure that the programmes and policies on gender economic empowerment, particularly the trading houses, are effectively implemented. The Ministers expressed concern about bureaucratic obstacles to the free movement of goods and persons, notwithstanding the existence of the COMESA FTA. The Ministers agreed that each member State should consider establishing a credit guarantee scheme for women entrepreneurs.

In discussing the need for a Gender Directorate, the Ministers noted that COMESA member States,

at both the national level and AU levels, had agreed to give high priority to gender parity, including the creation of appropriate gender structures that are adequately resourced and staffed.

The Ministers expressed appreciation that the COMESA Secretariat was in the process of mobilising resources for rural women's activities, including submitting a proposal to the ADB on Gender and Agro-processing Development.

The Ministers agreed that, in view of the challenges affecting the implementation of the COMESA Gender Policy, a comprehensive strategy for mainstreaming gender at the regional and member State levels should be formulated; that strategy would focus on certain key elements of gender mainstreaming.

The Ministers commended the Secretariat for having mounted multidisciplinary missions to DR Congo, Kenya, Seychelles, Malawi, Zambia and Zimbabwe to facilitate provision of technical advisory services on gender and economic empowerment of women in these member States.

The Ministers expressed concern that there were many obstacles to the free movement of persons in the region and urged that the matter be accorded high priority, as these obstacles had the potential to frustrate the creation of the COMESA Single Market.

The Ministers further agreed on the need for the Secretariat to develop gender-specific economic and social indicators, which would be used to measure progress regarding the attainment of targets for gender mainstreaming and economic empowerment.

A number of recommendations were arrived at the Meeting. Amongst them were that COMESA should embark on a vigorous campaign to sensitise women to the COMESA Trade Regime, and that gender should be mainstreamed as a crosscutting theme into all activities of COMESA.

4.5.2 Seventh Meeting of Ministers of Foreign Affairs

The Seventh Meeting of the COMESA Ministers of Foreign Affairs was held in Djibouti in November

2006, in a year that witnessed some of the most significant events in the region. With successful democratic elections in the DR Congo and Burundi, all the countries in the COMESA region effectively moved from a transition phase to become well positioned for post conflict reconstruction and development. This was acknowledged with satisfaction by the outgoing chair, Hon Isai Musumba of Uganda, as he made his handing over statement. Before the Meeting began under the chairpersonship of Hon. Rosemary Museminzi of Rwanda, the Vice Chair of the Meeting, H.E. Mahmoud Ali Youssouf of the Republic of Djibouti welcomed the Ministers on behalf of the President of the Republic of Djibouti. He described the mandate given to the Ministers as "precious" and called for the consolidation of state and non-state actors in addressing issues of peace and security.

During the meeting, the Ministers carefully reviewed the peace and security situation in the region acknowledging that the current trends were clearly positive. The Ministers expressed appreciation to the member States where democratic elections had taken place during the period, including Burundi, Comoros, DR Congo, Djibouti, Egypt, Kenya (referendum), Seychelles and Uganda. For the three countries emerging from conflict, namely Burundi, Comoros and the DR Congo, the Ministers encouraged these countries to implement and use the COMESA Programme on Peace and Security and such COMESA instruments as the COMESA Fund for post-conflict reconstruction in the respective countries.

The Ministers noted the high levels of preventive diplomacy and renewed hope for the resolution of some of the longer conflicts in the region through the dialogue initiative between the government of Uganda and Burundi with the Lords Resistance Army (LRA) and the Palipehutu-FNL, respectively. The Ministers congratulated the President and Government of Burundi and the Palipehutu-FNL for signing a ceasefire agreement and further urged the international community to provide support to Burundi in establishing a Truth and Reconciliation Commission. The Ministers also congratulate Ugandan President Yoweri Museveni for displaying statesmanship in agreeing to negotiate with the LRA. The Ministers saluted the government of South Sudan for facilitating the dialogue between the Government of Uganda and the LRA.

The Meeting also focused on several outstanding conflicts, particularly the ones in Darfur and Somalia, and made recommendations. The Ministers called on the AU and the international community to increase their support to the AU Peacekeeping force to enable the proper implementation of the Darfur Peace Agreement and to help bring on board other rebel groups. For Somalia, the Ministers urged the international community to support bona fide dialogue amongst all political actors and stakeholders to the conflict. The Ministers also supported the AU Peace and Security Council's appeal to provide exemption on the arms embargo to allow the IGAD Peace Support Mission to Somalia to move into the country and create a conducive environment for dialogue on the Comprehensive Peace and Security Agreement.

The Ministers reviewed the Eritrea-Ethiopian situation and urged Eritrea to reverse its decision to ban helicopter over-flights by the UN Mission to Ethiopia and Eritrea (UNMEE) and to provide UNMEE access and assistance to perform its duties. The Ministers also urged Ethiopia to accept fully and without delay the decision of the Eritrea-Ethiopia Boundary Commission and to take concrete steps towards its implementation.

With respect to the activities of the Programme, the Ministers took note of the progress towards the accreditation of civil society and private sector to the Programme; the progress made towards opening space for COMESA Parliamentarians in conflict prevention within the framework of COMESA; and the progress towards the establishment of a COMESA Conflict Early Warning Unit.

During the Meeting, the Ministers made several far-reaching recommendations, including the following:

- a) *Establishment of an Inter-parliamentary Forum for COMESA;*
- b) *Granting, for the first time, accreditation to twelve civil society organisations and one apex private sector organisation; and*
- c) *Proposing the formation of a Committee of Elders to complement and augment the conflict prevention and peace-building*

The Ministers discussed two new projects introduced during the year, namely a project on counterterrorism and another on policy-based research. Due to the increasing terrorist threat that has affected at least two COMESA member States, during the year, COMESA was designated as a focal point for the AU Centre for Study and Research. It will be linked to other organisations at the national and continental levels to facilitate the sharing and dissemination of information. With respect to policy-based research, COMESA has begun research that will yield an accurate costing of conflicts in the region, which will be useful to policy-makers, from the standpoint of post-conflict reconstruction and development.

The Ministers encouraged COMESA to continue supporting the democratisation process through observing elections, and noted that COMESA was able to send observers to several voting exercises, including the Referendum for the Constitution in Kenya, the elections in Zambia and both phases of the elections in the DR Congo.

The Seventh Meeting of the Ministers of Foreign Affairs was preceded by the Seventh Meeting of the Meeting of the Committee on Peace and Security, which was held in Lusaka, Zambia in October 2006.

4.5.3 Meeting of Transport and Communication Ministers from COMESA/EAC/SADC

The joint meeting of Transport and Communication Ministers from COMESA, SADC and EAC took place in November in Harare, Zimbabwe, and decided on priorities for integration within the framework of the AU. The Ministers reviewed and assessed the progress made so far and agreed to speedily implement programmes in the transport sector.

The Meeting, which was preceded by a Meeting of Senior Officials, considered the following matters: inter-regional co-operation amongst COMESA, SADC and EAC in air and surface transport. Facilitation of the air transport and harmonisation of regional infrastructure were also discussed. The officials also agreed on regional priorities for 2006/2007. The Ministers considered and adopted

procedures and guidelines and procedures on the implementation of the COMESA, EAC, SADC Air Transport Competition Regulations.

4.5.4 Tenth Meeting of Ministers of Justice and Attorneys General, Port Louis, Mauritius, September 2006

Ministers of Justice and Attorneys General from the COMESA region met in Port Louis, Mauritius in September 2006 and considered various legal issues.

The Ministers considered the Draft Investment Framework Agreement (IFA) for the COMESA Common Investment Area (CCIA). The Ministers recognised the importance of the Agreement and made several legal and substantive comments. The adoption of the Agreement was deferred until the next Meeting of the Ministers of Justice and Attorneys General, pending review of several additional substantive issues to be considered by the investment experts.

The Meeting also considered a number of legal issues relating to the operations of the COMESA Court of Justice. The Meeting was particularly pleased to note that the Court of Justice as reconstituted held their first session in 2006. The Meeting recommended that the member States continue to support the Court of Justice, which is an important COMESA organ that would strengthen regional integration.

Finally, the meeting welcomed the funding by the African Development Fund of the COMESA Public Procurement Reform Programme, which would support member States in redesigning their public procurement laws and systems.

4.6 Technical Committees

COMESA has a number of Technical Committees, whose responsibilities include preparing comprehensive reports on the implementation of the COMESA integration agenda, monitoring timetables, prioritising programmes within their respective sectors and monitoring and keeping under constant review the implementation of co-operation programmes in those sectors.

COMESA Technical Committees include the following:

the Committee on Administrative and Budgetary Matters; the Committee on Finance and Monetary Affairs; the Committee on Agriculture; the Committee on Industry; the Committee on Legal Affairs; the Committee on Trade and Customs; the Committee on Gender; and the Committee on Transport and Communications.

The Technical Committees consist of representatives of member States designated by those States for the stated purpose. All Technical Committees, except for the Committee on Finance and Monetary Affairs, which reports to the Committee of Governors of Central Banks, submit their reports and recommendations to the Intergovernmental Committee, or to their respective Ministerial meetings, as indicated above. In the year under review all, the above committees met at least once.

4.6.1 Intergovernmental Committee

The Intergovernmental Committee comprises the most senior civil servants (Permanent/Principal Secretaries/Secretary Generals), or officials of equivalent rank nominated by the respective COMESA member States. Its responsibilities include developing programmes and action plans in all sectors of co-operation (except in the Finance and Monetary Sector); monitoring and ensuring proper functioning and development of COMESA in accordance with the provisions of the Treaty and overseeing the implementation of those provisions. The Intergovernmental Committee met twice and submitted its reports and recommendations to the Council of Ministers in June and November 2006.

4.7 Fifth Meeting of COMESA Chief Immigration Officers, Lusaka, Zambia, October 2006

The COMESA Chief Immigration Officers held the Fifth Meeting in October 2006 in Lusaka, Zambia and reviewed the ongoing implementation of the COMESA Programme on Immigration.

The Chief Immigration Officers noted the progress made by the member States in implementing the Protocol on the Gradual Relaxation and Eventual Elimination of Visa Requirements in COMESA. They also called for the accelerated signature and ratification of the Protocol on Free Movement of Persons, Labour, Services, Right of Establishment and Residence. Member States were urged to accelerate the implementation of those Protocols.

he Committee considered and adopted a Model Law on Immigration and called on the member States to reform their immigration laws based on the Model Law.

inally, the Chief Immigration Officers considered a proposal for the COMESA Policy on Fostering Labour Movement in the COMESA region. The new policy recommended by the Chief Immigration Officers was subsequently adopted by the Twenty-second Meeting of the Council of Ministers.

1.8 Consultative Committee of Business Community and Other Interest Groups

This Consultative Committee provides a linkage and facilitates dialogue between the business community and other interest groups, on the one hand, and other organs of COMESA on the other. It is responsible for ensuring that the COMESA organs take account of the interests of the business community and other stakeholders in COMESA. It is in this context that the Third COMESA Business Forum was held in November 2006 in Djibouti. Over 100 businesspersons from COMESA and other countries in Africa and the Middle East participated.

The Forum was officially opened by His Excellency Ismail Omar Guelleh, President of the Republic of Djibouti and incoming Chairman of the COMESA Authority. In his statement, the President pointed out that the private sector was instrumental in creating wealth and overcoming poverty. He said that the purpose of the Forum was to advise Heads of State and Government on the appropriate environment for business development and policy dialogue between the public and private sectors.

The Forum discussed regional economic integration; development of intra-regional trade and transport systems; promotion of regional investment and financing mechanisms.

4.8.1 Recommendations made through Council of Ministers

(a) The need to mobilise resources for the implementation of regional and national infrastructure projects with a regional impact (such as Kalisimbi in Rwanda, Shire-Zambezi Waterway in Malawi and the Djibouti Port). The COMESA Fund and the PTA Bank should play key roles in providing finance for such projects.

- (b) The PTA Bank should develop more channels to reach out to SMEs in all member States.
- (c) The Memorandum of Understanding (MOU) between the COMESA Business Council (CBC) and the Confederation of Indian Industries should be concluded and signed by the next meeting of the COMESA Business Forum, in order to learn from India's successful experience in the development of SMEs.
- (d) The Secretariat should initiate the development of a clear regional industrialisation strategy to promote regional industrial linkages and value addition, so as to move the region away from its current reliance on the export of primary commodities.
- (e) The private sector strongly requested full implementation by their respective Governments of the various agreed trade facilitation instruments.
- (f) Capacity building is required to enhance public/private sector policy dialogue. The private sector needs to be able to analyse and document issues to be in a position to provide informed inputs into the formulation of regional policies and strategies.
- (g) The COMESA Secretariat should put in place a quick response mechanism for tracking, monitoring and reporting on Non Tariff Barriers (NTBs). This mechanism should include an online system. The member States should give the Secretariat "Supra Mechanism" powers to address NTBs, as is the case in more advanced regional integration groupings.
- (h) The development of human capital and skills should be given more visibility in COMESA programmes; there should be partnerships and linkages between COMESA programmes and institutions of higher learning (universities and research institutes).

(i) Governments should speedily move towards fiscal convergence and Monetary Union to enhance regional economic growth.

(j) Institutional frameworks that are responsive and adapted to COMESA's situation should be developed (as opposed to copying outside models). Focus should be on harnessing market-based trade arrangements. The

example of trade between India and COMESA was given; this rapidly developing trade relationship has arisen in response to market demands and is not dependent on the unilateral granting of preferences.

- (k) Through public-private partnerships, border posts should be turned into economic growth zones through investment in such facilities as container wholesale and retail, internet connectivity and other infrastructure, as well as commercial and retail investment.
- (l) The COMESA Secretariat should take urgent measures to enhance ongoing initiatives aimed at integrating the informal sector into the mainstream of COMESA trade. A progress report in this regard should be made at the next Business Forum.
- (m) COMESA should develop a regional SME strategy linked to its industrialisation strategy and put in place deliberate measures to get SMEs into the mainstream of the region's trade and investment activities, as they are the future engine of growth for the region.
- (n) The COMESA Secretariat, Governments and the CBC should undertake concerted information dissemination campaigns to raise awareness and understanding of the benefits of regional integration amongst key stakeholders, particularly entrepreneurs and the general public, so as to nurture "champions of integration."
- (o) Due and deliberate attention should be given to the role of women and youth in the region's regional integration efforts in a practical way through defining appropriate entrepreneurship development programmes.
- (p) The COMESA Secretariat, working with the CBC, should set up a High Level Task Force to explore the possibility of setting up regional IT-based logistics and customs modernisation system, and should report on progress in this direction to the next Business Summit.
- (q) The existing regional association of freight forwarders should be enhanced to bring professionalism to the region's freight forwarding industry, through promotion of common standards, certification and best business practices, with a status report submitted to the next Forum.

- (r) Working with financial institutions, the COMESA Secretariat should develop a regional strategy to improve private sector access to finance.
- (s) Partnerships should be developed with the UN Conference on Trade and Development and other international organisations to conduct policy reviews and chart an appropriate investment strategy for the region.
- (t) The COMESA Secretariat, through its Region Investment Agency (RIA), should work closely with the private sector to develop business intelligence to enhance domestic and foreign direct investment.
- (u) The COMESA Secretariat should increase the visibility of COMESA institutions in the region; strong measures should be taken to more effectively communicate information about COMESA programmes.
- (v) More work needs to be done to deal with the perception that Africa is a high-risk investment destination; in this regard, COMESA should invest in positively communicating information about the region's investment potential.

4.9 COMESA Secretariat

The COMESA Secretariat is the technical arm of COMESA. The Secretariat's function is to provide a wide range of services, such as co-ordination of technical studies and follow-up of implementation of the COMESA integration agenda. It is headed by the Secretary General, assisted by two Assistant Secretaries General, Divisional Directors, Heads of Units, Projects Managers, professional staff specialising in various fields and General support staff.



Heads of COMESA family of Institutions pose for a photo with COMESA Secretary General.

Over the years, COMESA has continued to create and promote a family of independent institutions, whose broad purpose is to support its integration agenda. These include the Court of Justice, PTA Bank, ZEP-RE, Clearing House, LLPI and ATI. Each of these institutions prepares its own detailed annual report, so what follows is a brief synopsis for each of them for 2006.

5.1 COMESA Court of Justice

The Court of Justice of COMESA was established in 1994 under Article 7 of the COMESA Treaty as one of the organs of COMESA. The Authority appointed the Judges of the Lower and Appellate Divisions of the Court during its Tenth Summit in Kigali, Rwanda in June 2005.

The restructured Court heard several cases in June/July 2006, building on the jurisprudence that they had already established through other cases heard between 2000 and 2004.

During 2006, the court continued with its settling down in Khartoum, Sudan.

5.2 Eastern and Southern Africa Trade and Development Bank (PTA Bank)

The PTA Bank Currently has 19 shareholders, 14 of them COMESA member States, including Burundi, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Sudan, Uganda, Zambia and Zimbabwe. Tanzania and Somalia are also members for historical reasons, whilst China is the only non-African shareholder and the AfDB is an institutional investor.

Lines of credit were secured from the Export and Import Bank of India (its sixth line to the Bank, to the tune of US\$1 million) and from the Industrial Development Corporation of South Africa (its first line of credit to the Bank, to the tune of US\$ 10 million). The total number of lines of credit held by the Bank is 15, with a cumulative value of US\$180 million. More than three quarters of these resources have already been utilised.

In the first eight months of 2006, the Bank approved facilities worth US\$150 million for projects and trade financing. Cumulatively, since its inception,

the Bank has lent out over US\$2.1 billion to various economic sectors in COMESA member States.

The year 2007, will be the fifth and final year of the Bank's Third Corporate plan. The bank is already thinking ahead and has commenced preparations for its fourth Five Year Corporate Plan for the Year 2008-2012.

5.3 COMESA Re-Insurance Company (ZEP-RE)

The Company's main responsibility is to promote trade in the insurance and reinsurance sector in the COMESA region.

The number of countries under the coverage of ZEP-RE now approaches 40 and its operations extend well beyond the COMESA region and Africa. By 2006, the company was conducting business with over 200 companies within and beyond the region. The total paid up share capital of the company was above US\$11 million dollars.

In the underwriting year ending December 2006, the Company wrote a premium income of US\$ 30,740,000—and made a net profit of US\$ 2,000,000. ZEP-RE maintained its rating of "AA" locally and "BBB" internationally.

Kenya and Rwanda have fully subscribed to the 5,000 shares allowed to each Member State.

In 2007, the company plans to start offices outside Kenya, starting with Lusaka Zambia and Accra Ghana to maximise opportunities available in Southern and West Africa. ZEP-RE is indeed going continental.

5.4 African Trade Insurance Agency

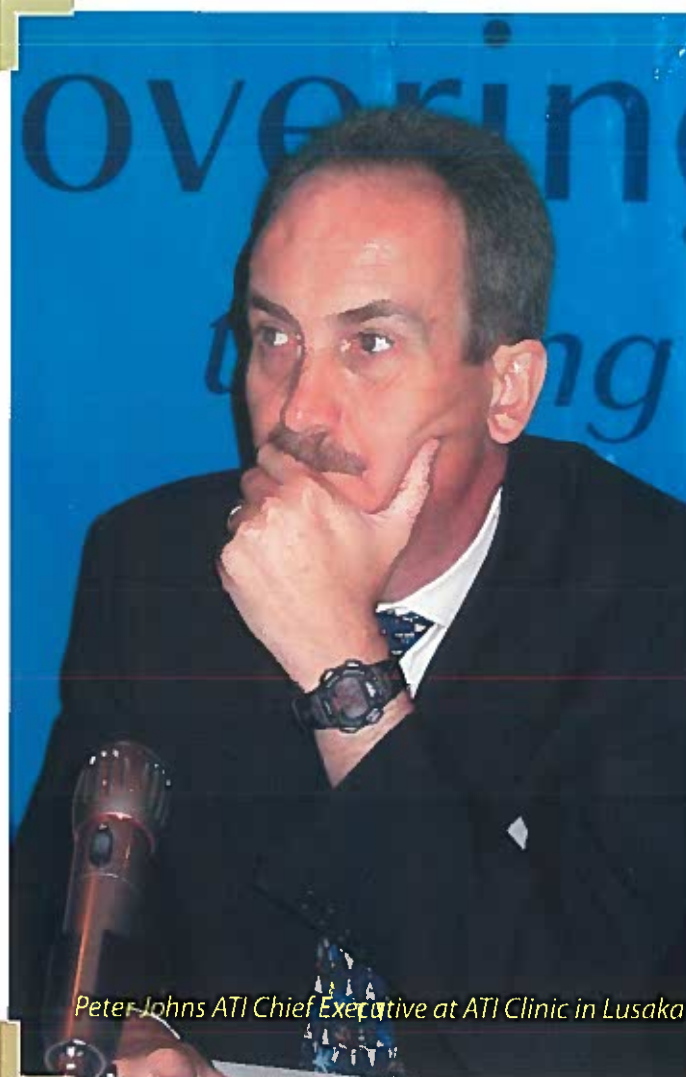
ATI's basic objective is to address the perceptions of high risks associated with Government action and the fear of political events such as war and civil unrest that severely constrain the financing of productive activity in Africa. ATI has become a credible insurance mechanism for dealing with this problem.

The current members of ATI are Burundi, DR Congo, Congo, Djibouti, Eritrea, Kenya, Madagascar,

Malawi, Rwanda, Tanzania, Uganda and Zambia. In consonance with its aspirations of becoming a Africa-wide export credit agency, ATI is expanding its country membership, targeting such states as Ghana, Ivory Coast, Mozambique, Nigeria, Senegal, among others.

During 2005, ATI extended its scope of operation by making available its political and commercial risk insurance cover to business entities not just within COMESA but across the African continent. The Agency's cumulative risk cover exceeded US\$125 million by the end of 2005.

In July 2006, the ATI General Assembly approved the expansion of ATI's product offering as well as the legal and capital restructuring of the Agency. The restructuring enables the Agency to increase its underwriting capacity and hence its ability to support larger projects. It also enables ATI to attract private and public equity investors.



Peter Johns ATI Chief Executive at ATI Clinic in Lusaka

5.5 Leather and Leather Products Institute (LLPI)

The LLPI's main purpose is to help leather manufacturing enterprises in the region to improve their production, marketing and trade activities by providing training, information and technological inputs, amongst other things. Since its establishment, LLPI has implemented a number of programmes and projects in the area of human resources and institutional development, trade and investment. LLPI's training programmes target groups who come from a number of occupations in the sector.

Within the year LLPI completed its new headquarters in Addis Ababa., Ethiopia.

5.6 COMESA Clearing House



COMESA Clearing House Chief Executive Office Dr. Kombo Moyana

The COMESA Clearing House was established in 1984 to facilitate the settlement of intra-regional

transactions in goods and services amongst the member States. After most member States implemented macro-economic liberalisation policies and liberalised exchange controls, the Clearing House stopped operations in 1997.

However, the shortage of foreign exchange in member countries continues and it is therefore necessary to re-design a new regional payment and settlement system (REPSS). Tenders for the provision of the infrastructure for REPSS were advertised and two bidders that met the requisite criteria selected. The two vendors were given an opportunity in October 2006 and demonstrate that their proposed systems met all the requirements of REPSS as specified.

A new structure for the Clearing House will be put in place with the coming into operations of REPSS and the governance structure will also be revised.

5.7 COMESA Regional Investment Agency (RIA)

RIA was officially launched in June 2006, in Cairo, Egypt, and is now fully operational, with its offices at the headquarters of the Egyptian General Authority for Investment and Free Zones. RIA is charged with facilitating increased investment flows into and within the region through dissemination of timely information on investment opportunities in each member State in growth sectors that the member States are promoting. The Agency seeks to make COMESA a major destination for regional and international investors, whilst simultaneously enhancing national investment.



Within the year under review, a variety of programmes aimed at consolidating and furthering COMESA's accomplishments in the integration field were implemented, and much was achieved. During 2006, considerable thought was also devoted to COMESA's longer-term future.

6.1 COMESA FTA

6.1.1 Status of FTA participation

The COMESA FTA has operated since October 2000. Over the last six years, membership has grown from nine to 13 countries as at December 2006. The member States participating in the FTA are Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia and Zimbabwe. The member States that are not yet participating in the FTA are DR Congo, Eritrea, Ethiopia, Seychelles, Swaziland and Uganda. Uganda made a commitment at the Eleventh Summit to join the FTA within the shortest possible time; it is envisaged that the country will do so at the next Summit, scheduled for Nairobi, Kenya, in May 2007. Swaziland continues to seek the concurrence of her fellow SACU member States to allow her to participate in the COMESA FTA.

6.1.2 Higher standards of living under the FTA

The 13 FTA countries account for 87 per cent of COMESA's aggregate GDP but only 58 per cent of its population. In terms of the standard of living, the per capita GDP of COMESA as a whole is US\$600, but the standard of living of citizens in the FTA countries is higher than the average standard of living for the whole of COMESA as the GDP per capita for the FTA countries is 150 per cent higher. This impressive growth in living standards has resulted partly from increased intra-FTA trade, which grew by 103 per cent between 2000 and 2005, and continues to grow at an annual average rate of 16 per cent. Cross-border investment has also increased, with several COMESA companies starting operations in other COMESA countries over the same period.

6.1.3 Status of FTA Expansion

By end 2006, 13 countries were participating in the Free Trade Area. In order further to expand the FTA, ministerial missions took place to several non-FTA countries where political decisions on this matter were required. A Special Ministerial Taskforce of the Customs Union and FTA visited some non-FTA member States to assist them in realising the goal of joining the FTA by 2007.

Commitments were made in regard to the participation of non-FTA countries in the FTA. Countries not yet participating in FTA also gave their reports to the Twenty-second Meeting of the Council of Ministers on their progress in this direction. Events on this front in November 2006 are described below:

- (a) **Union of Comoros:** *Comoros deposited with the Secretariat the legal instrument of accession to the FTA; that instrument was circulated to all member States.*
- (b) **DR Congo:** *DR Congo committed itself to participating in the FTA as soon as possible. National experts had, by November 2006, submitted the necessary papers and instruments for approval by the Government and transmission to the Secretariat. The country hoped to finalise the preparation for joining the FTA in the near future.*
- (c) **Ethiopia:** *Ethiopia finalised the selection of consultants to update and review an earlier study on the impact of the FTA on her economy before a decision is made. There is also a plan to conduct a national consultation workshop on the impact of the FTA to concerned bodies with the technical assistance from the Secretariat.*
- (d) **Seychelles:** *Consultations with Seychelles continued on revenue sensitive items, as well as on the socio-economic impact of joining the FTA.*
- (e) **Swaziland:** *Swaziland remained under derogation while consulting with her*

fellow SACU member States; the derogation was extended by the Authority up to 2008.

- (f) **Uganda:** Uganda completed national consultations on participation in the FTA; the Ministry of Finance cleared participation in the FTA; the country committed itself to join the FTA soonest

6.1.2 Performance of Intra-COMESA Trade

One of the major indicators of progress in regional integration is the level and growth of intra-regional trade. In this regard, provisional estimates show that intra-COMESA trade increased to US\$6.3 billion in 2005. This compares to US\$4.5 billion in 2004 and US\$3 billion in 2000. Sectors driving this growth included agricultural raw materials, which increased by 87 per cent, and manufactures and fuels, which in 2005 registered 40 per cent and 37 per cent gains, respectively.

Fig 15
Intra-COMESA Trade: (million US\$)

	1999	2000	2001	2002	2003	2004	2005
Exports	1,343.9	1,443.6	1,285.8	1,828.5	1,573.5	1,758.4	2,554.0
Re-exports	21.3	200.1	400.1	267.9	475	531.3	623.9
Total Exports	1,365.2	1,643.7	1,685.9	2,096.4	2,048.5	2,289.7	3,178.0
Imports	1,142.6	1,374.4	1,689.4	2,146.8	2,140.6	2,216.1	3,152.0
Total Trade	2,507.8	3,018.1	3,375.4	4,243.2	4,189.2	4,505.8	6,330.0

Source: National Statistical Offices

Petroleum continued to be the top export product, whilst tea was the second most traded commodity. Other notable performers were chocolate products, alginic acid and vegetable products.

6.1.3 Performance of Intra-FTA Trade

Intra-FTA trade continued to increase in 2006 as had been in 2005

Trade within the FTA registered a 27 per cent increase in 2005 and was projected to increase even more in 2006. At the commodity level, in 2005 tea was the most traded commodity in intra-FTA commerce, followed by petroleum, tobacco, alginic acid, cotton and cement.

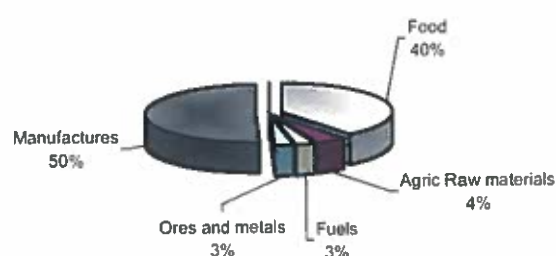
Fig 16
Intra-FTA Trade (million US\$)

	2000	2001	2002	2003	2004	2005
Exports	653.9	572.8	854.0	678.4	948.4	1,102.2
Re-Exports	70.8	213.1	74.4	152.8	148.0	216.1
Total Exports	724.7	785.9	928.4	831.2	1,096.4	1,318.3
Imports	640.2	802.7	1,079.0	1,026.5	1,084.8	1,451.6
Total Trade	1,364.8	1,588.6	2,007.3	1,857.7	2,181.2	2,769.9

Source: COMESA COMSTAT Database

Fig 17

Intra-FTA Exports by Sector: 2005



6.1.4 Small-scale Cross-border Trade

Although not captured in official statistics of most COMESA countries, small-scale cross border trade is assuming increasing importance. A study conducted at the Kenya/Uganda border post revealed that this trade can be quite significant. Cross-Border Traders Associations in Zambia and Malawi are significant players in those nations' economies. In addition, the sector is an important employer of women and youth. It is often through small-scale cross border trade that ordinary citizens can directly participate in, benefit from and drive the COMESA regional integration agenda.

6.2 Progress towards the Customs Union

The Tenth Summit in Kigali, Rwanda, in June 2005 decided that the Customs Union should be launched in 2008. In this regard, a roadmap was prepared to assist member States to make preparations for the launch.

The main decisions of the 2005 Summit regarding the Customs Union were as follows:

(a) Member States should work towards attaining a Customs Union by December 2008, but, in the event that some States are not ready to join the Customs Union in December 2008, those that are should proceed with implementation.

(b) Activities under the Road Map for the Customs Union include:

- *trade arrangements between COMESA member States who will participate in the COMESA Customs Union and those who may not be able to do so in 2008;*
- *the legal and operational implications of certain COMESA member States participating in the COMESA Customs Union, whilst belonging to other preferential trade arrangements and Customs Unions;*
- *legal, administrative, and operational arrangements for managing the Customs Union, including revenue collection and distribution mechanisms;*
- *member States to identify sensitive products that may require special treatment under the arrangement; and*
- *member States to commence adjusting their national customs tariff in preparation for the CET.*

6.2.1 Key elements of Customs Union

Prerequisites for a Custom Union include free circulation of goods and a complete elimination of barriers to intra-regional trade, including the elimination of rules of origin, a common external tariff, common product nomenclature, common valuation system, a regional trade policy, and a Customs Union administrative structure. In short, a customs union can only deliver meaningful benefits over and above the FTA if there is free circulation of goods within the customs union.

6.2.2 Revenue Collection under Free Circulation

Free circulation of goods presupposes a common revenue collection and a revenue-sharing arrangement. Revenue sharing is another cardinal element for goods under a Customs Union to

circulate freely. Member States agreed that in the short run, revenue will be collected at the points of entry. However eventually, there will be common revenue collection.

6.2.3 CET Rates for Intermediate and Final Goods

To advance COMESA's integration arrangement and sustain the benefits so far achieved, between 2006 and 2008, COMESA countries should:

- (a) *Finalise the CET – by end of 2006, the agreed CET rates were for capital goods and raw materials; COMESA countries committed themselves to agree on CET rate for intermediate and final goods by 2007 summit.*
- (b) *Enhance capacity-building amongst customs trade and finance experts to ensure that they fully appreciate the operations and implications of a Customs Union; and*
- (c) *Strengthen the operations of the FTA by eliminating NTBs and expanding the FTA market size by drawing the remaining countries into the fold.*

In view of the above, a Ministerial Task Force comprising the Bureau and four others was set up to follow up on progress. During 2006, it held consultations with concerned member States, and gave its report to the Eleventh Summit of Heads of State and Government in Djibouti in November 2006. The Summit directed all member States to complete any outstanding work relating to the CET by the Twelfth Summit to be held in Nairobi, Kenya in May 2007.

6.3 Preparatory Activities for Establishment of COMESA Regional Competition Authority

As COMESA consolidates its FTA and prepares for launching its Customs Union, it has become important that the rules governing competition are streamlined. In this regard, a Regional Workshop on Competition Policy and the COMESA Competition Commission was held in Manzini, Swaziland, in October 2006. The Workshop appraised competition experts from member States on trends and developments in the field of competition in

the region and beyond. The workshop further reviewed the proposed structure for the COMESA Competition Commission, which was based on the provisions of the COMESA Regional Competition Regulations, adopted by Council of Ministers at its Eighteenth Meeting in Lusaka, Zambia, in December 2004. A regional Competition Authority is set to be created and Rwanda has offered to host it.

6.4 Launching of COMESA Regional Customs Transit Guarantee Scheme

The Regional Customs Transit Guarantee (RCTG) Scheme was officially launched on 22 September 2006 in Kampala, Uganda. By the end of 2006, eight member States, namely Djibouti, Kenya, Ethiopia, Malawi, Rwanda, Sudan, Uganda and Zimbabwe had ratified the Agreement governing the Scheme. Virtually all of these countries had also established their National Sureties. Modalities for the Customs Transit Guarantee Pool were being developed and a prototype of the information system was produced. The Kampala meeting adopted the Inter-Surety Agreement, and a Regional Transit Guarantee Operations Manual was developed, additional activities were undertaken during the year with the view to commencing operations in 2007.

National institutions such as banks and insurance companies that would be involved in implementing the RCTG Scheme will be supported to put in place the necessary systems and capacity to administer the system.

Certain countries that are not members of COMESA, such as Mozambique and Tanzania, may benefit and facilitate the smooth operation of RCTG Scheme. Accordingly, the Twenty-first Meeting of the Council of Ministers in Djibouti in November 2006 tasked the Secretariat, through the COMESA/EAC/SADC Tripartite Task Force, to ensure that these two states were consulted on the operationalisation of the Scheme.

At that same Meeting, Council decided that member States should ensure that their Customs laws and regulations recognise the validity of the RCTG Scheme, the COMESA Carnet and its auxiliary facilities, pursuant to the ratification of the RCTG Agreement by their governments. Member States

should also put in place appropriate administrative mechanisms by June 2007 to ensure the successful operation of the Scheme. In member States where banks and/or insurance companies were not allowed to issue customs guarantees or bonds, appropriate legislative provisions should be introduced to allow such entities to issue these instruments.

6.5 Standardisation and Quality Assurance

During the year, the region made progress in the ongoing Standards Harmonisation programme. By November 2006, 206 Standards had been harmonised and 240 Standards were being processed. Member States have already begun adopting some of the harmonised Standards at the national level. A study was also being undertaken to develop modalities for implementation of the Harmonised Standards.

With regard to Conformity Assessment schemes, a regional Policy on Standardisation and Quality Assurance and a Regional Technical Regulatory Framework for implementation of technical regulations were under development. In addition, work began to identify capacities of member States to monitor Sanitary and Phyto-sanitary (SPS) and Technical Barriers to Trade Agreements, as well as develop modalities for mutual recognition of national certification schemes including national metrology and testing certificates.

6.6 INFRASTRUCTURE INTEGRATION IN COMESA

6.6.1 Overview

COMESA has consistently pursued ways to improve the region's infrastructure, particularly, its road, rail, water and air transport systems. In addition to physical infrastructure, there is need to harmonise the regulatory and administrative procedures applicable across the member States to remove the bottlenecks and reduce the delays that increase the cost of doing business across the region. In terms of the development of physical infrastructure, there is need to develop adequate regional links for road, rail and waterways, along with an appropriate network of maritime ports and airports. To this end, a priority investment Master Plan is under preparation. The Master Plan will contain agreed

criteria for projects prioritisation, a mechanism for project development and a database providing information on projects for reference by relevant stakeholders, including governments, investors, development banks and other partners.

The development of regional transport networks is costly and requires innovative funding mechanisms. In this regard, COMESA looks forward to a variety of co-operation schemes with partners including public-private partnerships.

The COMESA Fund, which came into effect in November 2006, will be an additional instrument for co-ordination and facilitation of project implementation. In order to sustain quality transport infrastructure, it is imperative that the region devises maintenance policies and practices focusing on strict adherence to regional standards, especially those relating to eliminating vehicle overloading in the road sector. Such overloading has been the main cause of the rampant premature deterioration of the road networks, resulting in high operating costs for transporters and high costs of rehabilitation of failed road infrastructure.

Equally important is the adoption of harmonised transport instruments such as transit road user charges, carrier licensing, cross-border insurance and regional transit guarantees, as well as the adoption of joint border controls through the one stop border post approach.

It has been amply demonstrated that the high cost of doing business in the COMESA region is largely due to the poor state of our infrastructure and failure to implement harmonised facilitation instruments to remove bottlenecks in transport either at terminals or border posts or en-route.

The development of transport networks requires full commitment over a long period. During the year under review, the region continued its efforts to address issues of transport and communication. Some of these developments are described below.

6.6.2 Air Transport

(a) City Pair Passenger Air Service Frequencies

The air transport industry in the region continued to benefit from the implementation of the COMESA

Air Transport Liberalisation Programme adopted by the Council of Ministers in 1999, as a result of which some airlines continued to increase the city pair frequencies on selected routes. However, some member States are yet to grant fifth freedom traffic on certain sectors. The granting of fifth freedom traffic is provided for in the Legal Notice no. 2 of 1999; non-compliance by certain member States with this notice makes airline operation less viable and reduces regional interconnectivity. In this regard, the Twenty-second Meeting of the Council of Ministers in Djibouti in November 2001 decided that member States should grant fifth freedom traffic to COMESA carriers as provided for in the Legal Notice.



(b) Negotiating Guidelines for External Aviation Relations

On the wider implementation of the Yamoussoukro Decision, COMESA worked with other RECs and the AU in line with the decision of the AU Ministers of Civil Aviation in Sun City, South Africa, in March 2005, to develop Interim Negotiating Guidelines for External Aviation Relations. This is even more urgent following the proposed Horizontal Air Services Agreements and Block-to-Block Agreements by the EC. The Horizontal Agreements allow EU countries to designate any EU carrier on any route with third party countries. This would increase competition for the local airlines, potentially threatening their viability. African countries need to come up with counter policy measures that would protect the interests of their airlines.

c) COMESA Air Transport Competition Regulations

After three rounds of consultative meetings, in 2006 the Joint COMESA/EAC/SADC Aviation and Legal Experts agreed on a draft final legal text on Guidelines, Provisions and Procedures for the implementation of the Regulations for Competition of Air Transport Services within COMESA, EAC and SADC. The text was submitted to a joint meeting of Ministers Responsible for Air Transport in COMESA, the EAC and SADC in Harare, Zimbabwe, in November 2006.

6.6.3 Communications Navigation Surveillance/ Air Traffic Management Systems Project

The United States Trade Development Agency (USTDA) in June 2006 provided a grant to undertake a feasibility study on a COMESA CNS/ATM Systems project. USTDA also provided funding for CNS/ATM studies in EAC and SADC. The three RECs will work together to harmonise these projects and come up with relevant recommendations.

In addition, following a concept plan presentation on the Kalisimbi CNS/ATM project (Rwanda) to the Twentieth Meeting of the Council of Ministers in December 2005 in Lusaka, Zambia and the Twenty-first Meeting of Council in May 2006 in Kigali, Rwanda, the Kalisimbi project was adopted as an integral part of the COMESA CNS/ATM project. The Government of Rwanda, in conjunction with the Secretariat, will develop a Master Plan for the COMESA CNS/ATM project to be presented to co-operating partners for funding. The model adopted by Rwanda in championing the implementation of the CNS/ATM systems project was commended by the Authority as a model for the development of regional infrastructure projects.

6.7 One-Stop Border Posts

During the year, COMESA worked with other RECs to promote the One Stop Border Posts concept. Individual member States also made considerable progress. For example, at the Malaba border post, implementation of joint customs control was implemented by Uganda and Kenya authorities for rail transport. This benefited from the rehabilitation of the railway building on the Kenyan side which will house both Kenyan and Ugandan Revenue

Authorities. Funding for the rehabilitation was provided by the ECA Hub, a USAID-funded project and the building was commissioned and handed over to the authorities in November 2006. With regard to the road component, joint operations are taking place on the Ugandan side awaiting the construction of physical facilities on the Kenyan side.

Zambia and Zimbabwe established a stakeholders' steering committee to oversee the implementation of a One Stop Border Post at Chirundu. DR Congo passed a Presidential decree providing for setting up a One Stop Border Post at Kasumbalesa between Zambia and DR Congo and the two countries with the Secretariat worked on the process of implementation of that border post.

6.8 Maritime and inland water transport

6.8.1 Ports

Various ports projects were undertaken in the COMESA region during the year under review. These projects include construction of new facilities, procurement of port handling equipment and port reforms in Djibouti, Kenya, Egypt, Ethiopia and Sudan. Land-locked Rwanda started to construct an inland dry port/free trade zone in Kigali.

6.6.2 Shipping

In 2006, a draft MOU detailing the modalities of the establishment of the COMESA Shipping Line was revised by the Secretariat and sent out to member States for comment. Some comments had been received by December 2006 with additional comments anticipated in 2007.

6.9 Energy

6.9.1 Energy Reserve and Access to Electricity

The COMESA region's proven crude reserves as of 2004 were about 12.3 billion barrels, representing about 12.2 per cent of African and about 1 per cent of the world crude reserves. The region produced about 1.9 million barrels per day of oil in 2004 or 22.1 per cent of African and 2.4 per cent of world production. In 2004, the region's oil consumption stood at 0.9 million barrels per day, representing 32.1 per cent of African and 1.1 per cent of world

consumption. In 2006, Uganda made progress in oil exploration. Considering these statistics, more oil is produced in the region than is consumed. Unfortunately, much of it continues to be exported in crude form to be re-imported as refined fuel.

The COMESA region accounts for about 25 per cent of African, and 0.8 per cent of world commercial energy consumption. Almost half of Africa's population lives in the COMESA region. This clearly indicates that the percentage of the population with access to electricity is low, and energy consumption per capita, as elsewhere in Africa, is far lower than the world average. Surveys carried out in 2003 in 13 selected countries in the COMESA region indicated that, with the exception of Egypt and Mauritius, in all COMESA member States the majority of the population does not access to electricity. There is an obvious need for additional investment in this important sector.

Fig 18
Population with Access to Electricity, 2003

Country	Per cent
Burundi	2
Egypt	99
Eritrea	32
Ethiopia	16
Kenya	15.5
Malawi	7
Mauritius (*)	75
Rwanda	6
Sudan	25
Swaziland (*)	23
Uganda	9
Zambia	20
Zimbabwe	41

Sources: Field Survey Conducted by Secretariat; (*)Access to Electricity, Electricity Prices in Southern and Eastern Africa, SAD-ELEC (Pty), Rivonia, South Africa, April 2003

In 2007, forecast maximum demand for electric power will exceed installed capacity in most COMESA member States, including Malawi, Rwanda, Uganda, Swaziland and Zimbabwe, whereas it will be less than installed capacity in DR Congo and Zambia. This justifies co-operation among COMESA member States in facilitating trade in electricity, securing reliability and reducing costs. Moreover, there are opportunities to further reduce prices through joint procurement, taking advantage of

economies of scale.

Development of the energy sector in the member States should be guided by harmonised national energy policies. During 2006, a Model Policy on Energy was under development to provide member States with harmonised guidelines to develop energy in their respective countries. Likewise, a harmonised regulatory framework will be conducive to energy sector investment and development of commercial energy resources including infrastructure. It will also encourage private sector investment and participation.

Power trading arrangements amongst the COMESA member States will be greatly facilitated by the expansion of the interconnection of national electricity grids and the strengthening of existing power pools. Interconnection will also make possible inter-pool power trade between the Southern Africa Power Pool, EAPP and the Central Africa Power Pool.

6.9.2 COMESA Energy Programme

In an attempt to address the region's energy problems, the Secretariat during 2006 developed draft Terms of Reference for the development of a Regional Energy Master Plan. The COMESA Energy Master Plan will be an integral part of Medium to Long-term Strategic Framework for infrastructure under the New Partnership for Africa's Development (NEPAD). The AfDB is undertaking a study on the framework, to include energy, water and sanitation, transport and ICT.

On priority regional energy projects, several member States submitted to the Secretariat detailed information on regional energy projects, which will form the COMESA Short Priority Energy Projects and be part of the COMESA Energy Programme. A database on these priority projects was created for submission to NEPAD, other funding institutions and co-operating partners. The Secretariat also developed a Draft Model Energy Policy, which will be submitted for discussion to the Energy Committee.

5.9.3 Adoption of East African Power Pool as Specialised Agency of COMESA

On 24th February, 2005, the EAPP was established through an Inter-governmental MOU. The seven COMESA member States signing the MOU were Burundi, DR Congo, Egypt, Ethiopia, Kenya, Rwanda and Sudan. Djibouti and Uganda, along with non-COMESA member State Tanzania, were also expected to join the EAPP in the near future.

During the year, the COMESA Secretariat received a request from the EAPP to be integrated into COMESA as a Specialised Agency in line with developments involving power pools within other RECs. The request was submitted to the Twenty-second Meeting of the Council of Ministers in

the EAAP and report on progress to the Twenty-third Meeting of Council, which will take place in Nairobi, Kenya, in May 2007.

6.10 Information and Communications Technology

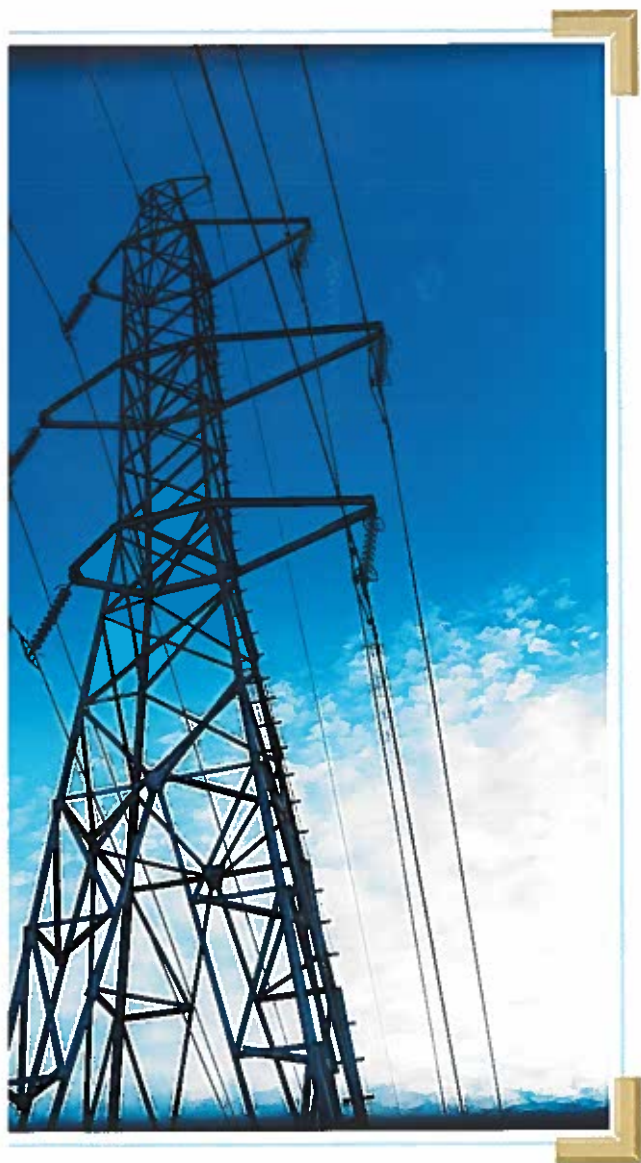
ICT services are highly important for social and economic development and integration. Better ICT services provide an attractive environment for investment in the other economic sectors.

During the year, COMESA examined a new approach, which will bring the proposed COMESA telecommunication company COMTEL in line with current technological needs. COMTEL's new approach will speed up ICT cross-border connectivity amongst COMESA member states. It will also make it possible for a single country to call any COMESA country using Internet Protocol technology. COMESA countries urgently need appropriate ICT infrastructure that allows cross-border telecommunications inter-connectivity.

Access to ICT services has improved in COMESA. The tele-density for fixed telephony rose from 2.1 per 100 inhabitants in 2001 to 3.6 in 2005. The growth of mobile services has been phenomenal, rising from 0.65 per 100 inhabitants in 2000 to 7.6 in 2005. The number of mobile phones in the region has grown more than tenfold in the past five years. A particularly telling example of this phenomenon is DR Congo, where the number of mobile users in 2005 was 2.75 million, whilst the number of fixed line users came to only 0.01 million.

The COMESA region's telephone penetration is comparable to that of the African continent as a whole. The COMESA figures of 7.6 per 100 inhabitants for mobile and 2.1 for fixed may be compared with 14.1 for mobile and 2.6, respectively, for the continent in 2005.

The spread of the Internet has brought about new challenges and opportunities in the ways that countries are now conducting their business and delivering educational services. Currently, all COMESA countries have Internet access and the prices for these services are steadily dropping due to the increasing numbers of users and service providers. The advent of the Internet has provided a source of income, especially for the youth in the



Djibouti in November 2006; Council decided that the EAPP should be incorporated as a Specialised Agency under Article 182 of the Treaty. Council also decided that the Secretariat should negotiate and conclude the necessary arrangements with

region.

Several countries are now providing useful applications through the Internet, such as tender offer information, e-commerce sites, stock exchanges and live radio broadcasts. The Secretariat itself has set up several applications that provide the member States with access to information and facilitate the implementation of regional initiatives. Examples include the COMESA Public Procurement website on <http://cpis.comesa.int>, and a statistical database known as COMSTAT. The Food and Agriculture Management Information System (FAMIS) is under development.

COMESA is drawing up e-legislation guidelines, which the member States may adopt to suit their environments. In this manner, the region will be able to take maximum advantage of the opportunities provided by ICT to trade more efficiently and securely on a global scale.

6.10.1 Very Small Aperture Terminal Closed User Group

A proposal for a COMESA Closed User Group Very Small Aperture Terminal (VSAT) communications network, to be implemented within the framework of the Regional ICT Support Project (funded under the Ninth European Development Fund or EDF), was finalised within the year. The VSAT Network will be used for Video Conferencing, Voice over Internet Protocol, and Internet and data exchange. The proposal outlined the management structure, operating requirements, implementation plan, budget, and respective roles of member

States and the Secretariat in implementing the VSAT Network.

Once the COMESA Closed User Group VSAT Network is operational, Video Conferencing systems that already exist in member States will be integrated into it. The Secretariat, within the period under review, appointed data collectors in member States to collect information on system requirements including the interface requirements with existing systems.

6.10.2 One hundred Dollar Laptop Project

COMESA member States need to take advantage of the 100 Dollar Laptop Project, which is expected to assist school children in the developing world access IT at an early age. The 100 Dollar Laptop Project is expected to be in place by mid-2007. None the less, by the end of 2006, Libya was the only COMESA country that had signed up for the non-profit oriented programme.

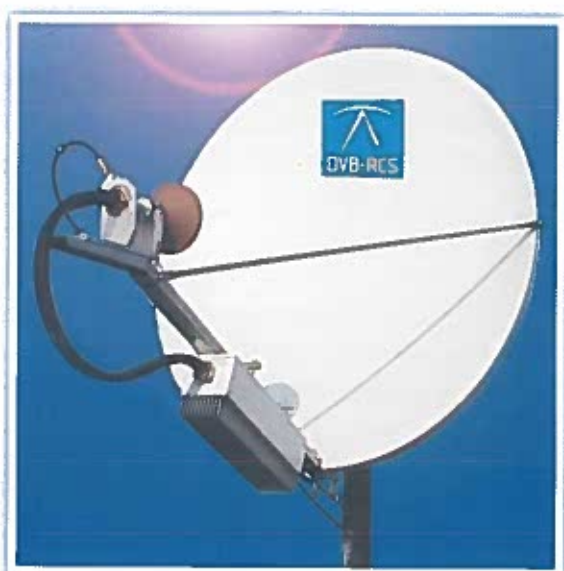
6.11 Agriculture

6.11.1 Role of Agriculture

The agricultural sector is at the heart of the economies of the COMESA member States, accounting for a large share of GDP; employing a large proportion of the labour force; representing a major source of foreign exchange; supplying basic food requirements; and providing subsistence and other income to the bulk of the population in the COMESA region. The agricultural sector remains the most important sector in the COMESA region and the one with the highest potential for generating export growth.

Agricultural trade is a major source of export earnings for the COMESA region, particularly for products covered by the Commodity Protocol. However, participation of COMESA countries in international trade is severely limited by a number of structural factors, as well as unfavourable access to the markets of greatest interest.

COMESA trade is characterised by a high degree of openness; great dependence on a narrow range of primary agricultural exports; high vulnerability



VSAT at COMESA Secretariat

o instability of demand for commodities and
o deterioration of the terms of trade; slow and
declining growth in agricultural exports (owing
o the emergence of other large-scale, more
competitive producers and the increasing use
of substitutes); and an extreme vulnerability to
natural disasters and climatic change.

5.11.1 Agricultural Programmes

(a) Comprehensive Africa Agriculture Development Programme

In order to comprehensively address poverty, particularly rural poverty, the agricultural sector must grow rapidly. The minimum agricultural sector growth rate required in the region to achieve the Millennium Development Goal of cutting hunger and poverty in half by 2015 is 6 per cent annually. It is in this regard that CAADP, an AU/NEPAD programme, was endorsed by the Heads of States in July 2003 to accelerate agricultural sector development. COMESA is an implementation agency for CAADP.

In mid-March 2006, COMESA developed and forwarded the full preliminary COMESA CAADP Work Plan and Regional Compact Programme to NEPAD and lead agricultural donors. Subsequently, COMESA received technical support from USAID, the UK Department for International Development (DFID) and the World Bank for the implementation of CAADP. As a result, the CAADP Compact was ready for signature in December 2006.

In August 2006, COMESA, with financial support from DFID, convened the first COMESA regional CAADP focal persons' meeting in Lusaka, Zambia. The objective of the meeting was to introduce the focal persons to the CAADP regional process. Within the year, Rwanda had commissioned the CAADP round table process to develop the national CAADP compact and other COMESA member States countries are expected to finalise their compacts. Under CAADP, COMESA will be implementing a number of projects that will have great impacts on agricultural development.

(b) Programme on Enhanced Livelihoods in Pastoralist Areas

Through a mechanism known as the Famine Fund, the U.S. Government will avail funds to the tune of

US\$14,8m through USAID/East Africa to put in place a co-ordinated package of short-term activities that will reduce the incidence of serious famine and food insecurity, and speed up the process of recovery. The project will provide US\$750,000 to the Secretariat to strengthen its capacity in livestock development and food security programmes as it implements CAADP.

The countries in the region must allocate at least 10 per cent of their national budgets to agricultural development. Resources can then be leveraged from co-operating partners and private sector sources to address the priorities identified under CAADP.

(c) Regional Agricultural Trade Expansion Support Programme

Objectives

COMESA's activities to increase regional agricultural trade are supported by, amongst other specialised programmes, the Regional Agricultural Trade Expansion Support (RATES) programme. This is a five-year programme, funded by the U.S. Government through USAID/East-Africa, whose objective is to create an open and transparent trade environment conducive to the conduct of free agricultural trade within COMESA. This is to be accomplished by working with COMESA member States to address the policy, institutional, regulatory, business information and trade facilitation constraints to regional agricultural trade. A unique feature of COMESA's work through RATES is strong private sector involvement and interface.

RATES is a commodity-focused programme, concentrating on an integrated value chain approach in four commodities: specialty coffee; maize; cotton and textiles; and dairy. Through policy advocacy, lobbying, public relations, and marketing, RATES is expanding private sector contributions to regional trade initiatives in East and Southern Africa. The project does this successfully because it provides highly-valued commodity knowledge and organisational expertise. By bringing people who share a common cause together in associations, RATES has begun to create regional capacity in this direction, which is already having paying off in terms of trade expansion.

Key Achievements

The key achievements of COMESA through RATES during 2006 were as follows:

(i) Policy

The operative strategy is to identify trade policy and regulatory issues that negatively affect regional trade flows and to initiate policy and regulatory change through public-private sector dialogue within the framework of regional policymaking structures (COMESA and the EAC), and to support the evolution of regionally harmonised product quality standards and SPS.

Accelerating the implementation of the COMESA Simplified Trade Regime (COMESA-STR), a system tailored to the needs of cross-border traders that allows for low value (not more than US\$500) commodity shipments to pass through regional borders with simplified documentation and procedures.

Partnering with the regional industry association for dairy, the Eastern and Southern African Dairy Association (ESADA) and working closely with COMESA and the EAC in completing a regional dairy SPS protocol geared towards providing a sustainable solution to the problem of SPS-related trade barriers to regional trade in dairy products.

(ii) Private Sector Contributions to Trade Initiatives

The effective participation of the private sector in policy dialogue at the regional and national levels has been inhibited by the fact that the private sector has not been sufficiently organised to be a meaningful partner. This has limited the private sector's role in shaping debate and providing input into the formulation of regional policies and strategies as they relate to regional agricultural trade and in multilateral negotiations whether these are under the aegis of the WTO, EU-EPAs, AGOA and others.

The emergence of regional industry associations in certain key commodity areas, namely, the Eastern African Fine Coffees Association (EAFCA) for coffee; ESADA for dairy; and the African Cotton and Textile Industries Federation (ACTIF) for cotton and textiles, is the start of a process of getting

industry players in the individual countries to work together within a common regional vision. Already, through these associations, networks have been established leading to partnerships, strategic alliances and regional linkages, thereby providing building blocks for regional value addition and creation of sustainable regional value chains. These associations are now providing input and shaping the regional policy agenda for trade and investment in a more organised and systematic manner.

Web-sites of the various industry associations in cotton and textiles; maize and pulses; dairy; and coffee, along with linkages with regional policy institutions, COMESA and EAC

Over 1,300 private and public sector stakeholders actively participated in RATES-supported activities during 2006. With RATES support, our partners conducted 42 training events. Through participation in business forums, policy and trade roundtables and international marketing and trade activities, these companies and individuals are now better able to take advantage of the trade opportunities now available because of an improved trading environment created through RATES' policy work.

COMESA has concluded MOUs with the three regional industry associations, ACTIF in cotton and textiles, EAFCA in coffee and ESADA in dairy, thus, enabling these private sector-led industry associations to have a voice in the regional decision-making process. The reaching of such understandings also fosters issue-based collaboration between them and COMESA including inputs into multilateral negotiations under the WTO and EU-EPAs.

(iii) Maize

The "Maize without Borders" philosophy, ensure that maize can move from surplus to deficit areas across the region unimpeded by policy regulatory non-tariff and other market barriers to trade.

Formal grain trade across the region during 2006 was reduced due to severe drought conditions in a number of the target countries. However, total grain trade was valued at US\$19 million, compared to US\$8 million in grain traded during the 2001 baseline period.

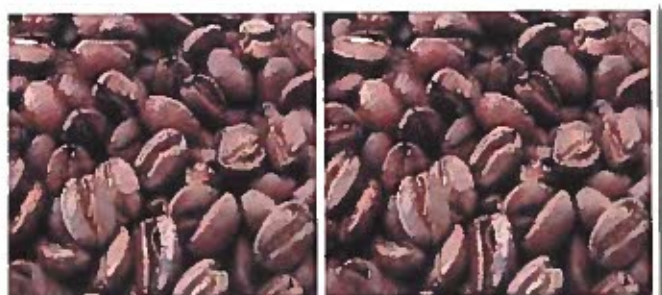
several countries instituted export bans in 2005 because of reduced maize production and such practices continue to be a major constraint to creating a free regional maize market. During that year, in spite of these bans, maize continued to flow through informal and undocumented channels. This could partially explain the increase in unrecorded trade, as traders used informal trade routes to evade the bans. In 2005, cross-border trade in the region came to over US\$50 million.

The programme is now taking this initiative to be the next logical step by supporting the creation of a more structured trading system within the region. In this regard, the newly formed East African Grain Council (EAGC) is leading the charge in public/private co-operation to develop a strategy for better co-ordination between the private sector and government policy makers. The EAGC will promote innovative programmes such as Warehouse Receipt Schemes and other collateral management systems to allow commercial trade to react to food security needs within the region by providing known quantities of grain in secured warehouses.

The Regional Agricultural Trade Intelligence Network (RATIN) continues to serve as a leading source of agricultural market information locally, regionally and internationally. There are now over 1,400 subscribers to the Monthly Newsletter and Weekly Price Review bulletin, which is available at www.ratin.net. RATIN will be incorporated into the EAGC during 2007.

The RATES-supported www.tradeafrica.biz continues to gain momentum as the only fully integrated grain trade linkage site operating in Africa. During 2006, the site posted over \$250 million in combined offers to buy and sell grain.

(iv) *Coffee*



The value of specialty coffee exports continued to increase significantly as a result of higher world coffee prices, which were up significantly from an all-time low in 2003. There has been a renewed interest in East African coffees, which has also increased competition for the best grades of specialty coffees from the region. The value of specialty coffees exported totalled over US\$162 million, representing a 289 per cent increase over the 2001 baseline year.

Rwanda made great strides in developing its specialty market. The Burundi specialty industry also showed signs of recovery as peace takes hold.

The strategy of increasing specialty coffee exports hinges on working through EAFCA, a regionally-focused specialty coffee organisation with chapters in ten coffee producing countries in the region (Burundi, DR Congo, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe).

EAFCA successfully staged the Third African Fine Coffee Conference and Exhibition at the foot of Mount Kilimanjaro in Tanzania in February 2006. The Conference was attended by over 500 coffee producers, traders, buyers, and interested coffee stakeholders and key players in the international coffee industry, including Starbucks, Peets Coffee, the Specialty Coffee Association of America, the Specialty Coffee Association of Europe and the International Coffee Organization. These conferences, which have become major international events, have been a major factor in the marked increase in sales of African fine coffees to the U.S., Japan and Europe. The most recent conference was held in Addis Ababa in Ethiopia, the birthplace of coffee, in February 2007.

(v) *Cotton and Textiles*

Cotton and textiles have the greatest potential of all these sectors for promoting industrial linkages and value addition through regionally (rather than nationally) vertically integrated value chains; they can do so by taking advantage of the varying comparative and competitive advantages of countries in cotton production, ginning, spinning,

weaving and apparel manufacture



The region's cotton/textile sales increased to over US\$325 million in 2005, compared to the 2001 baseline total of US\$253 million, representing a 28 per cent increase.

RATES is focusing on the regional textile industry as a main buyer of regionally (and mostly smallholder) produced lint, and as a seller of textile products to the apparel sector, taking advantage, where applicable, of opportunities provided under AGOA.

Operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers, RATES has been working with the industry to develop and strengthen regional markets, as well as promoting and implementing programmes to improve regional competitiveness and position the sector to take advantage of national, regional, and export markets.

ACTIF has an impressive track record of international and regional recognition in a very short time. RATES is working with ACTIF leaders on a dedicated effort to form a pragmatic institutional structure that will lend itself to member needs and sustainability over time. ACTIF has achieved international recognition through membership of the International Cotton Advisory Committee and International Federation of Textile Manufacturers.

www.cottonafrica.com continues to be a major success story amongst Web-based trading sites. The site has over 250 registered users and is the number one key word search result on Yahoo and Google for the words "cotton" and "Africa". Since coming on line in 2003, traders have posted an

impressive US\$435 million in cotton products at the site.

(vi) Dairy

Since the formation of ESADA, the dairy sector in the region is becoming better organised and there has been an appreciable move from harmful to healthy competition because of increased information exchange, networking and partnerships among industry players in the dairy sector in the region. Key interventions in the dairy sector have involved dairy market expansion and promotion, addressing non-tariff barriers to regional dairy trade, enhancing the capacity of ESADA to deliver services to its members and initiating a dairy investment and finance programme.

Regional exports of dairy products for 2005 reached a total of US\$6.9 million. This was 166 per cent above the 2001 baseline value of US\$2.5 million. As with maize, dairy exports were down compared to last year by about 5 per cent due to drought conditions in several of the most important dairy producing countries.

To date, significant progress has been made in developing systems for inter-regional market linkage systems, development of systems for improved market information, building a regional trade community through ESADA, improving product competitiveness and strengthening national dairy associations.

A success story for ESADA was the convening of the Second African Dairy Conference and Exhibition at Speke Resort, Munyonyo, Kampala, Uganda on the shores of Lake Victoria in May 2006. The Dairy Conference and Exhibition brought together nearly 180 delegates from 23 countries within and outside the COMESA region, including the U. S., Europe, India, Australia and South Africa, to strategise on how to revitalise the dairy sector in Africa. The theme of the Conference was "African Dairy - Rising to the Challenge." The Conference was officially opened by His Excellency Yoweri Museveni, President of the Republic of Uganda. For the first time the Conference attracted participation from India, represented by the India Dairy Association as well as equipment manufacturers of "mini dairy plants," which are ideal for small-to-medium scale dairy processing in Africa. The Third Dairy

Conference and Exhibition will be held in Lusaka, Zambia, in May 2007.

(d) Irrigation Development

During the period under review, the Indian Government provided technical support to the COMESA region for the development of the irrigation sector. Through November 2006, experts from Water and Power Consultancy Services had conducted analytical work in Eritrea, Rwanda and Zambia.

(e) Fisheries

COMESA, in conjunction with the FAO, continued to implement a fisheries processing project on Lake Victoria aimed at encouraging value addition in the sector. In March 2006, a consultant completed the implementation of the initial fish processing activities under the project, which was financially supported by the Common Fund for Commodities; a regional workshop was held in December 2006 to scope out lessons learnt and to expand the project to other relevant water bodies in COMESA.

(f) Biotechnology

The final regional workshop under the Regional Approach to Biotechnology Policy for East and Southern Africa programme was convened in May 2006 in Nairobi, Kenya, to review and consider the draft harmonised regional position on biotechnology and biosafety. The draft harmonised Biotechnology and Biosafety policy would be presented for review and possible consideration at the next meetings of the Committee of Agriculture and Ministers of Agriculture scheduled for Khartoum, Sudan in 2007.

(g) Agricultural Marketing and Regional Integration Promotion Project

The main goal of the Agricultural Marketing Promotion and Regional Integration Project (AMPRIP) is to promote economic growth and foster regional economic integration in COMESA member States. The Project's objective is to enhance safe intra- and extra- COMESA agricultural marketing. To attain its objective, the project focus on three main components with the following respective outputs:

- improvement of agricultural marketing information and agribusiness opportunities, including establishment and operationalisation of FAMIS and strengthening agricultural marketing institutions;
- improvement and harmonisation of SPS measures and food safety standards, including training of SPS technical focal points and national laboratory specialists, holding workshops on legislation, regulation and surveillance for field staff, establishment of regional reference laboratories and enhancement of co-ordination and communication related to SPS matters in the region;
- to support HIV/AIDS awareness activities, especially along the transport corridors within the COMESA region.

In order to improve the flow of information, the International Institute for Tropical Agriculture (IITA) was contracted to design and develop FAMIS. IITA developed a prototype of the FAMIS and the website was in its final stage by the end of 2006. FAMIS will capture trade information for major tradable commodities in the region. It aims at improving agricultural marketing through the dissemination of market information, policy changes and impacts in order to enhance decision-making by all stakeholders, thereby improving policy implementation in member States.

COMESA has contracted an institution called CABI to implement the SPS component of the project; it started the SPS training seminars in October 2006 which proposed a COMESA SPS Protocol, which would incorporate the proposed COMESA Green Pass, and SPS Certification system meant to facilitate trade in agricultural and food products. After extensive consultations with all stakeholders, the proposed SPS Protocol will be submitted to Council for consideration. In addition, two seminars private seminars on SPS were carried out in Sudan and Zambia.

6.12 SOCIAL ASPECTS OF REGIONAL INTEGRATION

6.12.1 Legal and Institutional Affairs

(a) Draft Investment Framework Agreement for COMESA Common Investment Area

Negotiations by investment and legal experts on the Draft Investment Framework Agreement for the CCIA were concluded in March 2006. However, the negotiations introduced new policy issues, which require clearance by technical experts before the text can be submitted to the member States for ratification. The text was further presented to the Ministers of Justice for discussion of various provisions in the Agreement.

(b) Enhancing Procurement Reform Capacity Project

Following the successful conclusion in December 2004 of the two-year pioneering Public Procurement Reform Project in December 2004, COMESA worked with the AfDB to develop a successor project. That project was designed to deepen the modernisation and harmonisation of public procurement systems in support of regional integration and increased intra-regional trade in COMESA. Following several AfDB missions and enhancements to the Project Appraisal Report, the Enhancing Procurement Reform Capacity Project (EPRCP) was approved by AfDB's Board on 21st July, 2006. The grant took effect upon signing of the Protocol Agreement on 14th August, 2006. With a grant offer of UA 5.66 million (approximately US\$8.12million), the project is nearly five times larger than its predecessor. It is expected to have a far-reaching impact in the sphere of good governance through transparency and accountability in public procurement in the region.

The objective of the EPRCP is to enhance the public procurement systems of COMESA member States by modernising and harmonising their laws, regulations and procedures and by strengthening the countries' capacities to manage public procurement systems. The Project has identified four key outcomes to be achieved during the four-year implementation period, which runs to the end of 2011, namely the following:

- *Public and Private Sectors that are fully aware of the principles and workings of the modern*

national and regional public procurement systems;

- *National Procurement Systems that are consistent with the COMESA Regional Procurement Directive;*
- *Well-trained procurement practitioners developed through a comprehensive programme run by selected training institutions and also internally through training of trainers programmes; and*
- *Mainstreaming of Web-based IT into procurement processes, with a view to increasing the dissemination of procurement information and streamlining of operations.*

The fourth quarter of 2006 was devoted to recruitment of the consultants who will assist in the implementation of the various project activities. Two international firms will be recruited, one to work on Development of Training Systems and Capacity Building in Public Procurement and the other on Development of Procurement Information Systems. These consultants will be supported by a small team of individual consultants who will work on the Awareness and Sensitisation Programme and on development of national policy and the legislative process. It is expected that all consultants will be firmly on the ground by 1st April, 2007.

(c) COMESA Regional Competition Programme

The COMESA Regional Competition Regulations and Rules (RCRR) were approved by Ministers of Justice and Attorneys General at their Seventh Meeting in Lusaka, Zambia, in March 2003, and were adopted by the Council of Ministers at its Eighteenth Meeting in Lusaka in December 2004.

The RCRR have since been printed; by November 2006, the Secretariat was working on implementation modalities. The Secretariat had also received resources from DFID to design the institutional structure and regional co-operation framework for the Regulations. A team of international and regional experts has been commissioned to undertake the institutional design work.

- (d) Implementation of Protocols on Movement of Persons and Labour*

COMESA has adopted three Protocols on movement of persons and labour: the Protocol on the Gradual Relaxation and Eventual Elimination of Visas adopted in 1984; the Protocol on the Free Movement of Persons, Labour, Services, Right of Establishment and Residence adopted at the ninth Summit of the COMESA Authority in Cairo, Egypt in 2001; and the Agreement on Privileges and Immunities adopted by the COMESA member States in 1984.

Progress on ratification and implementation, however, has been slow. As at the end of July 2006, only four member States (Burundi, Kenya, Rwanda and Zimbabwe) had signed the Protocol on the Free Movement of Persons, Labour, Services, Right of Establishment and Residence. The subject was on the agenda of both the Twenty-first and Twenty-second Meetings of the Council of Ministers held in Kigali, Rwanda, and Djibouti in May and November, respectively.

With regard to the implementation of these COMESA Protocols and Decisions, Council noted the status implementation as follows:

Kenya, Malawi, Rwanda and Zimbabwe – have attained 75 per cent implementation and above;

Burundi, Mauritius and Uganda – have attained 50-60 per cent implementation;

Zambia has attained 45 per cent implementation; and

the remaining twelve member States have rates of implementation of below 30 per cent.

In the view of the above, the Twenty-second Meeting of the Council of Ministers decided that all member States that are behind the schedule of implementation accelerate implementation; urged those that have not established National Implementation Committees do so as soon as possible; requested all member States to adhere to the provisions of the Agreement on Privileges and Immunities; urged member States to cease charging visa fees to COMESA delegates (a rule that would then become reciprocal across the COMESA region with effect from 1st January, 2007); and requested all member States that have not already

done so to attain full implementation, as well as to complete national consultations on and sign the Protocol on Free Movement.

(e) *Model Law on Immigration*

During the year under review, COMESA Chief Immigration Officers agreed on a draft Model Law on Immigration, which was simply an adaptation of common principles aimed at approximation of the national immigration laws and practices, rather than an attempt to standardise such laws and practices across the board. The Model Law, once adopted by the member States, will decrease the disparities in practices affecting COMESA nationals and facilitate trade in goods and services, whilst addressing the concerns of border communities adversely affected by the arbitrary national frontiers inherited from colonialism.

6.13 Peace and Security

Issues of peace and security lie at the core of the COMESA's integration agenda, particularly in the Horn of Africa and the Great Lakes region. The year 2006 witnessed enormous progress with respect to the resolution of these conflicts and the movement towards the establishment of democratic governance.

Several landmark events during 2006 suggest that the region is moving to a new political dispensation marked by a culture of dialogue, negotiation and democratic governance, as evidenced by events in Burundi, DR Congo and Uganda.

6.13.1 COMESA Peace and Security Programme

The year 2006 was a busy one for the COMESA Programme on Peace and Security. The year saw the consolidation of previous gains made in the resolution of the conflicts as well as responses to outstanding challenges. Amongst the Programme's achievements were the inclusion of non-state actors; commencement of a programme on counterterrorism; and policy based research.

The Programme's activities continued to draw from its mandate, which was set by the COMESA Authority at the Programme's inception after a comprehensive study on the root causes of conflict in the region. It has been clear from the outset

that the complexity of the conflicts in the region, along with the length of most of these conflicts, requires COMESA to employ a multiplicity of actors and approaches in addressing these conflicts. This realisation formed the basis of the Decision by the Authority in 2001 for COMESA to incorporate other actors, such as civil society, the Private Sector and Members of Parliament (MPs) into its Programme and to enable the deployment of co-ordinated, multi-track preventive diplomacy strategies.

(a) *Involvement of Non-State Actors*

During the year, great effort was made to open space for Civil Society, the Private Sector and MPs.

• *Participation of Members of Parliament*

In January 2006, 61 MPs from 18 member States met in Khartoum, Sudan, to discuss the modalities of their involvement in COMESA Programme. The MPs proposed the formation of an Inter-Parliamentary Forum for COMESA, which would be dedicated to matters of peace and security at the national levels and the regional levels. The MPs also came up with a proposal for the Forum's mandate, which includes ensuring linkages with regional initiatives such as the Peace and Security Programme on Conflict Prevention and Peace Building.

• *Civil Society and Private Sector Organisations*

The year also saw the first set of Civil Society and Private Sector organisations receive accreditation from the Ministers of Foreign Affairs according to the Rules and Procedures for Accreditation to the COMESA Programme on Peace and Security. COMESA will now be able to work closer with these organisations on tangible programmes in ways that utilise their distinctive competences. In order for an organisation to apply for accreditation, it must first qualify according to a set of Rules for Accreditation, which were developed by a wide range of stakeholders in 2004 and adopted by the Authority in 2005. In addition, to ensure that the process is fair, information on the Programme must be widely disseminated in each country through national consultations, led by COMESA and a lead organisation from the respective country. Over the course of the year, seven national consultations were held.

(b) *Partnership with AU on Conflict Prevention*

The Programme continued to work close with the Peace and Security Department of the AU Commission. The partnership touched on Early Warning and Early Response, Post Conflict Reconstruction and Development and the African Standby Force, amongst others.

• *Early Warning and Early Response*

As a building block of the African Peace and Security Architecture, COMESA is expected to play a big role in the development of the Continental Early Warning System. This also entails that COMESA set up its own early warning system and to that end, is in the process of accessing funds from the African Peace Facility Capacity Building to put in place an early warning system in 2007.

• *Post Conflict Reconstruction and Development*

With at least six of COMESA member states classified as being in a post conflict phase, COMESA participated throughout the process of the development of the Framework. In that regard and at the invitation of COMESA, an AU team has visited the Secretariat with the aim of working out modalities for implementation.

(c) *Elections Observations*

COMESA continued to play its part to support the democratisation process through election observations. COMESA was able to send observer to several electoral events, including the Referendum for the Constitution in Kenya, the elections in Zambia and both phases of the elections in DRC and Madagascar.

(d) *New Projects*

During the year, two new projects were launched: a programme on counter-terrorism and another on policy based research.

• *Counterterrorism*

The direct consequences of international terrorism are a new aspect of insecurity that threatens the region and requires special attention. The terrorism

bombings that have shaken Egypt, Kenya, and Tanzania have not only significantly reduced tourism earnings due to curtailment of air travel but also diverted world attention away from the African agenda. Due to the terrorist threats that affected at least two COMESA member States during the year, COMESA was designated as a focal point for the AU Centre for Study and Research and will be linked at the national and continental levels for sharing and dissemination of information.

Policy Based Research

COMESA has started to conduct research that will yield an accurate costing of conflicts in the region. This information will be very useful in policymaking, particularly in the context of post-conflict reconstruction and development. The programme has also launched a study that aims to identify ways to increase the benefits of trade, particularly in the extractive industry in the Great Lakes Region.

5.14 COMESA Gender Issues

The overall objective of the COMESA Gender Policy is to foster gender equality and equity at all levels of regional integration and co-operation, in order to achieve sustainable socio-economic development in the region. The status of the fulfilment of the COMESA Gender Policy targets is as follows:

- The proportion of females in the population in COMESA varies from a low of 48.4 per cent in Libya to a high of 51.8 per cent in Swaziland, and over 55% for Rwanda.
- Women lag behind their male counterparts in adult literacy.
- Although women's share of the labour force is increasing in all member States, they still lag in this respect.
- Rwanda has the highest proportion of women MPs and Government Ministers, whilst Seychelles has the highest representation of women in other areas.
- Maternal mortality rates vary from a low

of 20 per 100,000 in Mauritius to a high of 1,289 per 100,000 in DR Congo.

Women's participation in decision-making remains in most cases well below the 30 per cent set by the COMESA Gender Policy adopted in Addis Ababa, Ethiopia, in May 2002. Both the Third First Ladies Round Table held in Djibouti in November 2006 in Djibouti and the Second Meeting of Ministers Responsible for Gender in Lusaka, Zambia, in October 2006 called upon the region to increase the target percentage to 50 per cent as per AU recommendations.

6.14.1 Establishment of Trading Houses

A key gender-driven program is the establishment of Trading Houses in the region. The objective of the programme is to accelerate the creation of market outlets in COMESA countries for small-scale entrepreneurs generally, and women in particular. Doing so will unleash women entrepreneurship within COMESA through mainstreaming gender in trade. Trading houses have successfully been promoted in Canada, India, Israel and the Philippines, amongst other countries.

6.15 COMESA Media Awards and Students Essay Competition

A meeting of regional Media Managers and COMESA institutions that took place in Nairobi, Kenya, in April 2006 recommended, amongst other things, that a COMESA Media Award be created. The awards, which will be given out in both print and electronic categories, will reward journalists who have made contributions in the form of written or broadcast materials to promoting the regional and African integration agendas. The Students Essays will be based on topics selected that will be periodically determined.

On the heels of this recommendation, a draft proposal was prepared and presented to the Twenty-second Meeting of the Intergovernmental Committee and the Twenty-second Meeting of the Council of Ministers, both of which were held in Djibouti in November 2006.

The first Media Awards are scheduled to be

presented in 2007. The essay awards will be given out during the second half of the year.

6.16 Collaboration in University Education

The Council of Ministers, at its Twenty-first Meeting in Kigali, Rwanda, in June 2006, decided that the Secretariat should work towards the establishment of the COMESA Universities Forum. The Forum will bring together tertiary institutions in the region to discuss and agree on harmonisation of the development and management of tertiary education, co-operation in research as well as participation of universities in furthering regional integration. The first meeting of the Vice Chancellors

of COMESA Universities will take place early in 2007 after which the Forum will be officially launched.

The Secretariat is studying the feasibility of setting up a COMESA Open University. The Open University system saves much on the cost of tertiary education and can cater for many more students from rural localities, including rural areas, than a regular university. Following the Ministerial Mission to India in October 2006, a Memorandum of Understanding will be signed between the Secretariat and the Indira Gandhi National Open University (IGNOU) which has offered to assist COMESA with setting up a COMESA Open University.



The year 2006 was a successful one for COMESA in terms of mobilising technical and financial resources to supplement the efforts of its member states to finance its development programmes. Also during the year, relations were enhanced with additional regional organisations.

The Bureau, the Secretariat, and a number of COMESA Institutions undertook missions within and outside the region to engage and consult with existing partners and to introduce COMESA and its programmes to new ones. Various meetings with partners were held to review progress made and to identify new areas of collaboration. The Secretariat regularly meets with sister organisations in the region to work on common programmes, consult on matters of mutual concern, take common positions and promote programme co-ordination and harmonisation.

7.1 Collaboration with Continental and Regional Organisations

7.1.1 African Union

In 2006, COMESA and the AU worked closely in all sectors, including peace and security. On the issue of the "Rationalisation of RECs", COMESA contributed to the regional and continental consultations and to the outcome of the AU's Banjul Summit, which, amongst others, decided that eight recognised RECs should co-ordinate and harmonise policies amongst themselves and with the AU with a view to accelerating the African integration process.

With regard to Peace and Security, COMESA collaborates with the AU in Post Conflict Reconstruction and Development (PCRD); the AU mechanism for Early Warning; and the African Peace Facility. In addition, the AU has provided COMESA with a short-term technical assistance officer to assist in the drafting of the EPA text.

7.1.2 Other Regional Economic Communities

In 2006 there was continued enhancement of collaboration between COMESA and other regional organisations in Africa particularly with EAC, IGAD and IOC within the framework of the IRCC, with the

objective of achieving programme harmonisation and convergence so as to expedite the realisation of the AEC.

The IRCC is the institutional framework established by COMESA, the EAC, IGAD and the IOC to bring together the four RECs to facilitate the implementation of the Ninth EDF and has achieved its purpose well. As a result, the four RECs took a common position to maintain the structure for the Tenth EDF as well. The IRCC meets regularly to follow up on implementation and other related matters, thereby providing the RECs with an excellent opportunity to meet and consult on other matters of mutual concern.

To address the challenges caused by multiple memberships, a Tripartite Task Force has been established amongst COMESA, EAC, and SADC, with a view to harmonising and converging their programmes and removing any policy contradictions that may arise from overlapping memberships. The First Tripartite meeting was held in Kigali, Rwanda, in March 2006 at Ministerial level. Two sub-committees, on Trade and Customs, and Infrastructure, respectively, met at technical level to prepare the documents for the Ministerial Meeting. SADC hosted the Second Tripartite Meeting in Gaborone, Botswana in September 2006. The focus of the Tripartite Arrangement is on harmonising the trade and infrastructure programmes of the three organisations.

7.2 European Union



COMESA EU meeting

The EU continues to be the single largest contributor to regional integration in Eastern and Southern Africa. Moreover, the EU continues to be the largest single destination for COMESA exports and source of imports.

By August 2006, the following were the committed disbursements under the Ninth EDF, along with projects in the pipeline:

• Global Commitments:	€183,284,355
• Individual commitments	€88,010,902
• Payments	€25,574,678

Programming of the Ninth EDF was launched in 2006; EPA negotiations intensified and high-level consultations with the EC took place despite heavy pressure from all corners, the ESA region has managed to maintain its unity and commitment to share a common strategy and programme under the Tenth EDF.

To enable it address the needs of its diversified region, the ESA region selected the following focal sectors: trade and regional integration; infrastructure development; peace and security; and natural resource management, including food security and environment.

The initial allocation to COMESA and its three partners (IGAD, EAC and IOC) is € 465 million. Co-operation with COMESA will once again be financed through a Contribution Agreement.

7.3 U.S.

Under the two Strategic Objective Grant Agreements (SOAGs), which were signed between USAID and COMESA in September 2003, USAID provided US\$10.2 million for economic partnership, and for democracy and governance, respectively. A variety of programmes have since then been supported under the SOAG. These include institutional strengthening, promotion of intra-COMESA trade, promotion of US-COMESA trade, peace and security, gender and advocacy. A successor agreement to the SOAG was signed in October 2006, with additional activities to be financed in 2007 and beyond.

In addition to the SOAGs, which COMESA directly implements, USAID-funded activities, such as the

ECA Hub and RATES, promote COMESA's objective and supplement its efforts in their respective area. RATES is described in an earlier section.

The ECA Hub is one of three such Hubs in Africa created in 2001 under a U.S. Presidential initiative. Its objectives are as follows:

- strengthening ECA countries' capacity to participate effectively in the multilateral trading system, including negotiation under the World Trade Organization;
- developing and implementing private sector business support strategies for increasing trade under the Africa Growth and Opportunity Act (AGOA);
- facilitating the effective implementation of customs reform and trade facilitation initiatives to enhance the region's global competitiveness, focusing on the COMESA Free Trade Area/Customs Union and the Northern Corridor; and
- improving the efficiency of regional transportation networks and developing mechanisms for reducing trade-related transportation costs in the region, and providing information to regional trade stakeholders and serving as an information co-ordinator amongst trade, investment and finance organisations.

The following are examples of successful co-operation between the Hub and COMESA:

A project on Trade Flow Analysis in 2006 has identified the products that member States export outside COMESA in large volumes but that are also imported from outside the region in similar large volumes. The increase in intra-COMESA trade that would result from realising the opportunities identified by the Analysis – a measure of regional trade potential – comes to over US\$1 billion annually.

The ECA Hub has been providing technical support to the Regional Customs Transit Guarantee Scheme including designing an IT Management System and a promotion and publicity campaign to create awareness amongst stakeholders. It is estimated that over US\$1 billion is tied up in customs bonds along the Northern Corridor: the saving in investment capital from replacing national bonds

with a single regional bond are estimated at \$300-500 million.

The ECA Hub has since 2006 been developing the Revenue Authority Digital Data Exchange (RADDEX) system, an interface between Revenue Authorities operating disparate customs management systems allowing them to exchange information on cargo shipments along transit corridors. Upon completion, the programme and technology specifications will be made available to Revenue Authorities in the region. COMESA is procuring SATs to support RADDEX.

The Hub has run AGOA awareness workshops in a number of member States, provided assistance to a large number of companies in the region and assisted countries to attain Article 9 certification. CA direct technical assistance and trade show support to firms has resulted in US\$12.9 million in exports to the U.S.

USAID has also played an active role in the implementation of the CAADP programme. During the June 2006 AGOA Forum, the COMESA Secretary General signed an agreement with USDA providing US\$299,000 to support the COMESA CNS/ATM project.

7.4 African Development Bank

In March 2006, a High Level COMESA delegation visited AfDB's temporary headquarters in Tunis, Tunisia. The two organisations agreed to develop a Plan of Action to guide and enhance the Bank's



Dr Donald Kaberuka AfDB President

support of COMESA programmes.

In response to COMESA's request to the Bank to assist in mobilising support for the COMESA Fund, the President of the Bank appreciated the importance of the COMESA Fund and promised to table it to the Bank's Board a proposal for supporting the Fund as soon as it is ratified by the member States. The fund allocated for COMTEL was also still available.

In August 2006, COMESA Secretariat and AfDB signed an agreement to support Phase II of the Public Procurement Reform Project, worth US\$8.12 million. Implementation of the project will begin in 2007.

COMESA and AfDB have jointly developed a Multinational Project for the Promotion of Female Farmers in Agro-Processing and Marketing Development. It is a five-year project worth 13 million Units of Account. The Financing Agreement is being finalised, with implementation of the project expected to begin in 2007. The objective of the project is to increase rural production, employment and income, thereby reducing rural poverty.

A request was also sent to AfDB to support the Kalisimbi CNS/ATM project, which is being promoted as a regional project.

7.5 World Bank

After intensive consultations between the COMESA Secretariat and the World Bank, the two jointly developed a programme to support various trade-related activities of COMESA. The Bank has already started working on those activities. The Bank also provided inputs on the draft EPA text and COMESA's Rules of Origin regime. During the year, it worked with Secretariat staff on simulations of the revenue impact of further trade liberalisation, especially as the region progresses to a Customs Union and for countries not yet in the FTA. In addition, the Bank has provided US\$472,000 for the COMESA Public Procurement Reform project.

The Bank continues to support ATI and its capital restructuring. It was agreed to convert credit amounts into a pooled equity capital, enabling ATI to leverage its capital and remove the restrictions imposed by country allocations

7.6 The United Kingdom

As part of its Regional Trade Facilitation Programme (RTFP), DFID continued to support COMESA Programmes in the areas of trade policy and trade facilitation. The RTFP provided COMESA with about £1 million to carry out a programme in Trade in Services. The programme concluded at the end of 2006. The RTFP is also working with COMESA on a programme to establish a one-stop border post at Chirundu between Zambia and Zimbabwe; an NTB monitoring mechanism; a programme to harmonise standards and implementation of the COMESA Competition Programme. RTFP provides secretariat and technical support to the COMESA/EAC/SADCTask Force. The Programme also provides policy inputs into COMESA's trade programme and finances long-term technical assistance to the Secretariat.

7.7 India

In the reporting period, the Indian Government through WAPCOS assisted two COMESA member States (Eritrea and Zambia) in identifying priority activities in the irrigation sector.

The Exim Bank of India provided the PTA Bank with lines of credit totaling US\$45 million. In October 2006, the PTA Bank agreed with that bank on a further US\$10 million facility. Exim Bank of India has offered to take up a modest equity of US\$1 million in the PTA Bank as a non-regional member.

A high-level Ministerial Mission headed by the Chairman of the COMESA Council of Ministers visited India in October 2006. The Mission's main objective was to review the current framework of co-operation, to upgrade co-operation between COMESA and India through a Comprehensive Economic Partnership Agreement (CEPA). The member States will decide the scope and the content of the CEPA. An MOU between COMESA and the Confederation of Indian Industries was signed and another with the Indira Gandhi National Open University is under consideration. Agreements over a number of issues were pronounced in a joint communiqué and the necessary follow-up has been initiated.

In the area of private-public partnership, the Confederation of Indian Industry, in association with Exim Bank of India and with the support of the Ministry of Commerce and Foreign Affairs,



India's President H.E. Dr Abdul Kalam (right) with the Chairman of COMESA Council of Ministers H.E. Protasis Mitaru, New Delhi



Confederation of Indian Industries chairman Mr Syamal Gupta signing the MoU with Dr MacLay Kanyangarara who was representing Secretary General Mwencha

organised in October 2006 a Conclave on "India-Africa Project Partnership 2006," under the theme, "India - A Partner of Choice." The high level COMESA Ministerial Mission to India participated in the Conclave.

7.8 Canada

Further to the COMESA mission to Canada in June 2005, the Canadian International Development Agency (CIDA) expressed an interest to work with COMESA. It reviewed the institutional audit carried out by the EU and was satisfied with the adequacy of COMESA's financial and other procedures. After consultations, COMESA submitted proposals, for consideration by CIDA.

7.9 International Organisation of Francophonie

COMESA has entered into a Cooperation Agreement with IOF with a view to promoting the utilisation of the French language at the Secretariat. IOF's support is focused mainly on training the Secretariat's staff in the French language and providing support to the Secretariat's Conference Services with respect to translation and interpretation. In 2005 and 2006, IOF provided assistance amounting to €358,125.

7.10 France

In 2006, the Government of France continued to support the Secretariat's efforts to improve the staff's command of the French language through training programmes organised at the Secretariat as well as jointly with the IOF in La Réunion.

7.11 Commonwealth Secretariat

During the period under review, the Commonwealth Secretariat, through its funding agency, the Commonwealth Fund for Technical Cooperation, provided technical experts, one in advancing EPA negotiations and the other in promoting intra-regional trade.

7.12 China

By way of follow up on the mission undertaken to China by the Secretary General, COMESA is currently preparing a strategic framework in order to place such co-operation on a solid ground.

The Secretariat is liaising with Ethiopia on the implementation of the December 2003 Addis Ababa Action Plan. COMESA participated in the China-Africa Forum that took place in Beijing, China, in November 2006.

7.13 Japan

Further to the COMESA mission to Japan in December 2005, follow up was made by both sides to operationalise the understandings reached during the mission. The Japan International Co-operation Agency plans to work with COMESA on developing "One Stop Border Posts." The Japan External Trade Organization proposes to organise a COMESA Seminar to introduce COMESA to the Japanese business community. Consultations continue between the Japan Bank for International Cooperation and the PTA Bank on the possibility of the former's extending resources to the latter for on-lending.

7.14 Gulf Cooperation Council

At the end of 2006, the COMESA Secretariat was planning a high-level mission to the Gulf Cooperation Council in early 2007. The focus of the mission will be to promote trade between COMESA and the countries in the Middle East and to attract investors from the Gulf region.

7.15 UN Scientific and Cultural Organization

An agreement was signed between COMESA and the UN Educational, Scientific and Cultural Organization (UNESCO) in 2005. SADC and COMESA will contribute to the implementation of UNESCO's Literacy for Empowerment, HIV/AIDS and Education programmes in the seven countries that belong to both RECs. To this end, UNESCO, SADC and COMESA in December 2006 jointly organised an African regional conference on HIV and AIDS prevention and treatment education, as a follow up to the international AIDS conference held in August 2006 in Toronto, Canada.

UNESCO has indicated its willingness to support the COMESA Universities Forum. Discussions regarding regional centres of excellence are also ongoing.



Annex 2: Intra-COMESA Export Trade Matrix 2005 (US\$ millions)

Exporter	Code	BI	DRC	DJ	EG	ER	ET	KE	KM	LY	MG	MU	MW	RW	SC	SD	SZ	UG	ZM	ZW	Total
Burundi	BI		0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.3	6.2	0.0	0.4	0.0	0.1	0.0	0.0	7.3
Congo DR	DRC	0.0		0.0	0.1	0.0	0.0	1.2	0.0	0.0	0.1	0.0	0.0	2.1	0.0	0.6	0.0	2.7	33.4	0.0	40.2
Djibouti	DJ	0.0	0.0		1.2	0.0	59.5	1.4	0.0	0.0	0.0	0.1	0.0	0.4	0.0	0.2	0.0	0.0	0.0	0.0	62.8
Egypt	EG	0.2	0.5	8.4		0.0	22.3	50.1	0.0	150.2	3.4	5.6	1.6	0.5	0.1	185.9	0.4	2.8	1.5	0.9	438.1
Eritrea	ER	0.0	0.0	0.0	0.0		0.1	10.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.1	0.0	0.0	11.6
Ethiopia	ET	0.2	0.2	58.6	16.2	0.0		3.4	0.0	0.2	0.0	0.0	0.0	0.8	0.0	16.4	3.3	0.5	0.1	0.2	100.2
Kenya	KE	48.5	139.4	8.7	114.0	13.8	35.8		6.6	0.0	5.2	6.4	20.7	142.4	3.5	110.2	0.1	633.7	38.2	3.5	1,332.1
Comoros	KM	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Libya	LY	0.0	0.0	0.0	107.7	0.0	0.0	0.0	0.0		0.0	0.0	0.1	0.0	0.0	8.2	0.0	0.0	0.0	0.0	116.1
Madagas-car	MG	0.0	1.4	0.0	0.8	0.0	0.0	2.6	4.5	0.0		11.9	0.0	0.0	0.4	0.2	0.0	0.0	0.0	0.0	21.7
Mauritius	MU	0.4	0.0	0.2	0.1	0.0	0.8	6.7	3.3	0.0	82.0		0.1	1.0	14.7	0.0	0.1	0.6	0.5	1.8	112.4
Malawi	MW	1.2	0.3	0.0	16.2	0.0	0.0	7.1	0.0	0.0	0.0	0.0		0.8	0.0	0.0	0.0	0.2	7.3	11.8	45.0
Rwanda	RW	2.1	3.7	0.0	0.0	0.0	0.1	32.5	0.0	0.0	0.0	0.0	0.0		0.0	0.1	0.6	1.7	0.0	0.1	41.1
Seychelles	SC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.4	0.0	0.0		0.0	0.2	0.0	0.0	0.0	0.8
Sudan	SD	0.0	0.0	0.0	51.2	0.0	2.5	2.7	0.0	1.4	0.0	0.0	0.0	0.0	0.0		0.1	0.0	0.0	0.0	57.8
Swaziland	SZ	0.0	0.0	0.0	0.3	0.0	6.0	33.6	0.0	0.0	8.7	5.9	4.3	0.0	1.9	14.7		16.1	3.3	0.4	95.3
Uganda	UG	20.8	60.4	0.0	3.3	0.2	0.2	72.4	0.0	0.0	0.0	1.0	0.1	36.1	0.0	50.5	0.4		0.3	2.7	249.3
Zambia	ZM	0.0	106.0	0.0	0.1	0.0	0.1	14.0	0.0	0.0	0.0	1.5	63.8	0.0	0.0	0.0	0.9	1.0		78.4	266.3
Zimbabwe	ZW	0.2	19.5	0.5	1.2	0.0	1.6	5.8	0.0	0.1	0.0	2.1	51.7	0.7	0.1	0.5	0.9	1.6	89.5		178.5
Total		73.6	331.2	76.3	312.5	14.1	129.1	244.4	14.3	152.0	99.6	35.1	142.6	191.2	20.6	388.8	7.1	661.2	174.2	100.1	3,177.4

Source: National Statistical Offices

Introduction

The Secretary General submits the 2005 Annual Report, together with the accounts of the Common Market for Eastern and Southern Africa Secretariat for the year ended 31st December, 2005.

Membership and Bureau of COMESA

The 2005 Bureau was constituted by:-

Rwanda:	Chairman
Djibouti:	Vice Chairman
Uganda:	Rapporteur

Budget

The 2005 Programme budget of COM 6,925,473 (2004: COM \$ 6,298,209) approved by the Eighteenth Meeting of the COMESA Council of Ministers at its December, 2004 meeting catered for the following priorities: implementation of the roadmap towards the COMESA Customs Union; continued consolidation and expansion of the Free Trade Area (FTA); establishment of the COMESA Common Investment Area (CCIA) office in Cairo; value addition to the regional export commodities; and the strengthening of the support services in transport, telecommunications as well as administrative and legal matters. The performance of the Secretariat in the various Sectors is outlined in the 2005 Annual Report.

Executive review of the year

In his report for the year, the Chairman of the COMESA Authority, His Excellency, President Paul Kagame, President of the Republic of Rwanda, urged the member states still outside the COMESA FTA, to join without further delay so that the Region could attract increased trade and investment in the critical sectors of infrastructure, renewable energy, human capital; productive capacity; and Information and Communication Technologies. The Chairman called for the continued opening of regional trade and market through the elimination of remaining non-tariff barriers by acceding to the Protocol on the free movement of businessmen and women of the Region.

In governance, he noted that more and more countries were due to accede to the Africa Peer Review Mechanism (APRM) and went on to suggest that COMESA, could equally consider its own Peer Review Mechanism, as implemented its integration agenda.

Engagement between COMESA and the Global Marketplace had continued during 2005 with COMESA supporting the Member States in their multilateral discussions and negotiations of the economic partnership Agreements (EPAs) with the European Union as well as the WTO negotiations to conclude the Doha Round. The Chairman however pointed out that in the case of AGOA, there was need to move from mere goodwill of the American people to some contractual agreements.

The COMESA-European Contribution Agreement

In July 2005, COMESA signed a Contribution Agreement (CA) with the European Union, for the implementation of a Regional Integration Support Programme (RISP) of Euro 30 Million for five years, (2005 – 2010). RISP is a budget support innovation to supplement the resources contributed by the member States in the realisation of the overall objectives of the Eastern and Southern Africa regional integration process by directly assisting COMESA, IGAD and IOC fulfill their mandates.

The direct results to be derived from the CA programmes over the period 2005 to 2010 will amongst other include:-

- i) *Implementation of the COMESA Customs Union and the EAC Customs Union Roadmaps and consolidation and expansion of the COMESA Free Trade Area;*
- ii) *Improve trade negotiating capacities of the Eastern and Southern Africa (ESA) member States, at all levels (bilateral, regional and multilateral). The main direct objective being the negotiation of an ESA Economic Partnership with the European Union;*
- iii) *Improve capacities of national authorities and producers to meet regional and international standards and requirements from SPS measures;*
- iv) *Improve and harmonise production of statistical data and improve capacities at the national statistical bureaux and in the regional organisations, including use of econometric modelling;*
- v) *Put in place a system of harmonised and co-ordinated regional programmes and policies at the national level by improving effectiveness of regional programmes and reducing duplication;*
- vi) *Strengthen Monetary and fiscal policy co-operation;*
- vii) *Improve tax policy and capital market harmonisation, and Co-ordination of RISP implementation and Institutional Capacity Building for the COMESA and EAC Secretariats, and*
- viii) *Strengthen the delivery capacity of the Secretariats of the participating institutions.*

For the period 1 July 2005 to 31 December 2005, the following activities were undertaken under the RISP:

- i) *priority posts under the agreement were filled;*
- ii) *the process of strengthening of COMESA Management and administrative systems in line with the Systems audit report was commenced thus facilitating change in the way the Secretariat does business;*
- iii) *the strengthening of a result based Management approach at the COMESA Secretariat was commenced;*
- iv) *a Memorandum of Understanding with the EAC was negotiated and signed to formalise the RISP relationship;*
- v) *technical meetings and missions were mounted in pursuit of the result areas above; and*
- vi) *MOUs were negotiated and signed with IGAD and IOC in the context of the RISP.*

The year also saw further strengthening of the COMESA - United States of America cooperation under the Strategic Objective Grant Agreement (SOAG) covering the areas of Promotion of Intra COMESA Trade; Promotion of COMESA – USA Trade; Regional Peace and Security and Capacity Building within the Secretariat.

India sent experts to commence cooperation in irrigation while a high level delegation visited China to work on modalities for long-term cooperation.

Co-operation with multilateral organisations continued to expand with the African Development Bank implementation emerging as a strategic regional partner but fruitful cooperation was also realised with the Commonwealth; CIDA, the World Bank as well as the United Nations Systems.

Human Resources Management - Mid Term Review of the Organisation Structure

A study titled the "Mid Term Review of the implementation of the new Structure of the COMESA Secretariat" was undertaken during the year with a view of assessing the effectiveness of the new structure taking into consideration the COMESA vision, priorities and planned programme. The review among other things, chartered the way forward for finalising the restructuring exercise of the Secretariat; created a third staff category called the Intermediate staff category to accommodate young professionals thus providing a pool from which future recruitment would target.

External auditors for 2005 and 2006

The mandate of PricewaterhouseCoopers as COMESA external auditors was renewed for a further two years, to 2005 and 2006. COMESA once more looks forward to working with the Firm in realising the mandate of the Member States.

COMESA Business Process Re-engineering Project

In its quest to improve service delivery to its customers and stakeholders COMESA Secretariat continued with its Process Re-engineering (BPR) project with a view of achieving ISO 9000 certification by the end of 2006. In addition, the Secretariat continued to implement the recommendations of the Systems Audit by Ernest and Young as an input to the Contribution Agreement with the EU. The recommendations covered a number of areas with the support functions of the Secretariat including human resources, finance, general services and information technology.

Formula for Contribution to the COMESA Budget

The applicable formula for assessing the Member States towards the budget of the COMESA Secretariat was: GNP 30%; Imports from non COMESA countries 30%; Intra COMESA exports 30%; GNP per capita 5% and population 5%. The applicable upper ceiling is 13% while the lower ceiling is 1%. Council last reviewed the formula in March 2002 and decided that it continues to apply as it had stood the test of time.

Income

- (i) *Income arising from Member States' contributions was COM\$ 6,925,473 (2004: COM \$6,198,209).*
- (ii) *As at 31 December 2005, the arrears of contributions to the COMESA Budget stood at COM \$ 8,762,518 (2004: COM\$ 7,547,331)*
- (iii) *In line with the decision of the Second Summit of the COMESA Authority, the arrears at the end of 2005 financial year accrued interest at 1 per cent amounting to COM \$82,993 (2004: COM\$ 71,196).*

Expenditure

The out turn on 2005 budget was COM \$5,645,427 or 82%. (2004: COM \$5,034,886 or 81% of the budget).

Surplus for the year

The 2005 excess of income over expenditure of COM \$ 1,449,971 (2004: COM \$ 1,179,378) has been transferred to the Accumulated Fund. This was after writing off: depreciation COM \$ 218,990; Exchange Loss COM \$ 11,727 and grant amortisation COM \$ (87,170).

Bank balances and cash

As at 31 December, 2005 cash at bank was COM \$ 9,621,372 (2004: COM \$ 9,214,294)

Accumulated fund

At 31 December, 2005 the Accumulated Fund stood at COM \$ 18,106,922 (2004: COM \$ 16,656,951)

External auditors

PricewaterhouseCoopers served their first year as COMESA auditors in line with their appointment by the Council of Ministers.

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Report of the auditors to the COMESA Council of Ministers

We have audited the financial statements of the COMESA Secretariat for the year ended 31 December 2005 as set out on pages 7 to 19.

Respective responsibilities of the Secretary General and auditors

As described on page 5, these financial statements are the responsibility of the Secretary General. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary General, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Secretariat as at 31 December, 2005 and of its surplus and its cash flows for the year then ended; have been properly prepared in accordance with the COMESA financial rules and regulations; and accounting records, other records and registers required have been properly kept.

PricewaterhouseCoopers

Common Market for Eastern and Southern Africa (COMESA)-Secretariat
Financial statements
for the year ended 31 December 2005
(all amounts are in COMESA dollars unless otherwise stated)

Income and expenditure statement			Restat
		2005	2004
Income			
Member states contributions		6,925,471	6,198,2
Miscellaneous income		313,474	273,1
		7,238,945	6,471,3
Less:			
Division expenditure			
Secretary General		1,307,708	1,155,3
Finance		210,585	209,4
Administration		1,542,921	1,296,8
Trade, customs and monetary harmonisation		68,094	444,7
Investment programme and private sector development		358,776	353,4
Infrastructure development		369,657	321,0
Information networking		259,777	258,2
Consultancy		412,499	433,7
Meetings		720,511	561,9
		5,650,527	5,034,8
Surplus before provisions and recoveries		1,588,418	1,436,5
Depreciation		(218,990)	(204,68
Bad debts recovery		-	-
Exchange losses		(11,727)	(3,84
Recovery charges		-	(108,20
Legal settlement		-	(39,85
Amortisation of grant		87,170	99,45
		(143,547)	(257,12
Surplus for the year		1,444,871	1,179,37

Common Market for Eastern and Southern Africa (COMESA)-Secretariat
Financial statements
for the year ended 31 December 2005
(all amounts are in COMESA dollars unless otherwise stated)

Balance sheet			Restated
	Notes	2005	2004
Assets			
Non-current assets			
Property and equipment	1	747,265	611,960
Investment	2	304,600	100,000
		1,051,865	711,960
Current assets			
Loans and advances	3	1,175,914	1,386,091
Contributions receivable	4	8,762,518	7,547,331
Contributions receivable for Chief Technical Advisor	5	141,092	-
-			
Bank balance and cash	6	9,621,372	9,214,294
		19,700,896	18,147,716
Total assets		20,752,761	18,859,676
Accumulated members funds and liabilities			
Capital and Reserves			
Accumulated fund	7,8	18,101,822	16,656,951
Capital reserves	9	60,000	60,000
		18,161,822	16,716,951
Non-current liabilities			
Capital grants	10	158,862	164,634
Current liabilities			
Creditors	11	2,432,077	1,978,091
Total accumulated members funds and liabilities		20,752,761	18,859,676

These financial statements were approved for issue by the Secretariat on
signed on its behalf by:

2006 and were

Secretary General

*Assistant Secretary General
Administration and Finance*

- Audited Accounts for 2006 will appear in 2007 Annual Report, this because the Annual Report is up to 31st December 2006 and therefore the external auditors have not done the audit for the year

1COM \$= 1US\$

List of Acronyms

ACP	African Caribbean Pacific (group of countries)
ACTIF	African Cotton and Textile Industries Federation
AEC	African Economic Community
AIDS	Acquired Immune Deficiency Syndrome
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act (U.S.)
AMPRIP	Agricultural Marketing Promotion and Regional Integration Project (AfDB)
ATI	Africa Trade Insurance Agency
AU	African Union
CAADP	Comprehensive African Agricultural Development Programme (NEPAD)
CBC	COMESA Business Council
CCIA	COMESA Common Investment Area
CET	Common External Tariff
CIDA	Canadian International Development Agency
CNS/ATM	Communication Navigation Surveillance and Air Traffic Management
DFID	Department for International Development (UK)
DR Congo	Democratic Republic of Congo
EAC	East African Community
EAFCFA	Eastern African Fine Coffees Association
EAGC	East African Grain Council
EAPP	East Africa Power Pool
ECA Hub	East and Central Africa Global Competitiveness Hub (USAID)
EDF	European Development Fund
EPA	Economic Partnership Agreement (with EU)
EPRCP	Enhancing Procurement Reform Capacity Project (AfDB)
ESA	Eastern and Southern Africa (group of countries)
ESADA	Eastern and Southern African Dairy Association
EU	European Union
FAO	(UN) Food and Agriculture Organization
FNL	Forces nationales de libération (Burundi)
GCC	Gulf Cooperation Council
GDP	gross domestic product
GSP	Generalized System of Preferences (U.S.)
FAMIS	Food and Agricultural Marketing Information System (AMPRIP)
FDI	foreign direct investment
FTA	Free Trade Area or Agreement
HIV	Human Immune Deficiency Virus
ICT	information and communication technology

FA	Investment Framework Agreement
GAD	Intergovernmental Authority on Development
MF	International Monetary Fund
OC	Indian Ocean Commission
IOF	International Organisation of the Francophonie
IRCC	Interregional Coordination Committee
LDBC	Lesser Developed Beneficiary Country (U.S. terminology)
LDC	Least Developed Country
LLPI	Leather and Leather Products Institute
LRA	Lord's Resistance Army (Uganda)
MDG	Millennium Development Goal
MOU	Memorandum of Understanding
NEPAD	New Partnership for Africa's Development
NTB	Non Tariff Barrier
PCRD	Post Conflict Reconstruction and Development (AU)
PTA	Preferential Trade Area for Eastern and Southern Africa
PTA Bank	Eastern and Southern Africa Trade and Development Bank
RADDEX	Revenue Authority Digital Data Exchange (ECA Hub)
RATES	Regional Agricultural Trade Expansion Support (programme) (USAID)
RCRR	Regional Competition Regulations and Rules (COMESA)
REPSS	Regional Payment and Settlement System
RIA	(COMESA) Regional Investment Agency
RCTG	Regional Customs Transit Guarantee (Scheme) (COMESA)
RTFP	Regional Trade Facilitation Programme (DFID)
SACU	Southern African Customs Union
SADC	Southern African Development Community
sme	square metre equivalent
SME	small and medium enterprise
SOAG	Strategic Objective Grant Agreement (USAID)
SPS	Sanitary and Phyto-sanitary (measures)
UNESCO	UN Educational, Scientific and Cultural Organization
UNMEE	UN Mission to Ethiopia and Eritrea
USAID	U.S. Agency for International Development
USTDA	U.S. Trade Development Agency
USITC	U.S. International Trade Commission
VSAT	Very Small Aperture Terminal
WTO	World Trade Organization
Zep-Re	PTA Re-Insurance Company

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

