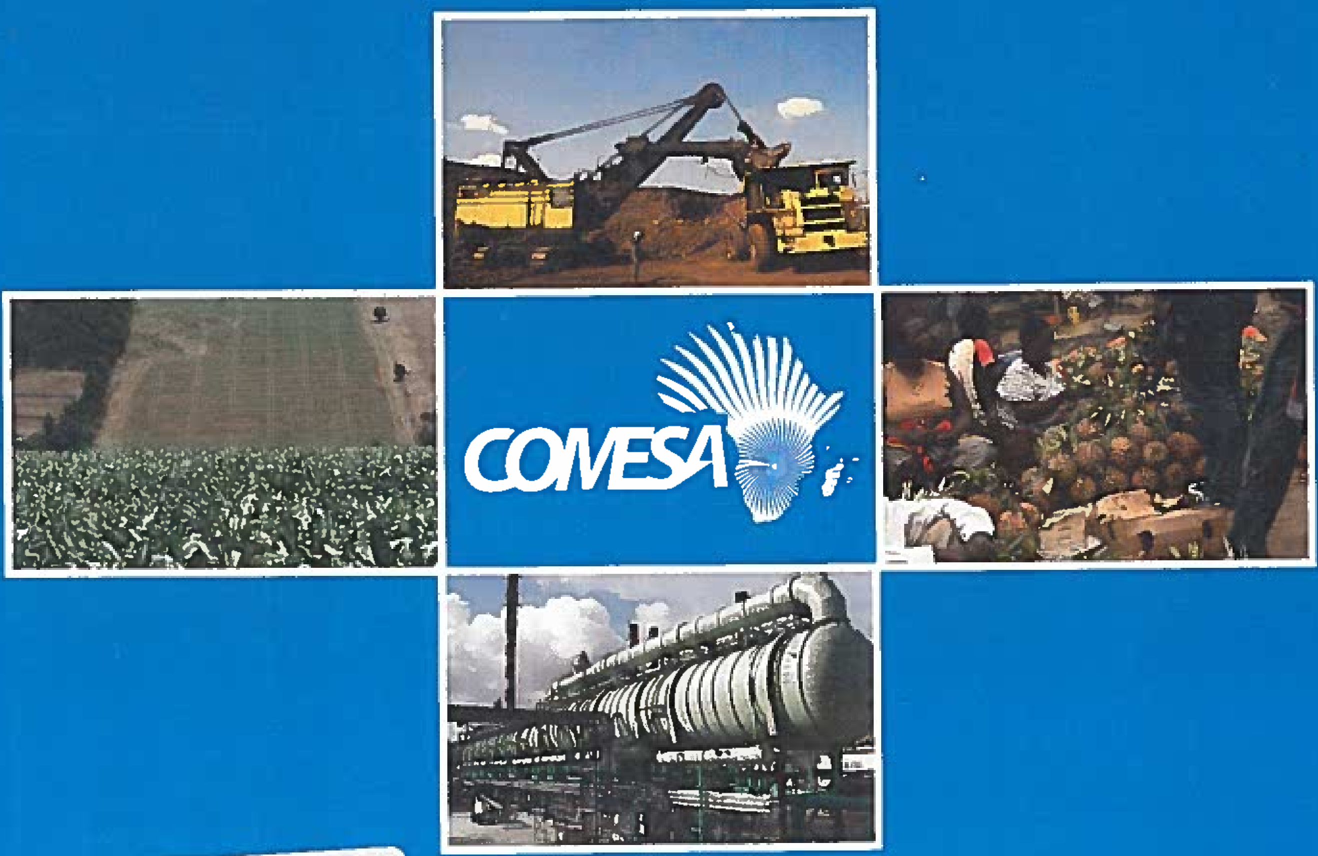
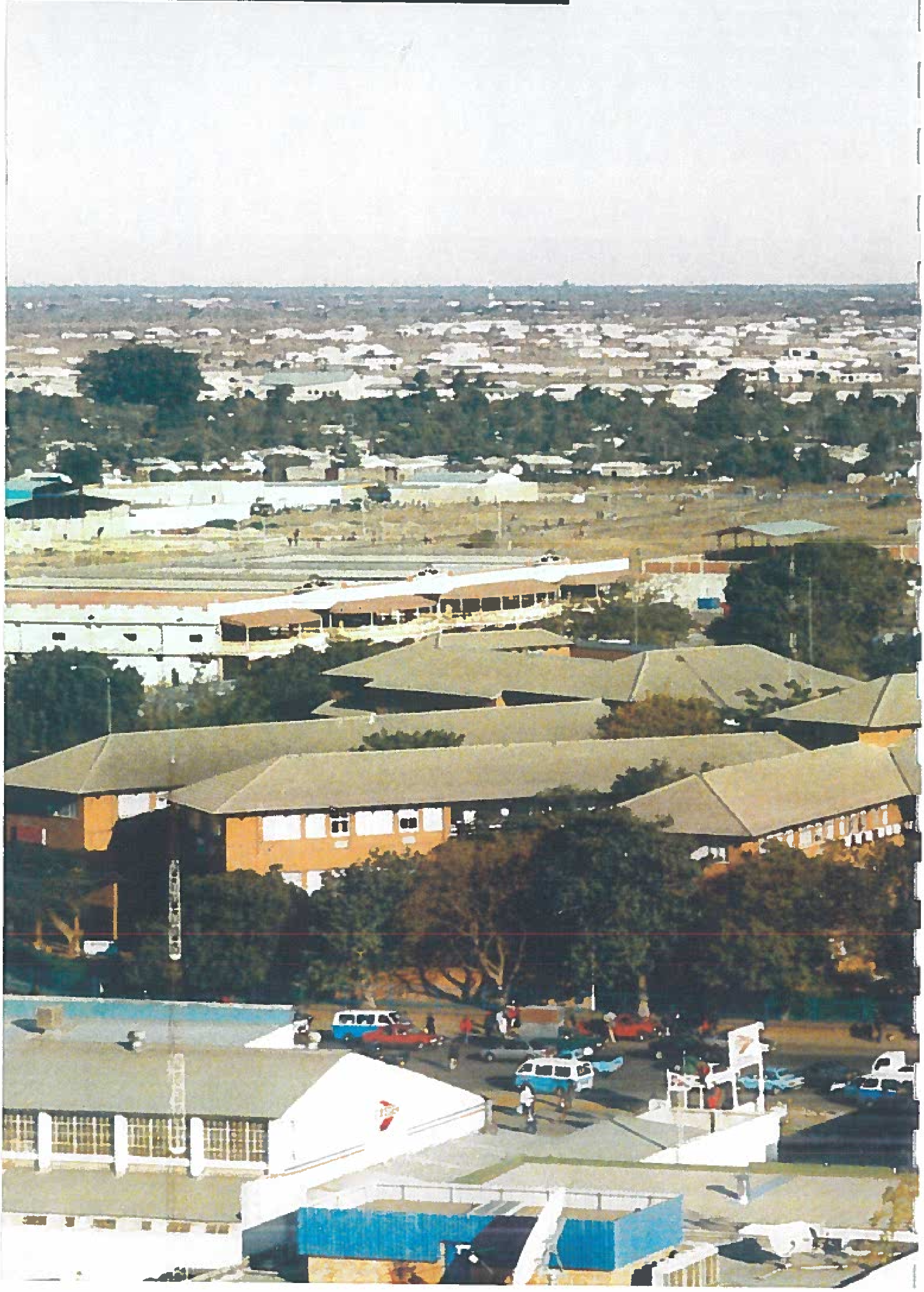
COMESA

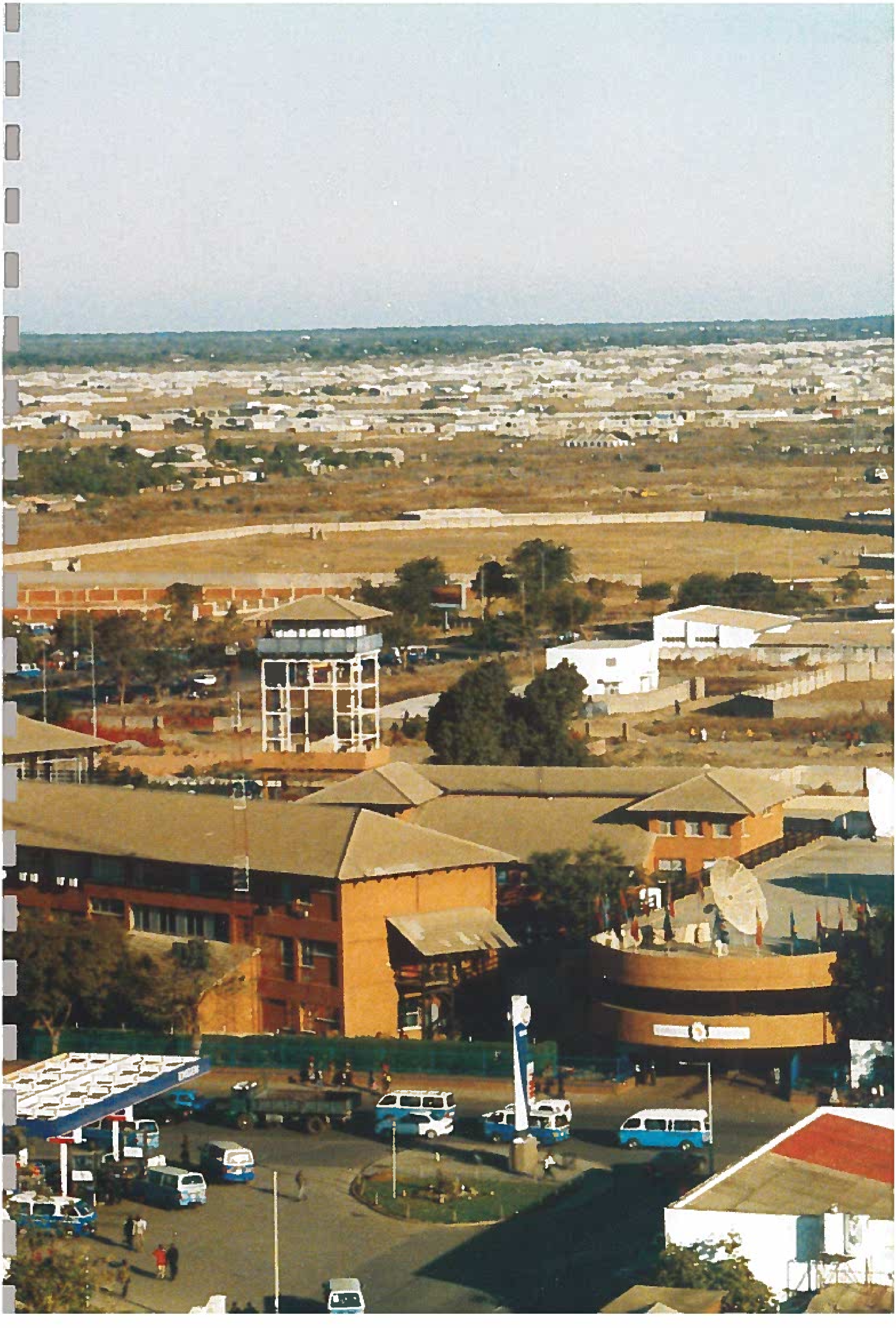
Common Market for Eastern and Southern Africa



Annual Report **2008**

Aerial view of COMESA Headquarters





COMESA Member States are: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

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

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The Vision of COMESA

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

The Mission of COMESA

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

Letter of Transmittal from the Secretary General

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

Your Excellency,

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

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

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

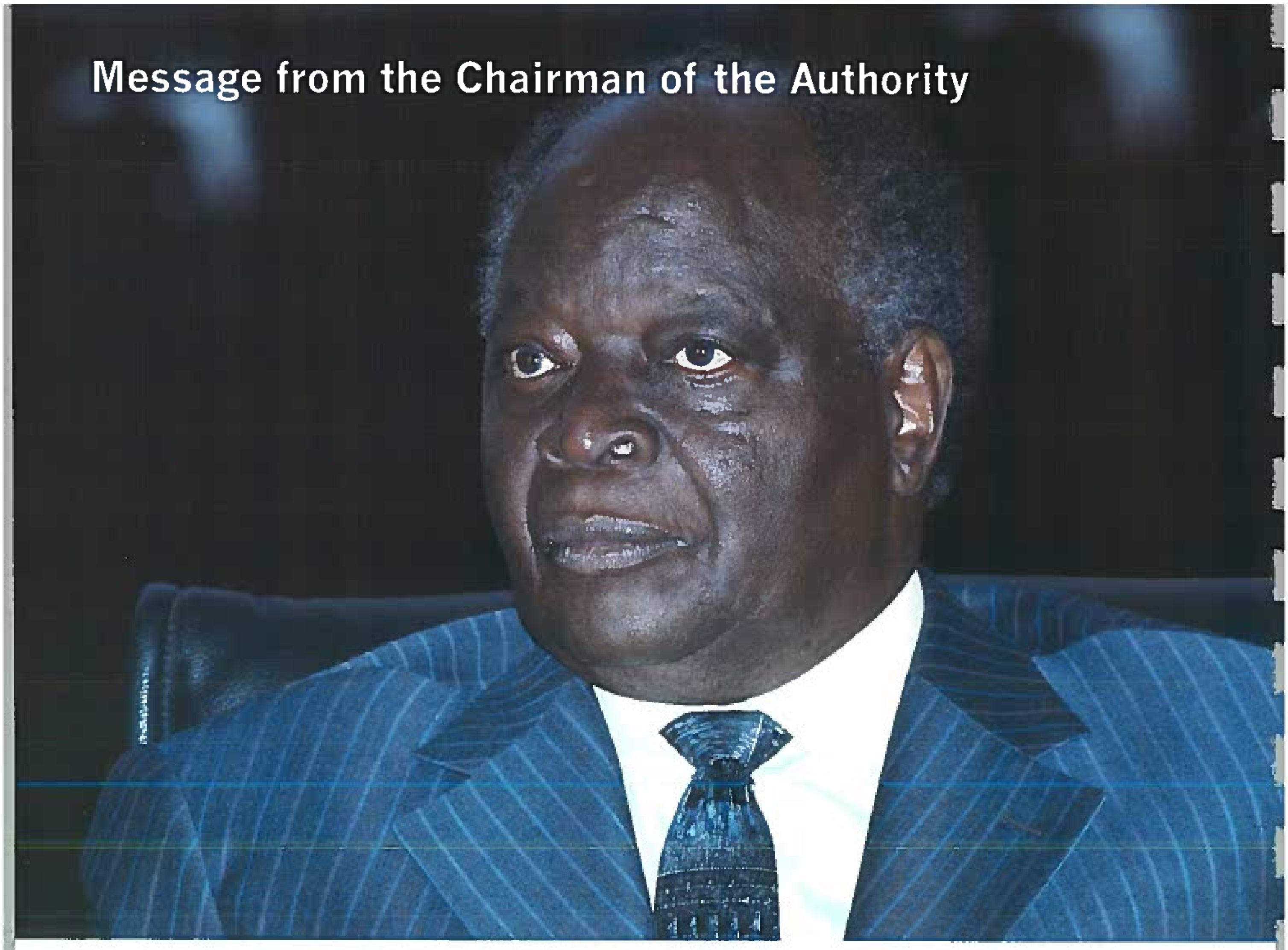
You will note, Your Excellency, as indicated by the audited report for the year 2007, that like in previous years, COMESA countries continue to unreservedly pay their budgetary contributions to the Secretariat. The year 2008 continued to experience a very healthy contribution from Member States and strong support from co-operating partners. The audited report for the year 2008 will be presented to the Council of Ministers at next Policy Organs meeting and Summit scheduled for mid 2009.

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

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

Sindiso Ngwenya
SECRETARY GENERAL

Message from the Chairman of the Authority



On behalf of the COMESA Authority and indeed on my own behalf, I am pleased to introduce the Annual Report for the Common Market for Eastern and Southern Africa (COMESA) for the year 2008. The year 2008 was a historical one for COMESA. As this report shows, in 2008 we consolidated our trade regime under the Free Trade Area (FTA), and finalised preparations for our next milestone - the Customs Union. We made our trade regime under the FTA broad-based as we made provisions for cross-border traders, small and medium size economic operators to take advantage of the trade regime through the Simplified Trade Regime (STR). Our transit procedures were further streamlined and intensified efforts to create One Stop Border Posts on a pilot basis.

Recognising the imperative of peace and security in any economic endeavour, we doubled our efforts in promoting political stability under the peace and security programme and complemented efforts at national level in promoting democracy and democratic processes through election monitoring. 2008 was also historical for COMESA institutions as the detail in this report clearly shows.

At the sub-regional level, COMESA worked with the East African Community and the Southern African Development Community to hold the first-ever Tripartite Summit of the 26 countries in east and southern Africa which make up the combined membership of COMESA, EAC and SADC. COMESA considers this historical event as a consolidation of efforts that will lead to the realisation of the integration of the African economy under the African Economic Community that all African countries have pledged to establish.

COMESA's passion for and participation in the Tripartite is in fulfillment of its Treaty provision in Article 178 which provides that "...the final objective of the Common Market is to contribute to .... Establishing the African Economic Community.

The decisions of the Tripartite Summit have far-reaching implications for the integration and development of the African continent, and I am glad to report that our Secretariat is working closely and co-ordinating with the Secretariats of EAC and SADC in implementing the decisions of the Tripartite Summit.

One such decision was that the three Regional Economic Communities (RECs) should immediately start working towards the establishment of a single Free Trade Area (FTA) from the Cape to Cairo - Matadi to Madagascar and an eventual merger into a single REC with the objective of fast tracking the attainment of the African Economic Community.

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

I also wish to commend the Tripartite Taskforce consisting of the very able Chief Executives of our Secretariats namely Dr. Tomaz Augusto Salomao, Executive Secretary of SADC, and then Chairperson of the Tripartite Task Force, Mr Sindiso Ngwenya, Secretary General, COMESA and Ambassador Juma Mwapachu, Secretary General of EAC, and their excellent technical teams, who worked tirelessly to ensure that the Tripartite Summit was the success and landmark event that it was. 2007 figures show that the 26 countries that comprise the 3 RECs had a combined population of 548 million, and a combined Gross Domestic Product (GDP) of US$726 billion which is 50% of the country membership of the African Union (AU), 56% and 57% of Africa's population and GDP respectively. The COMESA-EAC-SADC regions' total land mass is 14.8 square kilometres or 49% of Africa's Continent total land mass. This sub-region, therefore, presents excellent economic and political prospects for the realisation of the African Economic Community dream.

In the words of one of the prime supporters of this bold initiative, His Excellency Jakaya Kikwete, President of the United Republic of Tanzania and then Chairperson of the African Union, the replication of the Kampala Tripartite Summit to Central and West Africa would hasten the realisation of the African Economic Community. As we seek to attain full integration in our region and across the African continent, we need to be aware that most other regions have already agreed to free trade. These include the Pacific region where the Asian Pacific Economic Co-operation (APEC) is being consolidated, the Americas under the North American Free Trade Area (NAFTA), the MERCOSUR group, Europe under the European Union which has expanded to 27 members and is likely to receive new members in the near future, and free trade between Europe and the Mediterranean region. These worldwide integration efforts should send us a clear message. If large economies in America and Europe are seeking bigger markets by fostering regional integration, the smaller economies of Africa have an even greater need to come together in a regional, and subsequently, continental common market.
On the international arena, as this annual report indicates, in the year 2008 the world suffered economic hardship unprecedented since the great depression. This will obviously have an impact on our economies, particularly our exports and tourism sectors, not to mention the possible flight of Foreign Direct Investment (FDI). But this, too, has a lesson for us. The aftershocks of the world economic crisis will be felt on beyond 2009 and probably beyond 2010. We shall be affected by problems that we had no role in creating. This means that we have to resolve more than ever before to be in charge of our own destiny. We also saw unprecedented governments' involvement in rescue plans, and that not a single Bretton Woods institution objected to direct State intervention and involvement in the economies of these countries. This should teach us to stand on our feet when it comes to genuine cases where our region might need to take measures even if these are against traditional economic beliefs. Such steps could be policy measures such as providing subsidies on agricultural inputs, industrial production inputs such as energy.

Last but not least, as we ended the year, Kenyans and the whole of Africa had something to celebrate. Barack Obama was elected to the highest office in the world, President of the United States of America. Africans all over the continent regardless of their ethnic, economic, social or religious background were united in celebrating this historical moment as it a break from the past - a past riddled with racism and xenophobia, a past full of prejudices in which few would have imagined a black man to be President of the United States of America so early in this century. On behalf of the COMESA Authority, all the citizens of COMESA and indeed on my own behalf, let me once again congratulate President Barack Obama for his election and thank him for making all of us proud. COMESA and Africa look forward to his leadership which will project universal equality of all peoples and the indivisibility of human rights, a leadership which will promote the prosperity of nations; a leadership which will cherish and embrace dialogue and diplomacy and international co-operation rather that confrontation.

Mwai Kibaki, CGH
President of the Republic of Kenya and
Chairman of the COMESA Authority

PART I: PERFORMANCE OF THE WORLD ECONOMY IN 2008

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

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

1.1 Global Oil Shocks and Counter-shocks

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

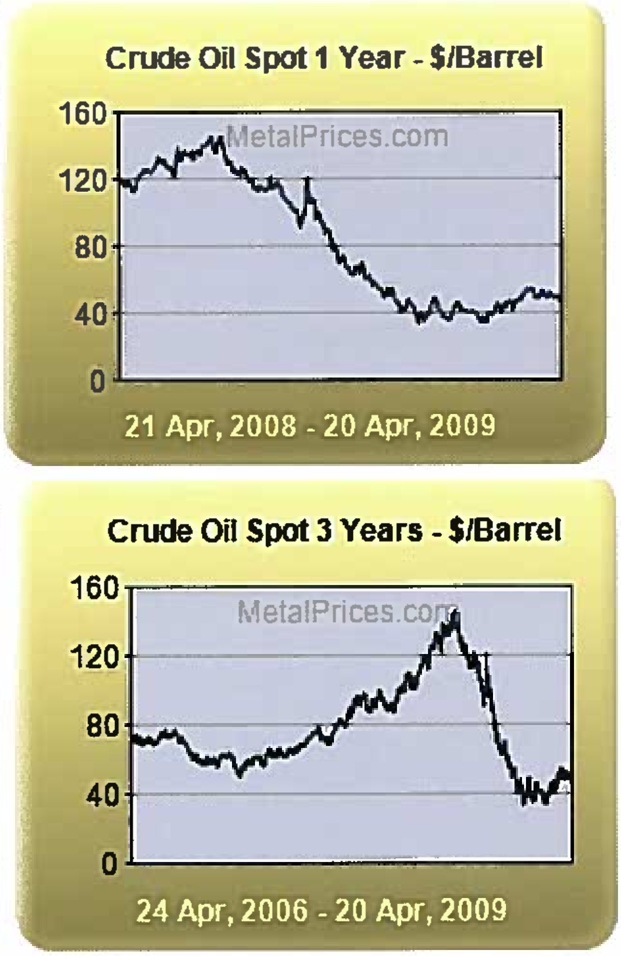
Fig. 1: Oil price fluctuations, 2006 - 2009

Fig. 2: Oil price fluctuations May 2008 - Jan 2009

Source: FT.com, April 2009

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

Fig. 3a & b: Oil price fluctuations - Projections



Source: www.metalprices.com, April 2009

1.2 Global Oil Prices: Losers and Beneficiaries

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

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

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

1.2.1 Energy Crisis

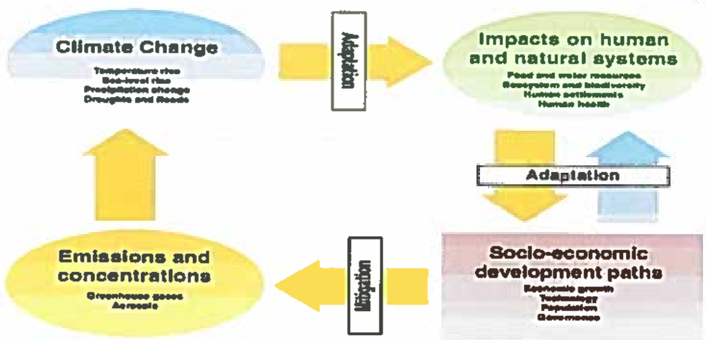
COMESA region has been affected by global energy scarcity though at different levels. For instance, due to electricity shortage cut across the region, load shedding has become more frequent thus affecting productivity at all levels. Statistics indicate that in COMESA the majority of people still rely on traditional biomass fuels, i.e. have no access to electricity. For instance, in 2005, nearly two-thirds of Africa's 891 million people had no access to electricity (Elbaradei, 2008). Given that nearly every aspect of development, from poverty reduction to improving healthcare requires reliable access to modern energy services, this energy crisis presents a further constraint to COMESA's poverty reduction agenda.

The global energy crisis may continue, unless viable alternatives are created. This gloom scenario is underpinned by forecasts of International Energy Agency (IEA) in which world's energy needs are expected to be 50 per cent higher in 2030 than they are today. On the other hand, the fossil fuels on which the world still depends are finite and far from environmentally friendly. Thus when development needs remain unaddressed due to energy problem, the resulting misery often leads to conflicts and violence, which in turn affect poverty reduction and development efforts.

1.3 Climate Change/Global warming

Alongside the multiple global crises is also the issue of climate change which is defined as the threat of increased global warming associated with the release of greenhouse gases (GHGs) into the upper atmosphere.

Figure 4: Climate Change



Source: Chasi, 2008

In recent years, the COMESA region has recorded six very warm seasons since 1987 followed increased frequency of droughts (90/91, 91/92, 92/93, 93/94, 94/95, 97/98, 01/02, 02/03, 04/05, 06/07) causing massive drops in crop yields. There has also been tropical cyclones activity (Bonita 1996, Eline 2000, Japhet 2003, and recently 2007) causing serious flooding mostly for coastal countries. These unusual weather patterns with periods of drought and flooding have destroyed crops, livestock and settlements, displaced people and caused poverty. Agriculture in COMESA regions remains extremely vulnerable to climate variability and change. There is shrinkage in area suitable for rain fed agriculture and smallholder farmers in marginal areas are the most vulnerable .

1.4 Commodity Prices

Commodity prices have fluctuated and mostly declined over the last three years. Cobalt suffered the same fate, while Gold has done much better with fluctuations in 2006 - 2008. Cobalt prices rose over the last 3 years but has been declining over the last 12 months.

1.4.1 Copper

Copper prices rose and hit an all-time high in late 2007 but fell drastically towards the end of 2008 and in 2009. The price has stabilised a little in 2009, but is still much lower than the average for the last 3 years.

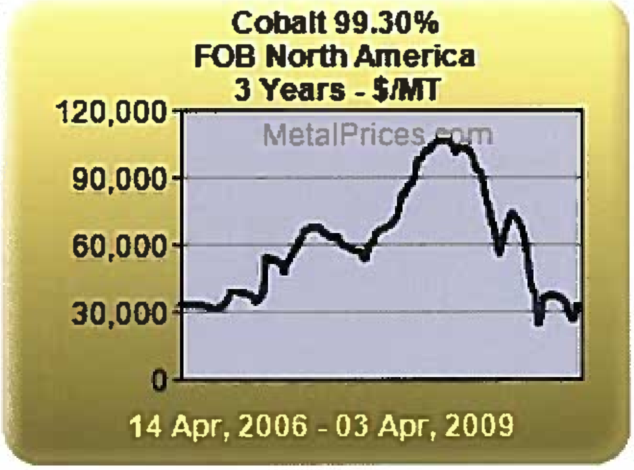
Fig. 5 a & b : Copper price fluctuations

Source: Metal Prices website (www.metalprices.com)

1.4.2 Cobalt

Cobalt prices rose between 2006 to reach a high in 2008 but has suffered declines as the year 2008 was closing. The downward trend was projected to continue into 2009.

Fig. 6 a & b: Cobalt price fluctuations



Source: Metal Prices website (www.metalprices.com)

1.4.3 Gold

Gold prices fared much better over the last 5 years. From a price of about US$400 per ounce in 2004, the price of Gold rose to US$1000 per ounce in early 2008, and later declined to just over US$900 per ounce at the end of 2008. Projections indicate that the price of Gold would continue to rise into 2009.

Fig. 7: Gold prices, 2005-2009

1.4.4 Platinum

Like other metals, Platinum prices rose over the 3 year period from 2005 to 2008 but started declining as from mid-2008. From an average of US$1,200 per ounce in mid-2006, the price of Platinum rose steadily throughout 2007 and early 2008 to a reach a peak of US$2,200 per ounce in the second half of 2008 but immediately declined and fell to just over US$900 per ounce at the year end. The figures below show the evolution of Platinum prices over the last 3 years and over the last 12 months.

Fig. 8 a & b Platinum price fluctuations

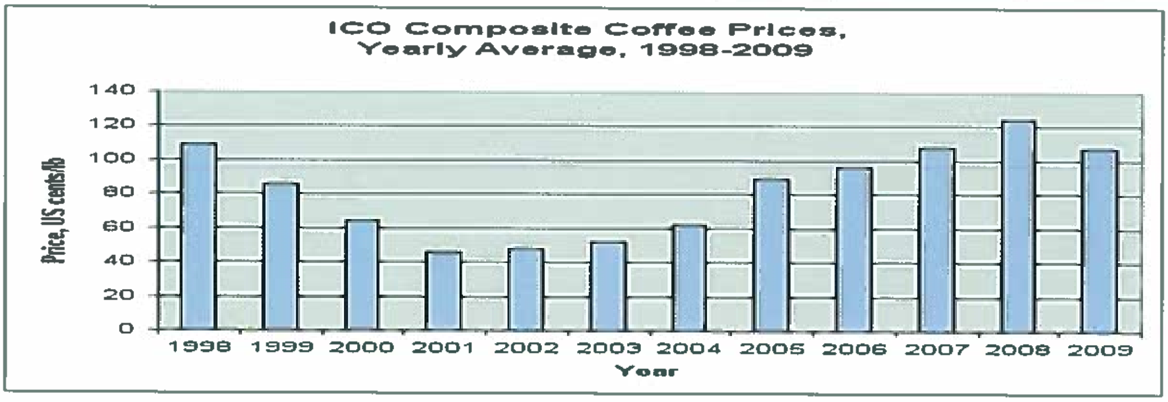
Source: Metal Prices website (www.metalprices.com)

1.4.5 Coffee

Coffee is a major agricultural commercial crop for some economies in COMESA. These include Ethiopia, Uganda, Kenya, Rwanda and Zambia. As a commercial export crop, Coffee price fluctuations negatively affected these economies leading reduced hecterage in some countries such as Zambia and uncertain incomes for farmers in major coffee producing countries such as Ethiopia, Uganda and Kenya.

The price has picked up in the last 5 years from just over US$40 per pound in 2001 to a high of over US$120 per pound in 2008. The projection for 2009, however, indicates that the price may fall to well below the 2008 high.

Fig. 9: ICO Cofee prices, 1998 - 2009



Source: ICO website, April 2009

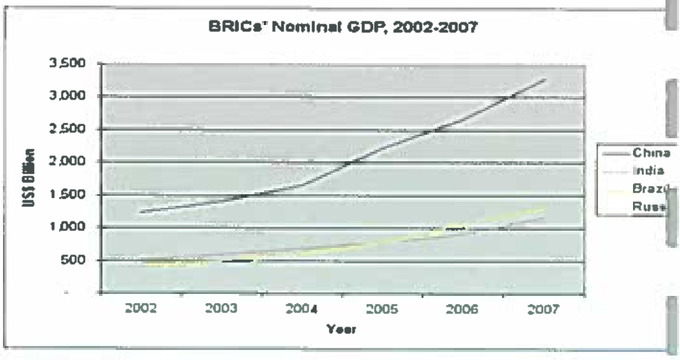
1.5 Performance of Emerging Markets

Emerging economies such as Brazil, Russia, India and China (the BRICs) continued to drive global growth in 2008. However, even in these economies there was a slow down as a result of the global crisis, albeit of a lesser impact than in other economies and regions of the world.

China maintained its growth between 2002 and 2007, but growth was said to have slowed in 2008 and was expected to slow even further in 2009. Russia and Brazil performed well over the last 5 years, but India's growth slowed relative to the other 3 economies and was overtaken by Brazil and Russia as the second dominant economy among the BRICs from 2005.

It is noteworthy that the 4 economies are not fully free and open market economies but had a significant share of government/public intervention. It may be argued that public sector intervention could be the reason for the less than experienced-elsewhere-negative impact on these economies.

Fig. 10: Nominal GDP of the BRICs, 2002-2007



1.6 Projection for 2009 and Beyond: World Economy in Trouble?

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

As already indicated, by the end of 2008, United States, Japan and Europe had fallen into recession after a crisis in the US housing market spread to the financial sectors. Manufacturers around the world were under severe strain and laying-off hundreds or thousands of

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

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

"Many OECD economies are in, or are on the verge of, a protracted recession of a magnitude not experienced since the early 1980s," OECD Chief Economist Klaus Schmidt-Hebbel warned on November 25th 2008 "As a result, the number of the unemployed in the OECD area could rise by 8 million over the next two years."
With regard to emerging economies' performance, although China's growth will not be as spectacular as has been in the last few years, she will continue to be the fastest growing economy in the world. The World Bank forecasts China's economy will expand by 7.5 percent in 2009, while the government is targeting 8 percent growth. Economic growth in China is expected to be stronger in the second half of 2009. Over half of China's exports go to other emerging economies, and China herself has a huge internal market. Moreover, these countries, unlike the US, have budget surpluses. This means that if external demand falters, countries such as China, Hong Kong and Singapore, could support their economies with higher spending or lower taxes stimuli. India, however, will be in a trickier situation due to budget deficit that was around 8% of GDP by the last quarter of 2008.

PART II: PERFORMANCE OF DEVELOPED ECONOMIES

2.1 The US Economy

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

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

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

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

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

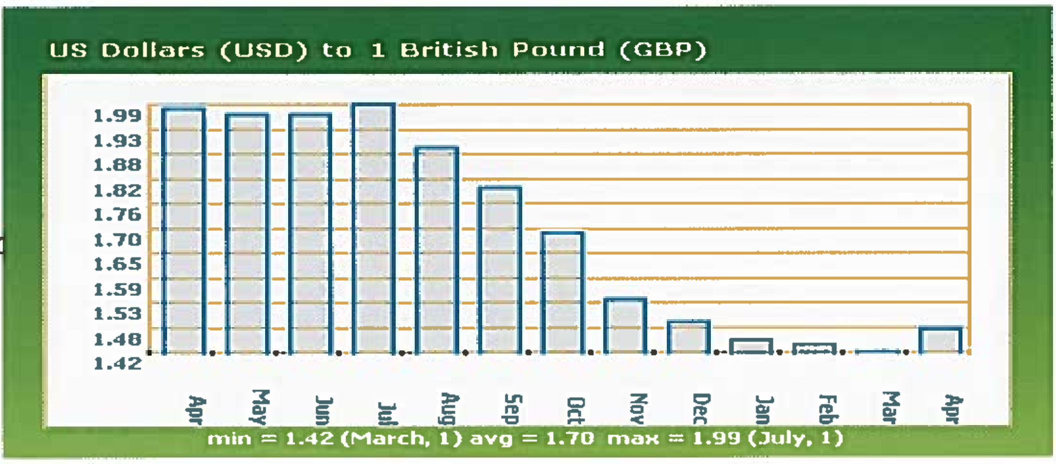
Although the economic meltdown may not have been felt immediately in developing and least developed countries (LDCs), it is bound to have serious medium and long term impact. For example, it is true, that the root of the subprime crisis originates in US's excessive credit extended against insufficient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

2.2 The UK Economic Performance

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

It represents the biggest quarter-on-quarter decline since 1980, and a 1.8% fall on the same quarter in the year 2007. The worse-than-expected contraction sent the British pound fall to a 24-year low against the dollar, with one Pound buying an average US$1.4 by the end of the year, down from close to US$1.9 by the end of 2007. This buoyancy continued through the first half of 2008 with the Pound again hitting a high of US$1.99 to the UK£1 in July 2008. However, from there on, the Pound experienced a free fall closing the year at a low of just over US$1.4.

Fig. 11: Fluctuations of the British Pound, 2008/9



Official figures from the Office for National Statistics (ONS) showed that manufacturing made the largest contribution to the slowdown, contracting by 4.6% despite hopes that the weak Pound would help exporters. With the exception of agriculture, all elements of the economy shrunk from the previous three months of the last quarter of 2008.

2.3 Performance of the Euro Zone

The Euro Zone is a currency union of 15 European countries which agreed, in January 2002, to adopt the Euro as their common legal tender. In 2002, only 11 adopted the common currency, and others joined the Zone in subsequent periods. The Euro Zone, also referred to as the Euro Area, consists of Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. At the end of 2008, Latvia was said to have met the conditions to join the Zone and become the 16th member from January 2009.

There are other countries which have not formally joined the grouping but have adopted the Euro as their currency. These include Andorra, Montenegro, Kosovo, Monaco, San Marino and the Vatican. An analysis of the performance of the Euro Zone does not include these economies.

Economic performance in 2008 was not impressive. Eurostat reported that GDP declined by 1.5% in both the Euro Area and in the 27-member European Union during the last quarter of 2008, compared with the third quarter. In the third quarter of 2008, GDP also shrank with growth rates of -0.2% in both zones.
Compared with the same quarter of the 2007, GDP decreased by 1.2% in the Euro Zone and by 1.1% in the European Union in the fourth quarter of 2008, after marginal positive growth rates of +0.6% and +0.8% respectively in the third quarter of 2007.

During the fourth quarter of 2008, US GDP decreased by 1.0% compared with the previous quarter, after -0.1% in the third quarter. US GDP decreased by 0.2% compared with the same quarter of 2007 (+0.7% in the previous quarter).

Over the whole year 2008, GDP grew by 0.7% in the Euro Zone and by 0.9% in the European Union (Source: Eurostat Euro Indicators, 2009)

The Euro performed rather well during 2008. It appreciated significantly against both the British Pound and the United States Dollar during the year, especially during the second half of 2008. The figures below show the appreciation of the Euro.

Fig. 12: Exchange Rate for Euros for 1 GBP, April 2008 to April 2009

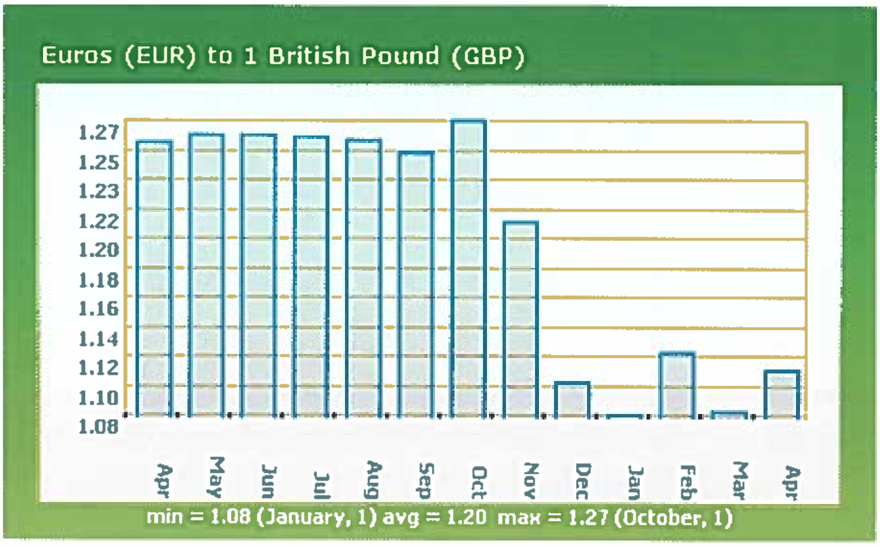
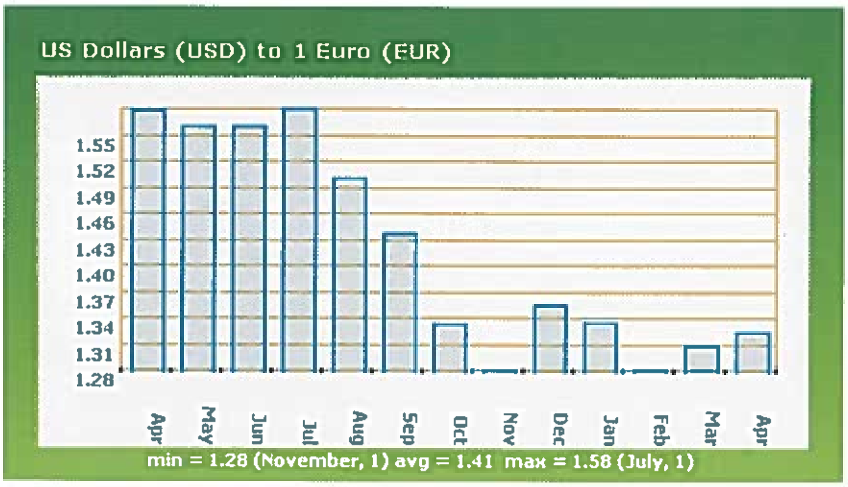


Fig. 13: Exchange Rate for US$ for 1 Euro, April 2008 to April 2009



PART III: PERFORMANCE OF AFRICAN ECONOMIES

3.1 Africa's economy grew by less than expected in 2008

Dr. Donald Kaberuka

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

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

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

Africa represents a small share of global markets, with 1.3 % of world stock market value, 0.2 % of debt securities and 0.8 % of bank assets. The drying up of credit markets comes just as several African countries reach a stage of economic maturity where they can tap global credit markets to finance key projects Nevertheless, due to less connection to the world stock exchange, and limited investment in mortgage backed securities (MBS) Africa was expected at least in the short run, not to be affected by the Wall Street problems and house mortgage as was happening in developed economies.

3.2 Sub-Saharan Africa posted robust growth than developed economies

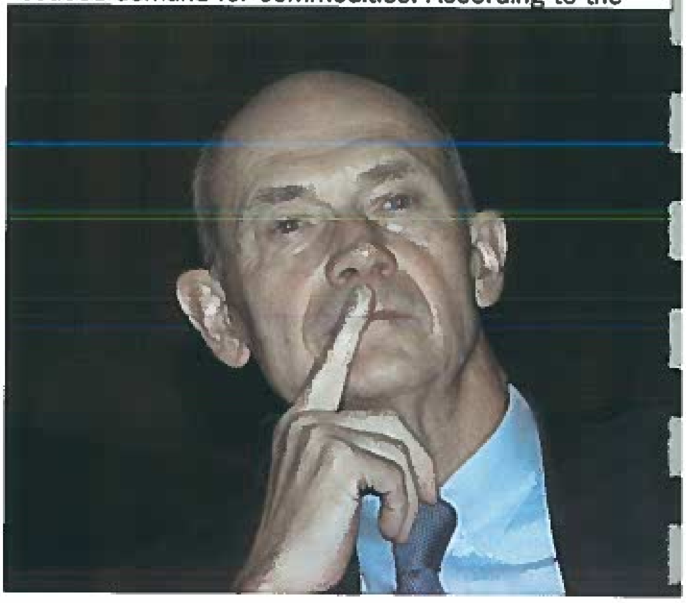
Sub-Saharan Africa (where most COMESA countries are located) limited integration in the global financial systems saw the continent recording robust growth compared to advanced economies, growth fro 2008, was projected at 5.4% compared with 1.3% recorded in advanced economies. This was however 1.1% less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

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

3.3 Impact of the Global Financial Crisis on Southern Africa

The financial crisis is threatening to turn back the clock on progress achieved during decades of reforms that have geared economic policy toward ensuring that Africa becomes a more attractive destination for private capital (World Bank, 2008). The global financial crisis, which now has multiple dimensions with multiple channels including the decline in most commodity prices and tighter credit, among other channels, has significantly worsened the economic outlook for Africa (IMF, 2009). The drivers of Africa's recent growth performance have been affected and as such, as demand for and prices of African commodities have collapsed, capital flows are declining, and promised increased aid has not materialized (ADB, 2009) . According to World Bank (2008), the impact of the global financial crisis and ensuing recession on Africa will be three-fold. First, a slowdown in private capital flows will adversely affect economies that had been relying on these flows to finance much-needed investment, particularly infrastructure investment. Second, commodity prices are falling, which hurts African exporters, though it helps importers. Third, remittances which run at about $15 billion a year to Africa, and foreign aid, are likely to be affected.

African Development Bank (ADB)'s (2009) projection shows that Africa is expected to grow at a low rate of 3.2% in 2009, down from 5.75% in 2008 and 6 % in 2007. Preliminary projections show expected a loss of 3.7% of growth rate for oil-exporters in 2009 and 1% decline in growth for oil-importing countries. On trade side, export growth rate is expected to drop by 7% and import growth rate will decline by 4.7%, resulting in a deterioration of commercial balance. Africa's problem is that its exports are mostly to developed countries that have been affected mostly by this crisis and have thus reduced demand for commodities. According to the



WTO Director General Mr Pascal Lamy, Africa's strategy should be to fight to 'keep markets open and to keep opening markets" while expanding intra Africa trade and to reduce dependence of its trade with industrialised countries.

3.4 Africa's Economic Prospects for 2009

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

South Africa, African's largest economy suffered a battering slowing markedly to an estimated 3.4% from 5.1% in 2007. Power outages plagued output growth in the mining sector, and household consumption slowed sharply, undercut by slower growth of credit, falling asset prices, and higher food and fuel prices among others. 2009, according to the report, is expected to be more gruesome for the continent.

The GEP report explains that for Africa, weaker external demand and lower commodity prices will be the major mechanisms through which the financial crisis will be transmitted. Declines in demand in key external markets will take a toll on exports, and the contribution of trade to GDP growth is likely to be negative in 2009. Overall, aggregate GDP growth in Sub-Saharan Africa is projected to decline to 4.6% in 2009 from about 5.4% in 2008, on the back of weaker investment outlays, faltering export performance, and softer private consumption. As external demand gradually recovers over the second half of 2009 and into 2010, growth should firm to 5.8 % the latter year.

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

The common problem is that most African countries rely on the export of primary commodities for around 70% percent of their external earnings. The developed countries that provide market for commodities and at the same time being the ones that fix the offer prices will be in a weaker position to import in 2009, therefore leading to a further fall in earnings.
If Africa is to survive in future, it has no choice but diversify its products in the short and medium run as well as add value in the long run. The policy preferences in the region will probably continue towards diversification of non-traditional exports such as seafood, fish, fruits and vegetables, which have seen about a 15% percent increase over the last decade. Both imports and exports as a share of GDP have fallen, but exports more dramatically. In the last two decades, Africa has been losing market share to other regions, especially Asia and Latin America, in the export of non-fuel commodities at a drastic pace, for a very long time, with both prices and volumes under pressure.

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

As already indicated, both prices and volumes of Africa's primary commodity exports have been under historic pressure (with growth in real prices down

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

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

The global downturn means unfortunately however that raising credit on the international markets in the short term will be much more difficult than in the recent past where countries like Ghana and Gabon raised $750 million and $1 billion respectively in 2007.
In addition, despite the fact that Africa did not feel the immediate impact of the US economic meltdown and its effect on European MBSs, in the near future, these will weaken capital markets in general and even more so in Africa's infantile capital markets as overseas investors relapse into a phobia for risky emergent markets, leading to even lower market liquidity, worse intermediation spreads (efficiency of operations measured by gap between borrowing and lending rates) for the banking sector, and downward pressures on African currencies in the wake of dollar- or euro-denominated capital flight.

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

3.5 Food self sufficiency important for economic sustainability:

Less restrictive movement of goods and services, the flow of capital, diffusion of technology and knowledge, migration and the global value chain all define the globalized world we live in today. What has emerged from the recent food, fuel and financial crises is the important role of coordinated international responses. Between 2005 and 2008 several developing and least developed countries (LDCs) were shaken by skyrocketing food prices and sometimes violent street protest that accompanied them.

According to FAO, overall price index for basic foods, increased 8% during 2005-06, ands rose by 24% in 2007 and by a staggering 53% increase in the first quarter of 2008. Such an increase as argued above cannot be sustained by an average income earner, except those who grow their own food. Food prices hikes have fallen hardest on the poor 82 nations designated by United nations as low-income food deficit, 42 of them in Africa .This was further compounded by the fact that a good number of these countries, particularly in Africa are dependent on rain fall. But even with good rains there are other factors at play that hinder food production, particularly the almost monoculture practice in staple food production in some African countries coupled by IMF's advocacy on supplying fertilizers at market prices. A good number of African countries particularly influenced by the IMF structural adjustment programs, abandoned support programs to small scale farmers. Countries that cut down support and those that encouraged export crops versus food staples by small scale producers were been the most hit by food crisis.

3.6 Support to Small-scale Farmers a must

As already indicated, between 2005 and 2008, protests against food prices swept dozens of countries around the world, including Africa. In Africa, Senegal, Niger, Burkina Faso, Morocco, Mauritania, Guinea, Mozambique, Cote d'Ivoire, Tunisia, Gabon, Cameroon to mention but a few were experienced riots related to

food shortage and increased cost of living. Observers point at the abandonment of small scale farming (where the population has been encouraged to depend on wages and food purchase) as the major cause of the crisis. Countries like Uganda, where majority of the population has continued to grow and eat traditional food are less likely to be hit by food crisis. "Unless the world reverses decades of neglect of small- scale farming in Africa and other developing countries and transforms the way food is grown, harvested and sold", FAO cautions, "the current crisis could become permanent and future generations will be hungrier and angrier - than those of the past"

Price rises were most pronounced with cereal crops- maize wheat, rice, sorghum and millet. Countries that are therefore exclusively dependent on cereal crops, rice and wheat for West and North Africa, maize for much of eastern and southern Africa are at serious risk, especially the urban dwellers. In addition it is these same serial that are fed to protein producing animal such as cattle and chicken. Besides the competition between human and domestic animals there is some vicious circle of shortages. Since food cost in most cases absorbs half or more of the family incomes, in such countries, many urban dwellers have little choice but to switch to cheaper less nourishing food, reduce quantities on the table or skip meals altogether. According to FAO, overall price index for basic foods, increased 8% during 2005-06, ands rose by 24% in 2007 and by a staggering 53% increase in the first quarter of 2008. Such an increase as argued above cannot be sustained by an average income earner, except those who grow their own food. Food prices hikes have fallen hardest on the poor 82 nations designated by United Nations as low-income food deficit, 42 of them in Africa. Therefore, the need for African countries to come up with a strategic approach to support food production.

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

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

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

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

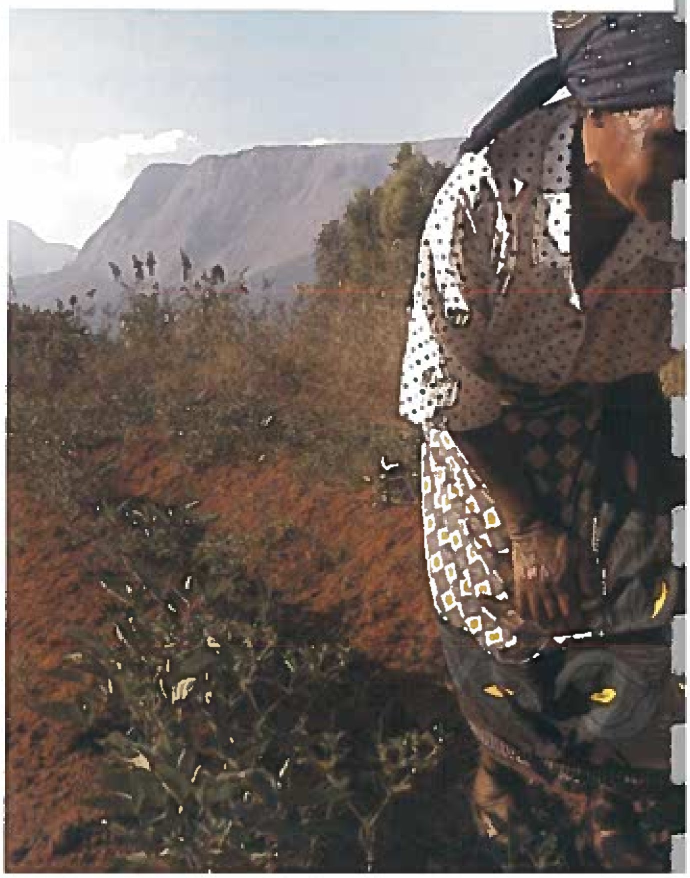
World food prices and its impact on poverty in COMESA
The rapid increase in prices of cereals (maize rice, wheat, corn and other food staples) has sent a shock wave through poor households in COMESA region and world over. These rapid food price increases are a result of a number of factors, including rising demand in large developing countries especially in Asian countries of China and India that have experienced growth in household incomes; neglect of agriculture in many COMESA and other developing countries over recent decades in favour of mining, increased costs to farmers due to high fuel and fertilizer prices, chemicals and seeds; increased demand for cereals in bio-fuels industries, competition from biofuels for land use; supply disruptions caused by drought in major agricultural exporting countries, speculation and an asset bubble in commodity markets (Polaski, 2008).

FAO estimates indicate that the largest increases in the number of undernourished people as a result of rising food prices have taken place in Asia and in sub-Saharan Africa, the two regions, which combined, already accounted for 750 million, or 89 percent of the hungry people in the world in 2003-07. Because of these food price increases, achievement of the internationally agreed hunger-reduction goals within the MDGs framework in the few years remaining to 2015 is becoming an enormous challenge.

3.7 Political Good Will and bold Policy Change essential

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

Experience has shown that t change in government policies, with particular emphasis to the support of small-scale farming, have produced some encouraging increase in food production. The most dramatic example was in Malawi, a COMESA Member State, where the government disregarded donor's pressures and advise and doubled the country's maize harvest with a $ 60 Million fertilizer and seed subsidy program for smallholders in 2006. The government also erected 600 improved locally manufactured maize storage silos to reduce losses to rot and pest.



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

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

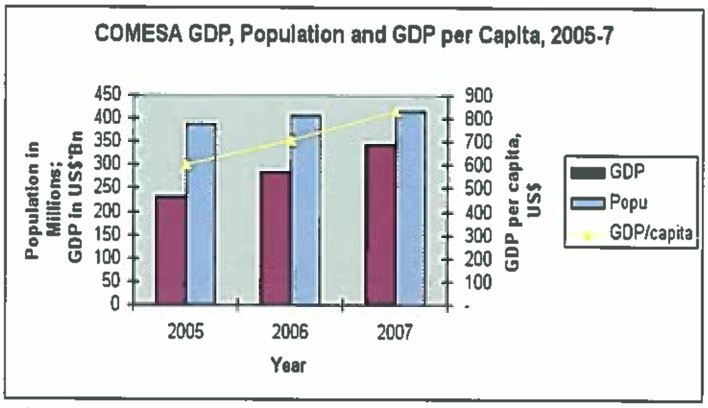
PART IV: COMESA IN THE REGIONAL, CONTINENTAL AND GLOBAL ECONOMIES

The world experienced unprecedented social, economic and political turbulence in 2008 and the COMESA economy was not entirely unscathed, but performed better than some regions and economies.

4.1 COMESA Economic Performance

The economy of COMESA grew from US$233 billion in 2005 to US$345 billion in 2007. The population grew from 389 million in 2005 to 416 million in 2007. The effect of these changes in GDP and Population on standards of living of citizens of the region has been a slight upward push as demonstrated by the rise in GDP per capita. Figure 14 below shows GDP in billions of US Dollars, Population in millions and GDP per capita in US Dollars.

Fig 14: COMESA GDP Population and GDP per capita, 2005-7



Source: COMESA Statistics, 2005-7

Overall economic performance has raised living standards as measured by GDP per capita from US$600 in 2005 to over US$800 in 2007.
This growth rate is a positive step in the attainment of COMESA's goal of "...an internationally competitive and prosperous economic community with high standards of livings for its people. Growth was more impressive among the 12 Least Developed Countries of COMESA.

4.2 COMESA's Programmes

COMESA's agenda and programmes are broad and cover a large number of economic sectors and political and social activities. However, to be effective and efficient in the implementation of its mandate and the fulfilment of its objectives, COMESA defined its priorities within its mandate, over the short and medium terms as Promotion of Regional Integration through Trade and Investment. The development of trade-related infrastructure, particularly infrastructure of a regional nature (covering more than one country), is one of the main pillars of COMESA integration agenda.
In implementing its programmes and activities, COMESA works through its Secretariat for technical and policy-related work, and through its independent and semi-autonomous institutions for specialised sectoral work. These include the Trade and Development Bank for Eastern and Southern Africa (popularly known as the PTA Bank), the COMESA Re-Insurance Company (ZEP-Re), African Trade Insurance Agency (ATIA); the COMESA Clearing House; the COMESA Regional Investment Agency (RIA); the COMESA Leather and Leather Product Institute (LLPI) and the Council of Bureau of Insurance Associations and the newly created COMESA Competition Commission. These institutions have the potential to become commonly owned institutions not only for the regional organisations in eastern and southern Africa but for the African continent as a whole as they already providing services to the private sector not only in COMESA and Africa, but also in South East Asia.

4.3 Investment Flows

Africa's share in global FDI remained very low, at about 3%, and with US$21,614 million FDI inflows in 2007, COMESA itself represents 1% of the global FDI.

This situation is due to a number of factors impeding investment flows, among others legal and administrative barriers. These factors affect both domestic and foreign private investors but they may have a disproportionate impact on foreign investors who usually have higher visibility and who tend to adhere more strictly to legal requirements.

To address those constraints with a view to make the region more attractive, the Twelfth Summit of COMESA

Authority of Heads of State and Government, held in Nairobi, Kenya, on 22nd and 23rd May 2007 adopted the Investment Agreement for the COMESA Common Investment Area (CCIA).

The CCIA Agreement is a useful investment tool whereby the COMESA Secretariat contemplates to create a stable region and good investment environment, promote cross border investments and protect investment, and thus enhance COMESA's attractiveness and competitiveness, as a destination for Foreign Direct Investment (FDI), and in which domestic investments are encouraged.

The COMESA Secretariat has prepared Two-year Action Plan for the implementation of the Investment Agreement for the COMESA Common Investment Area which was adopted by the Co-ordinating Committee on Investment (CCI), during its meeting held in Lusaka, Zambia, from 12th to 13th December 2007. Policy reform and COMESA investment database are the first activities addressed in the line with the aforesaid Action Plan.

4.4 Policy Reforms

Reform of the regulatory environment and the progressive harmonization of investment laws, regulations and policies are major steps in the implementation of the COMESA Common Investment Area (CCIA).

To facilitate these reforms in the COMESA Member States, the Secretariat has recruited a consultant who is developing a Regional Strategic Framework for the simplification of procedures and the reduction of the costs of starting/ conducting business. To that effect, the consultant is going to work on the following:

i) Identify, make an inventory and review national commercial and investment policies, rules and laws

ii) Identify and analyze various factors affecting negatively the starting up of business including company registration, Dealing with licenses and Transparency;

iii) Identify commonalities and discrepancies in the investment policies and laws.

From this strategic framework policy, the company registration is targeted as the starting point of the harmonization of investment policies in the COMESA region.

COMESA Investment Database /FDI Statistics

The Secretariat in conjunction with UNCTAD, is currently conducting training workshops on Foreign Direct Investments (FDI) Statistics and statistics on the activities of Transnational Corporations (TNC) in COMESA Member States. So far, apart the regional workshop held in Mombasa, Kenya in August 2008, the training has been organized in eight COMESA countries.

At the end of the process, the COMESA Secretariat intends to start publishing an annual investment report for the entire region whose positive effect will to assure more visibility of the COMESA region.

Regarding the intra-COMESA investment flows (inward and outward) COMESA is promoting cross-border investment within the region. A number of countries are currently involved in cross-border investments. This is particularly the case Kenyan firms which have moved into Uganda and Rwanda to invest in light manufacturing plants, agriculture and tourism. Some Mauritius companies have a presence in Madagascar and the Seychelles, and in Kenya. Ethiopia is also investing in Djibouti in energy and Transport sectors.

In addition, Egyptian firms are investing in countries such as Sudan, Ethiopia, Kenya and Zambia. A recent example concerns El Sweedy, a cable and motor manufacturing company, which has set up a manufacturing plant in Zambia to take advantage of the abundant copper resources as its raw material.

With the implementation of the CCIA at both regional and national levels, COMESA expects to attract more and diversified investment flows and an increase of cross-border investments within the region.

4.5 COMESA's Trade Regime

4.5.1 The Free Trade Area

COMESA implements a market integration agenda through its trade and investment strategy. In 2008, COMESA continued to improve the trading and investment environment for the region. Intra-COMESA trade which has been growing at an average rate of 20% per annum since the launch of the FTA in 2000, grew by the same margin. Intra-COMESA trade has, therefore, grown from US$3.2 Billion in 2000 to over US$10 billion in 2008.

Nevertheless, COMESA's trade with the rest of the world remained below the desired performance level in 2008. The total volume of COMESA imports and exports in the year 2008, was US$130 billion. The volume of COMESA trade as a proportion of global trade demonstrates a high degree of openness of the COMESA economy. Intra-COMESA trade is about 10% of global trade. This is a small percentage when compared to other regions in Asia and Latin America. For example, the intra-regional trade for MERCUSOR, ASEAN and ASEAN plus 3 are 22%, 28% and 39% respectively. A characteristic feature of this intra-trade among these regional blocks is that, a substantial proportion is composed of manufactured products and intra-industry trade as opposed to Intra-COMESA Trade. On the contrary, the defining feature of COMESA trade with the rest of the world is the dominance of primary commodities. In most cases, our countries depend on one or two primary commodities for export earnings. This is because COMESA countries have hardly modified the structures of their exports. The main primary commodities exported in the year 2000, still accounted for half of all exports, as was the case in 1960. Manufactured exports constitute only 5% of total exports. In contrast, the region imports capital and finished goods from the rest of the world.

The number of countries participating in the FTA remained the same at 13, with Seychelles making arrangements to the join the FTA. It was hoped that the legislative and procedural measures that Seychelles was working on during the year would be completed within the first half of 2009 and enable the country join the FTA.

a) Total COMESA Trade

Total COMESA trade has continued to grow for both imports and exports over the past years (Tables 1 and Figure 15 below). In 2007, total COMESA trade rose to a tune of US$203 billion, from US$179 billion the previous year, representing an increase of 14%. This increase was however lower than the percentage increase for 2006 over 2005 levels of 23%. Whereas total imports registered an increase of 24% in 2007 over 2006 levels, total exports for the same period only increased by 6%. The COMESA trade to GDP ratio also decreased to 57 percent from 61 percent in 2006.

Table 1: Total COMESA Trade, 2000 - 2007, Values, US$ Million

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

The percentage of intra-COMESA trade to total COMESA trade has remained low on average at 4 percent for the last 4 years. See table 2 below. This in part can be attributed to the fact that third country trade consist of raw material exports some of which have had significant price increases in recent years. Hence this surge in third country exports potentially implies a lower intra COMESA trade to total trade ratio.

Table 2: Intra-COMESA Trade as a percent of Total COMESA Trade, 1997 - 2007

Flow	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Exports	11	13	11	11	10	5	4	3	3	3	4
Re-Exports	36	24	15	31	46	38	41	37	30	15	27
Total Exports	12	13	11	12	12	6	5	4	4	3	4
Imports	5	4	4	5	6	5	5	4	4	5	5
Total Trade	**7**	**7**	**6**	**7**	**8**	**5**	**5**	**4**	**4**	**4**	**4**

At country level, Zimbabwe increased her total merchandise imports by 97% in 2007, more than four times the regional average of 24% in 2007. Total imports for Madagascar and Kenya were also up by 43%. Most other countries in the region had their annual percentage change for total imports around the regional average with the exception of Comoros, Eritrea, Sudan and Seychelles which registered negative changes (See Table xx below).

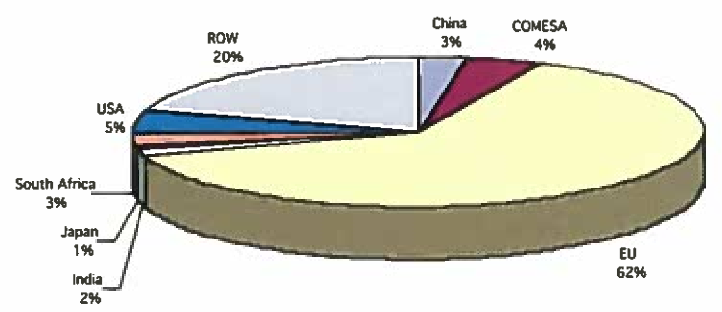
On the export side, remarkable increases in merchandise exports were registered for Eritrea, Zimbabwe and Burundi, with values rising by 264%, 148% and 81% respectively. Comoros, Sudan and Seychelles however registered negative changes in export values in 2007 over 2006 values.

In 2007, only Libya, Zambia and Swaziland registered favourable terms of trade (ToT) with the world, having ratios of 3.79, 1.23 and 1.08 respectively.

b) COMESA'S Trade with Key Markets

The proportions of exports by export market are a simple indicator of key markets for COMESA country exports. On average, a number of COMESA countries exported a big proportion of their products to the EU as evidenced in the Table 3 and Fig 16 below, with the exception of Swaziland, Zambia, Sudan and Djibouti. Of COMESA's total exports, (including re-exports), 63% were destined to the EU, making EU the major export market for the region, principally petroleum oils from Libya. A big chunk of Swaziland's exports were destined to South Africa (75%) while 56% of Sudan's exports in 2007 were destined to China, mostly petroleum oils. Djibouti and Zambia's key export markets were Rest of the World (ROW) (74% and 63%), mainly live sheep and goats and copper exported to Saudi Arabia and Switzerland, respectively.

Figure 15: Key Export Market Shares, 2007



In absolute numbers, COMESA exports to the EU reached almost a US $ 70 billion mark in 2007. Compared to 2006, this implied a 5 percent increase (Table 3 below). Exports to the EU were mainly petroleum oils, natural oils and gas from Libya and Egypt. Following the EU export market was the USA with exports from COMESA worth US$5.2 billion in 2007, registering a 6 percent increase from the previous year. Exports to the US market were also topped by petroleum oils and natural gas from Libya and Egypt, and also non-industrial diamonds exported from the D.R Congo.

Ranked fourth in the export market was Switzerland, after COMESA, with exports from COMESA worth US$3.7 billion in 2007, mainly copper (US$1.5 billion) and petroleum oils (US$1.2 billion) from Zambia and Libya respectively. Exports to South Africa amounting to US$3.1 billion in 2007 were mainly Mixtures of odoriferous substances from Swaziland (HS 330210), Nickel and gold from Zimbabwe and copper from Zambia. Exports to China were topped by petroleum oils worth US$2 billion from Libya and Sudan followed by cobalt and copper from Congo DR worth US$350 million.

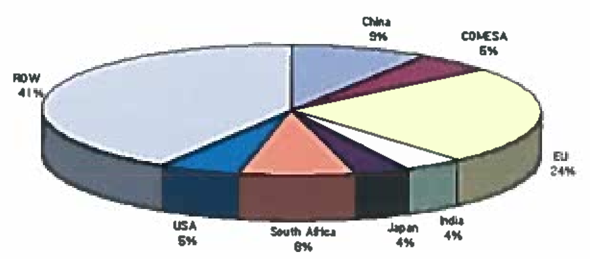
Table 3: COMESA's Major Export Trade Markets: Values in US$ millions

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

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

COMESA's imports from the rest of the world ROW accounted for 42% of total imports in 2007. Remarkably these were Saudi Arabia, United Arab Emirates and South Korea (See Figure 16 below).

Figure 16: Key Import Market Shares, 2007



In absolute figures, COMESA's imports from the EU amounted to US$30 billion in 2007, registering an increase of 20 percent over the 2006 figures and lucidly the largest import market for the COMESA countries (Table 4 below). Topping the list of imports from the EU market to the COMESA region were light oils and preparations of petroleum (HS 271011) worth US$2.4 billion, unused postage, revenue or similar stamps, including bank notes (HS 490700), medicaments consisting of mixed or unmixed products (HS 300490) and parts of electrical apparatus for telephony (HS 851790).

Trailing EU as a major import market for COMESA was China, registering exports worth US $ 7.8 billion to COMESA in 2007, a striking increase of 35 percent from the 2006 levels. Imports from China to COMESA were topped by line telephone sets (HS 851711) followed by electrical apparatus for line telephony and parts of electrical apparatus for line telephony, HS 851780 and HS 851790 respectively . South Africa ranked third with exports to the COMESA market worth US$6.7 billion in 2007, followed by Saudi Arabia that exported commodities worth US$5.3 billion in 2007.

COMESA's imports from South Africa were mainly medium and light oils of petroleum products, motor vehicles and flat-rolled products of iron and steel while imports from the republic of Korea were mainly motor cars and line telephone sets (HS 8703 and HS 851711), respectively.

Table 4: COMESA's Major Import Trade Markets: Values in US$ millions

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

4.5.2 Customs Union

COMESA's next milestone in the area of trade is the Customs Union. In 2005, the Authority revised the roadmap for the realisation of the Customs Union to take account of realities that member States were faced with and to allow them more time to addressing emerging challenges. The revised roadmap pushed the launch date for the Customs Union from December 2004 to December 2008. However, due to logistical limitations in the host country, Zimbabwe, the Summit to launch the Customs Union was deferred to mid 2009.

In terms of preparations for the launch of the Customs Union, significant progress had been attained by year end. The region had finalised the Common Tariff Nomenclature (CTN) based on the latest version of the World Customs Organisation's Harmonised Commodity Description and Coding System (HS2007). The COMESA tariff is at 8 digits.

COMESA also finalized the Common External Tariff (CET) by assigning customs duty rates to tariff splits that were agreed by member States to be part of the CTN. The

Common External Tariff of COMESA has 4 bands namely 0% for Capital Goods, 0% for Raw Materials, 10% for Intermediate or Semi-processed Goods and 25% for Finished or Final Goods. The regional trade policy was finalized which provided for adequate policy space and flexibility in the event of any challenges that a member State may encounter during the implementation of the CET and the operation of the Customs Union.
Due account was taken of obligations of COMESA member States which either members of the World Trade Organisation or were negotiating to be members of te world trade body.

It was, therefore, expected that the Customs Union would be launched in mid-June 2009 at the next Summit due to be held in Zimbabwe.

a) Trade Capacity Building

COMESA realised that the capacity of the Secretariat and that of member States need constant upgrading in various areas including trade policy formulation and implementation, trade negotiations, trade-related research and regional and international trade negotiations.

To enhance this capacity, COMESA continued to deploy resources and work with various agencies including the African Capacity Building Foundation, the Commonwealth Secretariat, the TradeCom Facility, the Regional Trade Facilitation Programme and the World Customs Organisation (WCO) in implementing trade capacity programmes at the national and regional levels.

4.6 Trade Facilitation Programmes

4.6.1 The COMESA Yellow Card: A Unique Regional Motor Insurance Scheme

The Yellow Card Scheme
The Yellow Card Scheme was launched by the Common Market for Eastern and Southern Africa (COMESA) on the 1st July 1987 (then Known as PTA). The Yellow Card, which is a regional motor vehicle insurance scheme that covers third-party bodily injuries and property damage liabilities and emergency medical expenses for the driver of the vehicle and passengers, was introduced as a way of dealing with the problems associated with inter-state traffic specifically on motor vehicle liability insurance.

Considering that most motor insurance policies in individual COMESA countries do not cover the motorist when in another COMESA country, the introduction of the Yellow Card was a way of eliminating the need for transporters and motorists to buy insurance cover for every country visited.

a) Benefits of the Scheme

In the design of the Yellow Card Scheme, therefore, COMESA ensured that among other benefits the following will be realised by the motorists and the insurers:

- Provision of an inexpensive Regional Third party Motor Vehicle Cover, and in this regard the Card was developed to enable motorist to travel with a single Card to and from any COMESA country without having to buy insurance at each border post.
- Economical. The Card, notwithstanding its regional nature, is sold in the local currency of the motorist there by saving foreign currency.
- It also provides a wide insurance cover for the motorist as it includes a medical expenses cover.

In the design of the Yellow Card, thought was also put to ensure that it limits foreign currency out-flows from member countries as the Card is bought in the country of domicile in local currency and the motorist or traveller would be able to travel across borders without having to buy third party insurance in another currency.

Being regional in nature, it was also envisaged that it would facilitate the development of tourism in the region as interstate travel would be made easier. The Scheme over the years has developed from strength to strength and it now also carters for non-COMESA motorists who travel across and within the COMESA region. For convenience to motorists, the Card is available for a minimum period of seven days and a maximum of twelv months.

b) Participating countries

Currently, there are over 170 insurance companies that are issuing Yellow Cards in the 12 countries that are party to the Scheme. These countries are Burundi, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Uganda, Tanzania, Zambia and Zimbabwe.

In the spirit of regional integration and under the auspices of the Tripartite arrangement between COMESA, SADC and the EAC, the COMESA Secretariat is working the other regional bodies with a view to explore the possibility of extending the Scheme to more non-COMESA member countries.

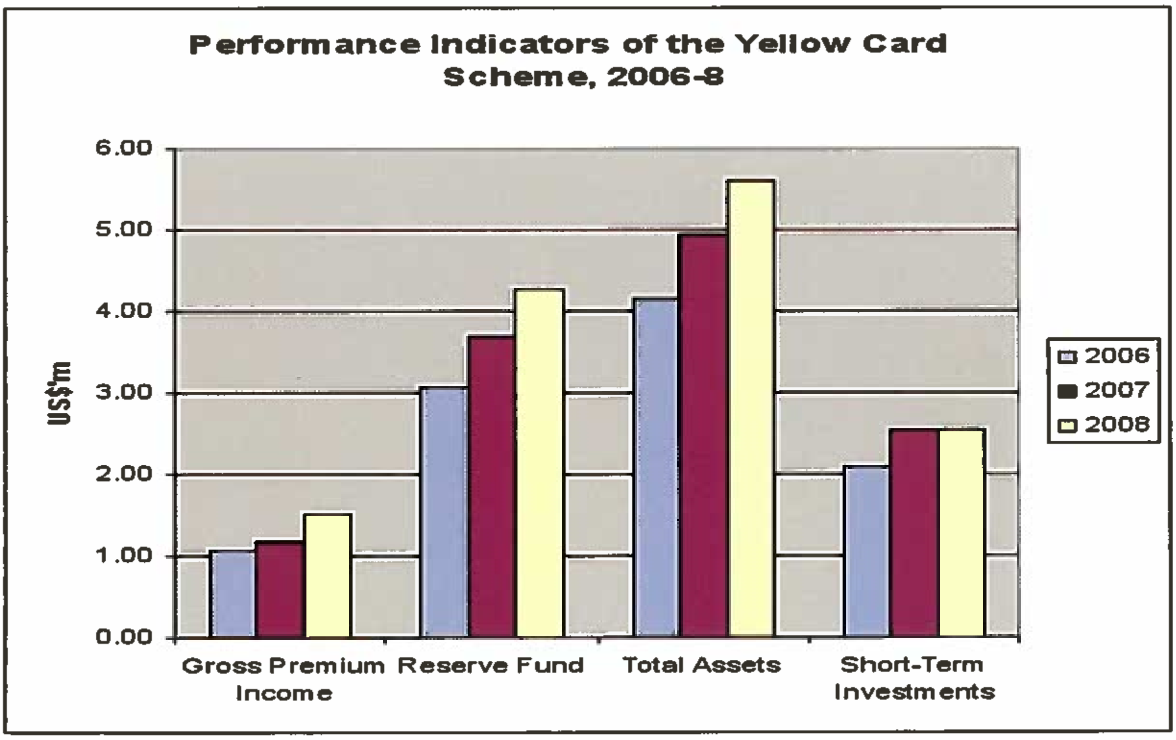
c) Performance of the Scheme in 2007/08

As at December 2008, more than 67,000 Yellow Cards had been issued by the thirteen National Bureaux participating on the Scheme and a total Premium of just over US$5 million realised for the period 2007/2008.

The Pool recorded a gross premium income of US$ 1,512,226 during the year ended 31 December 2008. This represents an increase in premium income of 28.8% over the corresponding figure of US$ 1,173,694 in the year 2007. These figures below relate to insurance business ceded by national Bureaux to the Pool. It should be understood that a large share of the Yellow Card business (premiums) is retained by the national bureaux. The Pool only handles the re-insured portion of the business.

d) The financial highlights are as summarised below:

Fig. 17: Financial highlights of the Yellow Card, 2007/8



The Yellow Card Pool performance and returns on investments shows that an increase in gross premium of nearly 30% in 2008 over 2007; an increase of nearly 16% in the Reserve Fund as well as a 14% increase in Total Assets over the same period. Prospects for 2009 are high as more insurance companies take up subscriptions.

Table 5: Performance of the Yellow Card Scheme, 2006-8

	2008	Growth	2007	Growth	2006
	US$	%	US$	%	US$
Gross Premium Income	1,512,226	28.8	1,173,694	9.8	1,069,128
Reserve Fund	4,277,302	15.9	3,690,860	20.7	3,056,998
Total Assets	5,602,556	13.6	4,933,494	18.8	4,151,680
Capacity Subscription	300,000	71.4	175,000	-	175,000
Short-Term Investments	2,539,614	0.3	2,532,373	20.9	2,093,929

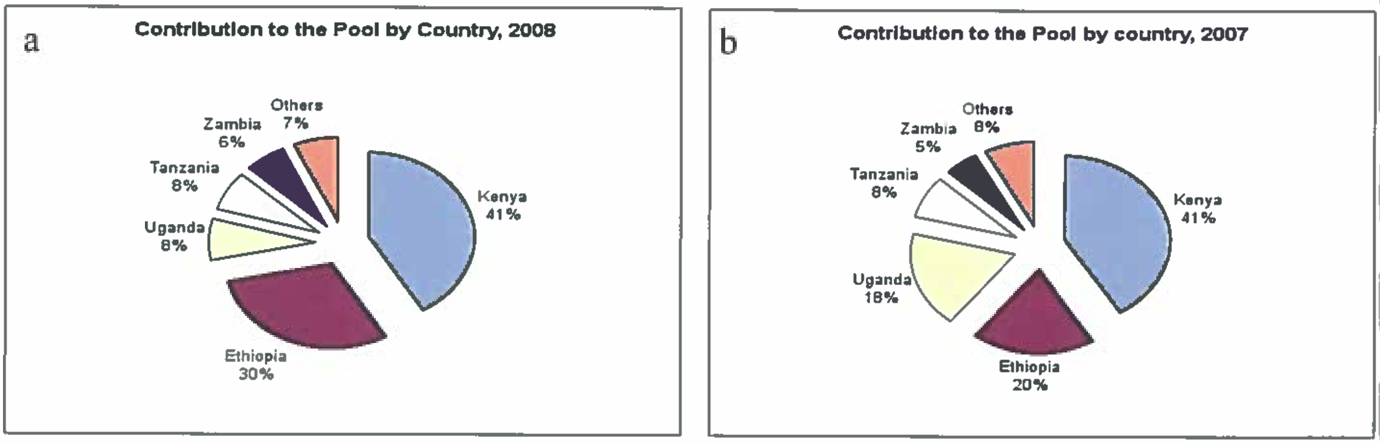
Source: Council of Bureaux of the Yellow Card Scheme, December 2008

The distribution of the Gross Premium Income below shows the level of activity by country with Kenya and Ethiopia accounting for more than 60% of the Cards issued in 2007 and more than 70% in 2008.

Table 6: Contribution to the Pool by Country, 2007-8

	NATIONAL BUREAU	2008	PERCENTAGE CHANGE	2007	PERCENTAGE CHANGE
		US$	(%)	US$	(%)
1	Kenya	626,746	41.45	482,995	41.15
2	Ethiopia	455,712	30.14	228,890	19.50
3	Uganda	117,844	7.79	213,043	18.15
4	Tanzania	114,764	7.59	94,234	8.03
5	Zambia	94,268	6.23	63,644	5.42
6	Rwanda	48,413	3.20	38,599	3.29
7	Djibouti	28,699	1.90	27,073	2.31
8	Burundi	16,440	1.09	24,440	2.08
9	Malawi	4,739	0.31	776	0.07
10	Sudan	4,420	0.29	-	-
11	Eritrea	181	0.01	-	-
12	D.R Congo	-	-	-	-
13	Zimbabwe	-	-	-	-
	TOTAL	**1,512,226**	**100.00**	**1,173,694**	**100.00**

Fig. 18 a&b: Country contributions to the Pool, 2008



4.6.2 The Regional Transit Guarantee Scheme

The Regional Customs Transit Guarantee (RCTG) Scheme is an instrument that has been developed under the auspices of the Protocol on Transit Trade and Transit Facilities of the COMESA Treaty. The RCTG is a customs transit regime designed to facilitate the movement of goods in transit under Customs seals in the COMESA region by providing adequate security of guarantee to the transit countries to recover duties and taxes should the goods in transit be illegally disposed of for home consumption in the country of transit. The current nationally executed bond system, cause considerable expense, delays and interference with the regional transport and trade. To address the difficulties experienced by transport operators, freight forwarders, clearing agents and customs administrations, the RCTG Agreement was signed in 1990 but the development of the modalities of operations of scheme started in 2002. The RCTG scheme came into force in 2005 upon ratification of the Agreement by ten Member States and the regional chain of Surety: the Council of Surety was established in 2006 by ten member States , these are Burundi, Djibouti, Kenya, Madagascar, Malawi, Rwanda, Uganda, Sudan and Zimbabwe. The Pilot test of the scheme was conduced in 2008 in Northern Corridor countries namely: Kenya, Uganda, Rwanda and Burundi and modalities operations of the RCTG scheme, its instruments and procedures and the RCTG-MIS were validated and verified. During the pilot test, the feasibility of the scheme in achieving its objectives; namely: reducing costs of guarantees/bond, quicker clearance of vehicles and increase vehicle turn around time, lower transit costs, release collateral tied up in insurance companies and banks and provide reliable security to customs, were widely confirmed. Since the pilot test started in 2008 over 429 RCTG CARNETS were issued and have continued to be issued for goods in transit to and from the corridor, by the few stakeholders selected for the pilot test. The 25th Meeting of the Council of Ministers, held from 4 – 5 December, 2008, in Lusaka, Zambia, having reviewed the progress made towards the implementation of the Scheme and pleased with the successful outcome of the pilot test, decided that scheme become operational in 2009. Preparations are now being finalized to commence operations in northern corridor countries in 2009 and expand the implementation to other member States that are party to the scheme.

4.6.3 Simplified Trade Regime, STR

To cater for the small scale traders, especially cross-border traders along border areas, COMESA extended the Simplified Trade Regime to other countries, in addition to Kenya-Uganda, where the scheme was introduced in 2007. In 2008, the STR was extended to cover cross-border trade between Zambia and the Democratic Republic of Congo, between Zambia and Zimbabwe, and between Zimbabwe and Malawi.
The STR incorporates a simplified certificate of origin, a simplified procedure for certifying originating products but has an upper value limit per consignment. The maximum value of goods permissible under the scheme is US$500 per consignment.

4.6.4 Trade Points Programme

COMESA recognises that trade information is critical in any economic activity, let alone in cross-border trade transactions. COMESA, therefore, commenced a programme of providing trade information to economic operators by means of information communication technology (ICT). In 2008, COMESA joined the Trade Points programme originally pioneered by UNCTAD. The Secretariat intends to work the Trade Points network in Egypt to make the programme more popular and better known among trade promotion agencies and chambers of commerce in COMESA countries. The support of the African Capacity Building Foundation is this programme was well appreciated in 2008.

4.7 Need for Industrialisation and Value Addition

The analysis of trends in COMESA's regional and global trade clearly indicate the need for a new approach to the nature of productivity within the context of today's global economic challenges. COMESA has devised programmes to address this challenge.
COMESA is encouraging the processing of the region's

commodities and the addition of value before export. Through the Comprehensive African Agricultural Development Programme (CAADP), COMESA continued to work with private sector operators in improving the performance of Africa agriculture.

In 2008, CAADP made tremendous progress in implementation of actions in an effort to strengthen the region's capacity in addressing food insecurity, building robust markets for producers and ensuring long-term competitiveness of the regional agricultural sector. These efforts were overseen by Ministers responsible for Agriculture and for Agriculture and Environment, who met twice in 2008 to review progress and give policy direction.

Major programmes were also launched in 2008, namely the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) and the African Agricultural Markets Programme (AAMP). At the national level, two key achievements were the launch of the Roundtable process in Ethiopia and Sudan.

Further, preparatory activities for the design of Africa development corridors were concluded in 2008 and resources worth $200,000 were also mobilised to build upon the existing biotechnology activities.

4.8 The COMESA Green Pass - a Strategy for Harmonizing SPS Measures

COMESA improved and strengthened the mechanism to be used for SPS certification of Agricultural and Food products intended for exports. The mechanism would constitute the introduction of a COMESA Green Pass. Pre-requisites for the system, including human resources, institutional capacities and standards were further developed. This included training of experts, establishments of regional reference laboratories and the enactment of an SPS legal framework.

4.9 Infrastructure Development: Transport, Communications and Energy

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

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

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

On policy and regulatory framework harmonization, COMESA has developed and adopted various policies, model bill and regulatory guidelines in information and communications technologies (ICTs) including broadcasting, postal services and information society. There are fourteenth ICT regulators established in the COMESA region. Seventeenth countries updated and review their ICT policies and legislations. COMESA supported financially incubator projects to promote the usage of ICT by SMEs and NGOs. The information society measurement is one of the key elements to measure the growth in the ICT sector. The programme has achieved development of regional ICT indicators, house hold survey questionnaires and a roadmap for implementation at both national and regional levels. COMESA has involved in the process ICT stakeholders such as National statistics offices, regulators and ICT ministries. The other area where COMESA started developing policies and model legislations is cyber security. COMESA will also assist and facilitate the development of the national Computer incidents response team CIRT) centre in each country. COMESA convened with International Telecommunications Union (ITU) a workshop on cyber security in August 2008, Lusaka, Zambia. Member States such as Egypt, Kenya, Sudan, Uganda and Zambia already started raising awareness on cyber security and developing CIRT. It is highly important issue since the cyber crime can be originated from any country in the world. It gives confidence to the customers to do e-commerce, e-banking, e-ticketing, e-services… etc.

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

COMESA also adopted and implemented trade and transit transport facilitation instruments whose main objective and impact has been the reduction of transport costs. The application of these instruments by member states is being up-scaled by assisting states where they encounter constraints in implementation. COMESA launched a VSAT project on the borders posts in Northern Corridor countries to enhance communications and improve efficiency among the border posts which will contribute substantially to the transport cost reduction. The project will install around fifteenth VSAT at the borders of Burundi, D R Congo, Kenya, Rwanda, Uganda and South Sudan.

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

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

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

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

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

4.10 Information and Networking

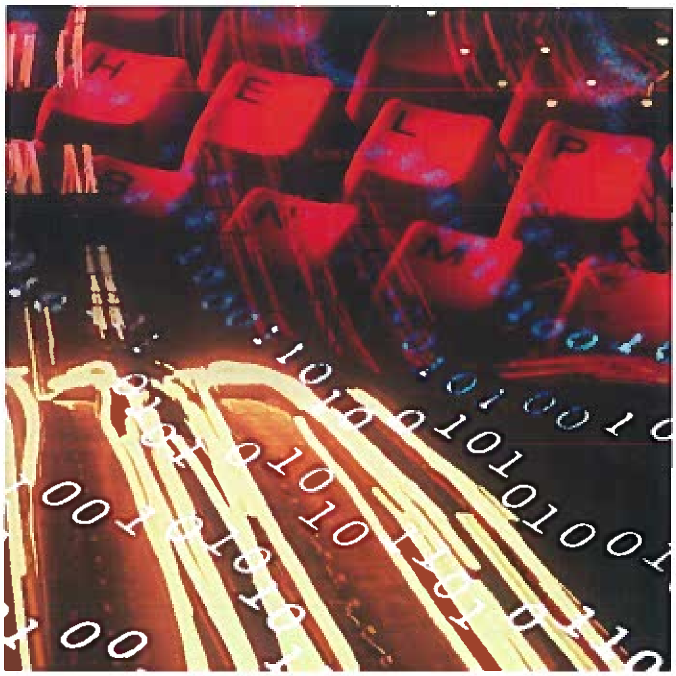
COMESA seeks to promote the use and awareness of Information Technology leading to an Information Society that will contribute to socio-economic integration. The period under review saw significant strides made in the implementation of various programs. The programs that have been pursued and received with a lot of interest in the region have been in the following areas:

a) E-Government

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

b) E-Learning

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



c) Customs Modernisation

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

d) RCTG-MIS

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

e) E-Legislation

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

f) Negotiated Licensing Scheme

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

g) Free and Open Source Software (FOSS)

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

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

m) Geographical Information Systems (GIS)

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

Development and Support of Information Systems to Support Secretariat programmes

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

j) The following systems were either developed or upgraded:-

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

Budgeting System: This system was developed to assist Divisions as they do their budget. It enables divisions to capture interventions, objectives, outputs, activities and budget items with the ability to print the budget reports. The system was developed using Visual basic.NET and Microsoft Structured Query Language (SQL) server. This is being used by all the divisions, though some users are still not very much comfortable with using the system.

k) Intranet: This system was developed to improve communication within the Secretariat.

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

4.11 Climate Change, Environment and Forestry Development

As climate has a significant impact on agricultural production, COMESA successfully held a meeting for Ministers responsible for Agriculture and Environment in Nairobi, Kenya. This meeting launched the agenda for Climate Change and the Climate Change Initiative. This initiative is aimed at facilitating the development of pro-poor agro-forestry and other land management projects that provide improvements to the productivity, competitiveness, and development potential of African agriculture. At the same time, it addresses the issues of climate adaptation and mitigation. This Initiative was boosted by the signing of an agreement with the Norwegian government in support of the regional climate change programme to the tune of $2.5 million dollars.

There was another meeting for stake-holders in Johannesburg aimed at establishing a COMESA Carbon Fund. Further, COMESA, EAC and SADC designed a joint programme on climate change which includes agriculture, forestry and land use change in the post Kyoto climate arrangement. The programme will be supported by the Norwegian Government. Key focus areas are the development of the Forestry Development

Strategy and commissioning work to develop the Carbon Fund.

4.12 Private Sector Co-ordination

To enhance productivity, market linkages and private sector co-ordination, COMESA continued to facilitate the operations and worked closely with private sector producer association in various sectors. These included the Eastern and Southern African Dairy Association (ESADA), the African Cotton and Textiles Federation (ACTIF), and the East African Fine Coffees Association (EAFCA). The main private sector body for co-ordination with various policy organs of COMESA is the COMESA Business Council.

COMESA cherishes the involvement and intervention of the private sector through their associations in such matters as the development of the Common External Tariff and other aspects of the Customs Union, negotiations for Economic partnership Agreement with the European Commission, and other policy issues affecting COMESA integration agenda.

COMESA continued to serve as patron to the COMESA-SADC Cross-Border Traders' Association whose members are the main beneficiaries of the Simplified Trade Regime.

4.13 COMESA Aid for Trade Strategy

The Ministerial Declaration of the Hong Kong WTO Ministerial Meeting in December 2005 announced the necessity of an Aid for Trade Initiative to help developing countries implement and benefit from the WTO agreements and hence expand their trade. It was realised that market access alone would not be sufficient to bring about the benefits of trade to developing countries as these countries face many internal constraints that prevent them from taking advantage of the new international market access opportunities.

The COMESA Ministers of Finance at their meeting in Mauritius on 26th April 2007, decided to set up a COMESA Aid for Trade (COMAid) Unit within the COMESA Secretariat and the COMESA Council of May 2007 (Nairobi) adopted the COMAid decision.

In line with these decisions, a number of steps have been undertaken including:

i) the establishment of the COMAid Unit in November 2008 through the RTFP project support by DfID;

ii) launching, through the SADC-EAC-COMESA Tripartite, a regional AfT pilot programme (North South Corridor) that is being retained by WTO-OECD as the 'showcase' model for the Sub-regional AfT review meeting scheduled for April 2009;

iii) initiation of the drafting of a COMESA regional Aid for Trade strategy, which was first presented to the 2009 Council meeting;

The overall objective of the Regional AfT Strategy is to contribute to the impact, efficiency and effectiveness of ESA-IO Member States' trade reforms and regional integration initiatives so that they can fully benefit from regional and international trade opportunities to reduce poverty and to achieve their (MDG) development objectives. It has two distinct, but coherent specific objectives. The first aims at having a coherent package of inter-related investments in trade related infrastructures, trade facilitation instruments and trade regulatory measures that are designed and implemented to allow the private sector of the ESA-IO Member States to reduce the regional costs of doing business with and within the ESA-IO region. The second is to ensure that the COMESA Member States have access to mechanisms to address trade and integration related adjustments, including social costs.

The principles that guide the strategy include:

i) the need for complementarily with national AfT strategies of its member states;

ii) adoption of an approach that is result oriented and not project based

iii) the need to be focused on objectives where the regional organisation has an added value ; and

iv) while recognising the importance of resource mobilisation for additional resources to implement COMESA's its mandate and agenda, the strategy is also an instrument to improve the effective and efficient programming and planning of already available resources and to develop effective, efficient and predictable regionally owned instruments for resource delivery (Contribution Agreement, COMESA Fund)

Initially, the strategy is focused on developing methodical approaches that can be applied to wider COMESA AfT programmes. This includes the implementation of the NSC pilot programme and also assisting and working through one or two member states through their national programmes like the EIF on national AfT strategies. It is expected that the COMESA AfT Strategy will be adopted at the June Summit in 2009.

4.14 Gender and Women in Business Programmes

In order to ensure that Gender is fully mainstreamed, a Gender Division was established within the COMESA Secretariat in 2008. This was in response to the 2006 Council Decision that a Gender Division be established in line with section 6.1.4 of the COMESA Gender Policy. The Secretariat has since recruited a Director for the new Division.

The COMESA Gender Mainstreaming strategy and Action Plan were developed, in collaboration with member States, by April 2008. The formulation of the Strategy and Action Plan was preceded by a regional study and gender analysis of COMESA Programs. The data from the study was used in the formulation of the Strategy.

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

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

Establishment of Trading Houses

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

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

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

In Mauritius, Enterprise Mauritius established an electronic COMESA Trading House following Council decision that trading houses be established in the

COMESA region. The meeting of the trade promotion organizations held in Cairo in October, 2007, also motivated Mauritius Enterprise Ltd in its effort to establish the COMESA Trading House in the country. The COMESA Trading House will mainstream gender perspective by incorporating women enterprises through a specific window for FEMCOM.

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

4.15 Regional Integration and Governance

COMESA cherishes good governance both at the political and corporate level. Good governance also has socio-economic effects.

To improve and entrench good governance, COMESA implements programmes aimed at creating awareness, building capacity and generally disseminating information on the significance and importance of good governance.

Two key programmes that COMESA continued to implement in 2008 focussed on Peace and Security and other on Public Procurement Reforms.

4.16 Peace and Security

In 2008, the Programme on Peace and Security made significant gains in terms of implementing programmes aimed at contributing to the creation of an enabling environment for economic development. In February 2008, COMESA signed a Contribution Agreement with the European Commission in Zambia for the implementation of its component of the Conflict Prevention, Management and Resolution strategy (CPMR) for Eastern and Southern Africa (ESA). The CPMR Strategy for ESA was developed jointly by COMESA, EAC and IGAD and designated COMESA the lead role in the "Fight against War Economies" due to COMESA comparative advantage.

The programme recognises that the fight against war economies will have to be done within a regional perspective in order to ensure that it is comprehensively addressed. It will also attempt to factor in the international dimensions particulary due to the demand side of conflict commodities. The programme also recognises the need to transform war economies cautiously in order to ensure that livelihoods of the people are not adversely affected and alternative means of livelihood is available as the process of formalising shadow economies is undertaken.

The development of the CPMR ESA strategy with other ESA RECs is consistent to a Decision by the Meeting of the First Meeting of the Ministers of Foreign Affairs that was held in April 2000 in Lusaka, directing the Secretariat to cooperate and coordinate with other sub-regional groupings in the area of peace and Security. This programme also responds to a Decision by the Eighth Meeting of the Ministers of Foreign Affairs that was held in Nairobi in May 2007 that identified a niche for the Programme to focus on economic dimensions of conflict.

Also in line with the niche identified for COMESA, the Programme was able to convene five cross border fora for small scale traders, local government officials and service providers at the border between the eastern Democratic Republic of Congo with its neighbours. This was done within the framework of the COMESA-DFID-USAID Trading for Peace project. The Trading for Peace project has the overall objective of assisting countries in the Great Lakes Region, particularly the Democratic Republic of Congo as they embark on post conflict reconstruction following the signing of the Peace Agreement and the democratic elections that were held in October 2006. It recognises trade as a mechanism to enhance peace and security.

The Programme on Peace and security made a significant achievement towards accomplishing its conflict prevention mandate by commencing the process of developing a Conflict Early Warning System for COMESA. This is on a programme that is supported by the African Union's Africa Peace Facility Capacity Building Programme and is being done in close collaboration with the African Union Conflict Early Warning System (CEWS). This is in recognition that COMESA is one of the building blocks to the Continental Mechanism. The process also involved close collaboration and coordination with the other Regional Economic Communities and through a memorandum of understanding between the AU and RECs, data and information sharing will be made possible and hence minimise unnecessary duplication of efforts and costs. The increased levels of collaboration with the African Union Peace and Security Department has necessitated the establishment of Liaison offices at the AU and in 2008 COMESA was able to install a Liaison Officer at the AU.

.17 Public Procurement Reform Programme

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

However, as any other policy instrument which has economic and social implications, procurement management needs continuous evaluation, assessment and adapting to new emerging trends and knowledge.

4.18 COMESA and the Multilateral Trading Architecture

COMESA's regional integration agenda and programmes are premised on the philosophy of open-regionalism. This is an understanding that COMESA member States and COMESA as a regional integration grouping are part of a larger global community which affects COMESA's economic development and is in return affected, albeit by a lesser margin, by economic and integration developments taking place in the COMESA region.

As COMESA countries integrate into a single economic community, they do not wish to shut out the rest of the world, but do take on board developments in the global economy and internalise them and make them part of the grouping's regional integration initiatives.

COMESA's open-regionalism approach to integration is exemplified in its Vision Statement and is enshrined in its founding Treaty. Article 178 of the Treaty establishing COMESA states that

"The Member States agree that the final objective of the Common Market is to contribute to the implementation of the provisions of the Treaty Establishing the African Economic Community. To this end the Member States shall:

(a) negotiate, together with other regional economic communities, the Protocol on Relations between the African Economic Community and the Regional Economic Communities;

(b) implement the provisions of this Treaty with due consideration to the provisions of the Treaty Establishing the African Economic Community; and

(c) convert the Common Market or its successor, at a time to be agreed upon between the Common Market or its successor and the African Economic Community, into an organic entity of the African Economic Community."

As part of its Vision, COMESA wants "...to be a fully integrated, internationally competitive and prosperous economic community.."

For this reason, nearly all members of COMESA are members of the African Union, of the World Trade Organisation, of the World Customs Organisation, the Bretton Woods institutions of the World Bank and the IMF, and are variously members of several other regional and international organisations.

4.19 COMESA and the World Trade Organisation, World Customs Organisation

Of the 19 members of COMESA, 13 are full members while five are Observers undertaking accession negotiations and only one country is not yet a member nor it is under accession. COMESA countries have actively participated in WTO negotiations as part of the Africa Group, of the Group of Least Developed Countries and as part of various interest groups formed in classic WTO fashion.

COMESA believes the WTO process has potential to restructure the global trading architecture to make it more equitable, more transparent and predictable, and therefore, able to present more and better opportunities for trade and economic development for its members individually and for the whole of COMESA as a regional grouping. COMESA, both at the level of member States and the Secretariat, has, therefore, participated in the last 5 Ministerial Conferences of the WTO as members and Observers, and continues to follow and engage in the on-going Doha Development Agenda negotiations.

Table 7: COMESA Countries in the WTO, as at December 2008

Members	Date of Membership
Kenya	1-Jan-95
Mauritius	1-Jan-95
Swaziland	1-Jan-95
Uganda	1-Jan-95
Zambia	1-Jan-95
Zimbabwe	3-Mar-95
Djibouti	31-May-95
Malawi	31-May-95
Egypt	30-Jun-95
Burundi	23-Jul-95
Madagascar	17-Nov-95
Rwanda	22-May-96
Democratic Republic of Congo	1-Jan-97

Observer Governments

	Date Working Party Established	Date of Memorandum of Foreign Trade
Sudan	October 1994	October 1994
Seychelles	May 1995	July 1995
Ethiopia	January 2003	February 2003
Libya	June 2004	July 2004
Comoros	February 2007	October 2007
Non-Member		
Eritrea		

Source: WTO website, December 2008

All COMESA countries are members of the World Customs Organisation and participate actively in customs and trade facilitation programmes of the organisation.

During 2008, COMESA Secretariat staff worked very closely with staff of the WCO in refining the COMESA Common tariff Nomenclature (CTN). COMESA staff elaborated the CTN while WCO staff provided an international perspective and provided guidance with regard to product classification - product description and coding - terminology and definitions and explanatory notes.

4.20 Negotiations for Economic Partnership Agreement, ESA-EC EPA

To strengthen and improve their trade and development relations, the EU and ESA countries are currently negotiating an economic partnership agreement (EPA) since 2004. Towards the expiry of the trade provisions under Cotonou Partnership Agreement in December 2007 deadline, ten (10) of the fifteen (15) ESA countries namely Comoros, Mauritius, Madagascar, Seychelles, Zambia, Zimbabwe, Burundi, Kenya, Rwanda and Uganda had initialled a WTO compatible interim EPA with the last four (4) countries as part of EAC group. The interim EPA covers three main areas; development cooperation, trade in goods and fisheries. Negotiations for a full and inclusive EPA that will replace the interim EPA are continuing on outstanding issues namely agriculture; trade related issues and trade in services, rules of origin, SPS and Technical Barriers to Trade, with a view to concluding a full EPA in December 2009

The main benefit of the interim EPA is that it allows on a contractual basis for full duty free quota market access of ESA exports into the EU market, except for sugar and rice which are subject to short transition arrangements. In addition to the current sugar quotas, the ESA Signatory States have secured an additional quota of 75,000 tones available from the 2008 marketing season. On textile and clothing the EC agreed to provide the single transformation rule of origin. This means that clothing companies established in the ESA Signatory States can now source fabrics from anywhere in the world, transform them and then export to the EU market free of both duties and quotas..

On their part, the ESA States have agreed to gradually liberalize 80% of their trade for imports from EU covering mainly capital, raw material and intermediate products over a period of 15 years with an initial 5 year preparatory period. Exceptionally few products mainly final products will be liberalized over 25 years. After this period, 20% of the trade mainly agricultural and final products will remain completely excluded from any liberalization (sensitive products). Table xx gives details of the tariff liberalisation schedules for ESA and EAC.

Table 8: ESA and EAC Tariff Liberalisation Schedules
Country Liberalisation Schedules (percentage of imports facing zero tariffs)

	After 5 years	After 10 years	After 15 years	After 25 years
Seychelles	62.0%	77.0%	97.5%	
Zimbabwe	45.0%		80.0%	
Mauritius	24.5%	53.6%	95.6%	
Comoros	21.5%		80.6%	
Madagascar	37.0%		80.7%	
Zambia			80%	
EAC (Kenya, Rwanda, Burundi and Tanzania)	64.0%		80.0%	82.0%

In fisheries, the ESA region was able to secure an automatic derogation on tuna and tuna loins exports of 10 000 tones. This means they can supply tuna and tuna loins to EU up to 10 000 tones without having to satisfy rules of origin for fisheries.

On development cooperation, the Parties committed to work together to address the development needs associated with the EPA implementation in order to promote sustained growth, strengthen regional integration, and foster structural transformation and competitiveness. This will support progress towards increased production, supply capacity and value addition of the ESA States. The development needs have been outlined in a jointly agreed Development Matrix attached to the Agreement. The EC agreed to contribute financial and non financial support on predictable sustainable and timely basis towards the resources required for development under the 10th EDF regional indicative program, successive financial frameworks of EU, Aid for Trade and the EU General Budget. The development cooperation provisions are open to all signatory ESA States regardless of their market access offers, in order to facilitate preparation for the adoption of an EPA in the future.

Mr Ngwenya congratulate Hon. Mutati at the ESA/EPA meeting
Below: Some of the delegates at the ESA/EPA meeting

PART V: COMESA DECISION-MAKING STRUCTURES, PROCESSES AND 2008 ACTIVITIES

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

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

Flashback: The 12th Summit of the Heads of State and Government, Nairobi - Kenya 2007

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

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

In 2008, the Authority did not hold a regular Summit but had an extraordinary Summit. The Second Extra-ordinary Summit of the COMESA Heads of State and Government that took place at Sharm El Sheikh in the Arab Republic of Egypt, on 30th June 2008.

At the Summit, the Authority appointed Mr Sindiso Ngwenya of the Republic of Zimbabwe, as the COMESA Secretary General, and Mr Stephen Karangizi of the Republic of Uganda as the Assistant Secretary General in charge of Programmes.

Mr Ngwenya became the third Secretary-General of the Common Market for Eastern and Southern Africa (COMESA) since it was transformed from the PTA in 1994. He had been the Interim Secretary General since May, 2008, following the departure of Mr Erastus

[M]wencha, MBS who was elected as the Deputy Chairperson of the Commission of the African Union.

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

5.2 The 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 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, the Court and of the Competition Commission; 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 comprises Ministers whose ministries are responsible for the coordination of COMESA activities (so-called Coordinating Ministries); Member States appoint their respective Member States. The Chairman, Vice-Chairman and Rapporteur – who together form the Bureau of Council – are Ministers from the COMESA Member States currently holding the Chairmanship, Vice-Chairmanship and Rapporteur of the COMESA Authority, respectively. The Council takes decisions by consensus, or failure to that, by two-thirds majority of its members.

In 2008, The Council held one ordinary and one extraordinary session. 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. This situation did not arise within the year.

Opening session of the 25th Council of Ministers in Dec 2008, Lusaka - Zambia

During the two meetings in 2008, the Council reviewed progress in preparations for the launch of the Customs Union, EPA and WTO negotiations, progress towards operations of the COMESA Fund, co-ordination and harmonization of Tripartite harmonization programmes among COMESA, EAC and SADC.

5.2.1 Sectoral Ministers

The COMESA Decision making structure also provides for Ministers responsible for specific sectors to meet and direct programmes in the sector.

During 2008, Ministers responsible for Agriculture met and also held a joint meeting with Ministers responsible for Environment. The Ministers reviewed harmonization of seed trade regulations, implementation of climate change mitigation and adaptation initiatives such as forest and afforestation management and sustainable land and water management. They reviewed the increased use of food crops for bio-fuels, as well as the effect of climate change, with a view to finding sustainable solutions. They called on member States to implement a comprehensive fertilizer strategy embracing both chemical and organic fertilizer sources. The joint meeting also launched COMESA's Climate Change Initiative.

Ministers Responsible for Immigration Matters also met in their Third Meeting on 4th April, 2008 in Lusaka, Zambia. The Ministers recalled that the Protocol on Free Movement of Persons, Labour, Services and the Right of Establishment and Residence was adopted by the Sixth Summit of the Authority held in Cairo, Egypt in May, 2001. The Meeting noted that, four States had signed the Protocol on the Free Movement of Persons, Labour, Services, Right of Establishment and Residence. Those four are Kenya, Rwanda, Burundi and Zimbabwe. In addition Burundi had deposited her instrument of ratification. Ministers called on other countries to ratify the Protocol.

Ministers of Justice and Attorneys General met once in 2008 in their 12th Meeting on 10th April 2008 in Djibouti, in the Republic of Djibouti. During the meeting Ministers of Justice received the Report of the COMESA Court of Justice and appointed new Judges or renewed appointment of Judges to the Apellate Division and to the First Division of the Court.

Ministers also considered the draft Protocol on Trade in Services and decided that the Draft Regulations should be referred back to the Experts in Trade and Services, the consideration of the draft Protocol should be deferred until a joint meeting between the experts in trade and services and legal experts meet after the policy organs meeting; and that a drafting team should be established to look at the language of the document to ensure that the text is well drafted. The drafting team should be composed of five Member States to be constituted by the Secretariat taking account of the need for different legal systems.

The Ministers and Attorney Generals also considered Draft Customs Management Code and agreed that the draft Code should be submitted to Member States for consideration. The Meeting further agreed on the need for Member States to submit their comments to the Secretariat before a joint meeting of the Trade and Customs Committee and Legal Experts is convened for the consideration of the draft.

Ministers also reviewed Draft Regulations on Compilation and Reporting of Foreign Direct Investment (FDI) Statistics.

5.2.2 Committee of Governors of Central Banks

The 13th Meeting of the COMESA Committee of Governors of Central Banks was held in Cairo, Egypt, from October 23 to 24, 2008. The meeting looked at the report on the progress made by Member Countries towards achieving Macro-Economic Convergence in 2007, and expressed satisfaction with performance of most countries. The Governors reviewed progress on the establishment of the COMESA Monetary Institute including logistical and budgetary requirements.

.3 The Intergovernmental Committee (IC)

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

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

Although the Intergovernmental Committee does not make final decisions, their debates and final recommendations are the major basis on which the Council of Ministers does its work. Except under special circumstances, IC meets twice a year and submits its reports and recommendations to the Council of Ministers.

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

.4 The 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 specialized in various fields and General Staff that support these functions. Within the year 2008, the COMESA Secretariat continued to provide this support to Member States.

The year 2008 was particularly significant for the COMESA Secretariat. This was because the two terms of service for Mr. Erastus Mwencha, the second COMESA Secretary General, appointed in June 1998, came to an end and he took up a new appointment as the Deputy Chairman of the African Union Commission. The Assistant Secretary General (Programmes) Mr. Sindiso Ngwenya's term of office equally came to an end, having also been appointed in June 1998.

Following a rigorous recruitment process, Mr. Ngwenya was appointed Secretary General of COMESA in June, 2008. He becomes the third COMESA Secretary General, after Mr. Erastus Mwencha who replaced Dr. Bingu wa Mutharika, current President of the Republic of Malawi. The former Director of Legal and Institutional Affairs, Mr. Stephen Karangizi was appointed Assistant Secretary General, in charge of Programmes. These two appointments meant that COMESA sustained continuity, taking into account the fact that a number of key senior staff were also going into retirement. These included the Director of Trade Customs and Monetary Affairs, who had taken in September 2008; the acting Director in the same division, who also retired at the end of 2008; the Director of Budget and Finance whose retirement came exactly with the closing of the year 2008, and the Director of Legal Affairs who had become the new Assistant Secretary General (Programmes).

All the above Divisions are, therefore, expected to have new Directors in the year 2009. Also to join the secretariat will be the Director of Gender and Social Affairs, a newly created division.

The year 2009, will therefore have quite a number of people taking up new responsibilities in Senior Management within the Secretariat.

PART VI: COMESA INSTITUTIONS

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

6.1 The Eastern and Southern African Trade and Development Bank, The PTA Bank

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

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

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

The year 2008, was good for the PTA Bank. In August it received a financial package totalling US$ 98.6 million from the African Development Bank (ADB), one of PTA Bank's shareholders. The facility is in the form of equity participation, a line of credit and technical assistance amounting to US$ 47.6 million, US$ 50 million and US$ 1 million respectively. The equity participation is in the form of payable capital (20%) and callable capital (80 %). This is by far the single largest financial package ever secured by the regional financier. The financing was approved by ADB's Board of Directors following a meeting held in Tunis in August 2008.

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

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

"The General Capital Increase has improved the Bank's balance sheet tremendously while entrenching it as one of the leading DFIs on the continent," said Dr. Gondwe. He added that the Bank will leverage on the new capital to access competitively priced funds from the international markets for on-lending to customers.

The facility came a few months after the PTA Bank signed a US$ 20 million line of credit facility with EXIM India, bringing the cumulative lines extended to PTA ank by EXIM India to US$ 70 million to date. PTA Bank is one of the largest beneficiaries of the Lines of Credit rom EXIM India in the region.

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

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

Fig. 19: Geographical distribution of cumulative approvals

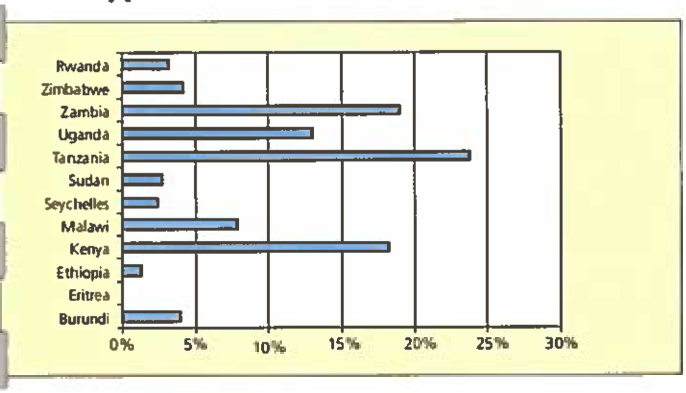
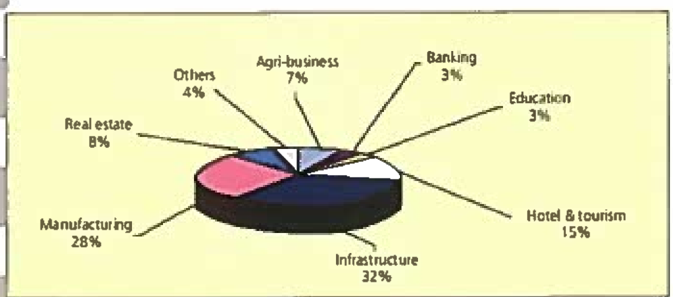


Fig. 20: Approvals by Sector, 2007



Source: PTA Bank Annual Report for 2007

6.2 The Clearing House

The COMESA Clearing House was established in 1984 to facilitate the settlement of intra-regional transactions in goods and services among the member countries. Following liberalization policies of member countries, the Clearing House stopped operations in 1997.
However, the shortage of foreign exchange in member countries continues. It was therefore found necessary to design a new Regional payment and settlement system called REPSS. In 2006/2007, the institution continued to work on REPSS with the view to making it a reality. The system was scheduled to be launched in December 2008, along side the customs Union. It was however postponed to 2009.

6.3 The COMESA Re-insurance Company, ZEP-Re

ZEP-RE is one of the autonomous financial institutions of COMESA, established to promote economic cooperation among member States. The Reinsurance Company was established by agreement signed by Heads of State on 23rd November 1990 and commenced writing business on January 1993. In spite of the challenging and competitive environment and global financial meltdown, the company has continued to achieve a reasonable share of the business within and outside the COMESA region. The company share reached US$29.99 and in 2008, ZEP-RE written premium income was US$46 million and claims incurred US$18.48 million and registered an underwriting profit of 4.19 million compared to US$0.97 in 2007. Its investment increased to US$53.88 million in 2008 from US$41.36 in 2007 and its investment income increased to US$3.95 from US$3.32 the previous year.

6.4 The Africa Trade Insurance Agency, ATIA

During the year 2008, ATI continued to provide investment and credit risk insurance to financial institutions/lenders, investors, manufactures, importers and exporters, to enable them to access or to make available affordable financial resources for their economic activities thereby contributing significantly to private sector development in its member countries.

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

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

6.4.1 Within the year, the Agency achieved the following results:

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

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

iii) ATI provided investment insurance for transactions valued at US$715 million as at the end of October 2008;

iv) The Agency supported exports worth US$203 million at the end of October 2008 and;

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

vi) ATI opened its underwriting field office in Kampala, Uganda

During the period under review, the Agency completion its legal and capital restructuring process for all Member States with the exception of Madagascar that will complete the process by the end of 2008.

Following the completion of the capital restructuring, an additional disbursement such as to reach 64% of each Member States' IDA commitment has been made. In accordance with the foregoing, the new capital stock and number of shares per Member State as at the end of October 2008 is as shown below:

Table 9: Capital Stock and Number of Shares per Member State as at the end of October 2008

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

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

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

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

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

.4.2 **Membership of ATI:** Although ATI was created by COMESA, it is open to all members of the African Union. Consequently majority of members re also COMESA members but by end 2008 other countries outside the COMESA region such as Liberia ere showing interest by the end of 2008 country membership were Burundi, Democratic Republic of Congo, Djibouti, Eritrea, Kenya, Liberia, Madagascar, Malawi, Rwanda, Sudan, Tanzania, Uganda and Zambia. Djibouti, Eritrea and Sudan are signatories to the ATI treaty pending ratification and Liberia's membership is pending signature and ratification). In addition, COMESA, Atradius Credit Insurance Group, PTA Bank and ZEP-Re are members.

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

6.4.4 **Plan for 2009:** In 2009, ATI plans to open offices, in Tanzania, Zambia, Democratic Republic of Congo and in Rwanda.

6.5 The COMESA Regional Investment Agency, RIA

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

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

RIA's key role is to be the strategic driver for capacity building amongst COMESA member states' investment promotion agencies, promoting best practice and facilitating each member state to generate a positive business environment for potential investors – thus creating a strong region within Africa for investment. In order to fulfill this role, RIA works closely with the 19 National Investment Promotion Agencies in the region, to advocate policy changes to improve national investment climates, as well as to identify skill gaps within their organizations, and provide the appropriate training and development support.

RIA also acts as an information hub for potential investors, assisting enquiries and acting as a

coordinator between the national organizations. In doing so, RIA is active in promoting the COMESA region as a Common Investment Area, and in building a positive image of the region to a worldwide audience.

Table 10: COMESA Net Investment Flows , 2002 - 2007

Country	2002	2003	2004	2005	2006	2007
Burundi	0.00	-0.01	0.04	0.58	0.03	0.12
Comoros	0.43	0.79	0.67	0.56	0.58	0.80
Djibouti	3.50	14.22	38.54	59.04	163.59	195.35
Eritrea	20.00	22.00	-7.87	-1.04	0.45	-2.82
Ethiopia	255.00	465.00	545.10	265.11	545.26	254.12
Kenya	27.63	81.74	46.06	21.28	50.73	728.01
Madagascar	61.11	95.45	95.08	86.02	294.22	996.88
Malawi	16.73	65.83	107.71	26.50	29.70	54.64
Mauritius	32.11	62.08	11.16	41.56	105.30	338.91
Rwanda	1.50	2.60	10.90	14.30	15.50	67.17
Seychelles	47.65	58.42	38.01	85.88	145.60	247.80
Uganda	184.65	202.19	295.42	379.81	400.25	367.90
Zambia	303.40	347.00	364.00	356.90	615.80	983.90
Zimbabwe	25.90	3.80	8.70	102.80	40.00	68.90
Congo, DR	117.00	158.00	9.92	-76.03	-115.98	720.00
Egypt	646.90	237.40	2157.40	5375.60	10042.80	11578.10
Sudan	713.18	1349.19	1511.07	2304.64	3541.36	2436.34
Swaziland	92.05	-60.90	70.55	-49.60	36.34	37.50
Net Flow	2,548.73	3,104.80	5,302.48	8,993.92	15,911.52	19,073.63

UNCTAD Notes on World Investment Report, 2008
The data given above comes with the following notes from UNCATD

i) FDI inflows and outflows comprise capital provided (either directly or through other related enterprises) by a foreign direct investor to a FDI enterprise, or capital received by a foreign direct investor from a FDI enterprise. FDI includes the three following components: equity capital, reinvested earnings and intra-company loans.

ii) Equity capital is the foreign direct investor's purchase of shares of an enterprise in a country other than that of its residence.

iii) Reinvested earnings comprise the direct investor's share (in proportion to direct equity participation) of earnings not distributed as dividends by affiliates or earnings not remitted to the direct investor. Such retained profits by affiliates are reinvested.

iv) Intra-company loans or intra-company debt transactions refer to short- or long-term borrowing and lending of funds between direct investors (parent enterprises) and affiliate enterprises.

v) Data on FDI flows are presented on net bases (capital transactions' credits less debits between direct investors and their foreign affiliates). Net decreases in assets or net increases in liabilities are recorded as credits (with a positive sign), while net increases in assets or net decreases in liabilities are recorded as debits (with a negative sign). Hence, FDI flows with a negative sign indicate that at least one of the three components of FDI is negative and not offset by positive amounts of the remaining components. These are called reverse investment or disinvestment.

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

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

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

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

The contents of the guide are:

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

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

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

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

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

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

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

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

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

6.5.2 The study addresses the following key issues:

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

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

6.5.3 COMESA 1st Investment Conference "Brussels – November 2008": COMESA RIA and BIZCLIM in collaboration with the Secretariat, the European Commission and the Chamber of Commerce & Agriculture Belgium-Luxembourg organized a high-profile two-day conference on investment in Brussels, gathering about 150 participants, 17th -18th November 2008.The participants were from the EU private sector, COMESA private sector, international organizations, financial institutions and donor agencies.
The event was articulated around the presentation of the COMESA Investment Practical Guide, the organization of workshops on specific investment related topics, the presentation of specific investment opportunities both at regional and national levels and provided the opportunity for IPAs to interact directly with investors, industrialists and cooperation agencies that participated in the event. The theme of the Conference was 'Accelerating trade and investment: COMESA is ready and on the move'.

6.5.3 COMESA 2nd Investment Conference "Cairo – February 2009": RIA organized the 2nd COMESA Investors Conference in Cairo, Egypt on the 25th February 2009.

Panelist at the 2nd COMESA Investors Conference in Cairo, Egypt

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

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

COMESA 1st Investment Road Show, Singapore and Malaysia "August 2008": COMESA RIA co-sponsored 2 Investment Promotion Agencies to join a road show led by the Egyptian Minister of Investment; the mission was reported to be a success. Not only did it provide a platform for COMESA member states to showcase opportunities in the region to Malaysian and the ingaporean private sector, it also created a very good network between the Egyptian business community, RIA nd the 3 IPAs.

6.5.5 Seminar on "Business Climate in Kenya: enya a first choice investment destination": The seminar was organised by COMESA RIA and (BizClim) as part of Bizclim's series of workshops aimed at raising awareness on business climate issues, and was hosted by the ACP Secretariat in Brussels- Belgium on the 25th arch 2008. As part of RIA's role in promoting the investment climate, RIA sponsored Kenya Investment uthority to present its investment climate.

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

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

.6 The Leather and Leather Products Institute, LLPI

The COMESA Leather and Leather Products Institute LLPI) has concentrated on manpower development, entrepreneurship and institutional development. It is ased in Addis Ababa, the same capital where the Africa Union is found. The LLPI has over the years conducted raining programmes in Leather Footwear technology nd pattern making for its member Countries in the COMESA region. In 2007, LLPI completed its new eadquarters, and in 2008er started working on a

US$50 million project to improve the quality of leather and leather products of enhanced value. This will be funded by the Africa Development Bank (AfDB). In future it could have a lot to offer to our animal keepers all over the continent.

6.7 The COMESA Competition Commission

COMESA countries realise that the proper functioning of a Customs Union requires a mechanism for ensuring fair competition among business operators.

For this reason, as COMESA's integration in the area of trade deepens, it has become increasingly clear that a fair, transparent and predictable environment for doing business in the region is promoted and sustained. In 2005/ 2006, COMESA formulated and adopted a regional competition policy for the region. To fully implement the policy, a full competition commission has been established. The Council of Ministers has appointed nine (9) Commissioners from COMESA member States as members of the Board of Commissioners. The Commission will be fully in place and operational in 2009.

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

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

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

Those sworn-in in Lusaka, on 4th December, 2008, included Mr. Peter Njoroge, formerly Commissioner of the Monopolies and Prices Commission of Kenya. Mr. Njoroge will serve as Chairperson of the COMESA Competition Commission. The others were Mr. Lloyd Muhara, currently Chairperson of the Malawi Competition and Fair Trading Commission. Mr. Muhara will serve as Vice-Chairperson. Mr. Alexander Kububa, currently Chief Executive Officer of the Zimbabwe Tariff and Competition Commission, Judge Anderson Zikonda, formerly Chairperson of the Commercial Court of Zambia and Mr. Reshad Hosany, currently Permanent Secretary in the Ministry of Business, Enterprise and Co-operatives of the Republic of Mauritius. The remaining four commissioners, who were not present, would be sworn-in at the next meeting of the Council of Ministers in 2009.


Competition Commissioners Swearing in


.8 The COMESA Court of Justice

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

.8.1 The COMESA Court prepares itself for the establishment of COMESA Customs Union: In preparation for the Customs Union which was supposed to be launched in December, 2008, the Court prepared a 3-year Strategic Plan 2008-2010, that was adopted in arch, 2008. The three year period was meant to align the plan of the Court with the planning cycle of COMESA (Secretariat), which had been implementing a 5-year trategic plan 2006-2010. Further, the strategic plan of the Court was tied to a three-year period as it was eemed the required period to revive different activities of the Court before embarking on long term planning elated to the implementation of the Customs Union.

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

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

6.8.3 The Court's strategic plan: According to itse strategic plan, the strategic objectives of the Court in the medium term are:

i) To improve the quality and delivery of adjudicatory services;

ii) To increase the Court's sustainability;

iii) To create an enabling environment for efficiency in the management of the Court functions;

iv) To increase transparency in the operations of the Court;

v) To increase public awareness with regard to services offered by the Court throughout the Region.

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

PART VII: HARMONISATION OF REGIONAL INTEGRATIOON PROGRAMMES IN EASTERN AND SOUTHERN AFRICA, THE TRIPARTITE FRAMEWORK AMONG COMESA, EAC AND SADC

The Tripartite framework of o-operation and harmonisation of regional policies and programmes among the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Community (SADC) was reviewed and received further and strong stakeholder endorsement and direction at the highest level in October 2008. This was during the first Tripartite Summit of the 2(countries that are members of the three regional economic communities (RECs).

The Tripartite framework was born out of a realisation that the regional integration processes of the initially the two RECs of COMESA and SADC, and later the 3 RECs of COMESA, EAC and SADC were similar and in some cases identical. With overlaps in the membership of these 3 RECs, it was seen prudent for the 3 RECs to co-operate and harmonise their programmes.

The 1st Tripatite Summit, Kampala Uganda in october 2008

The Tripartite framework is implemented at the level of member States in terms of policy direction and guidance and at the level of the Secretaries of the 3 RECs.

The Secretariats meet at two levels - the Chief Executive level (also referred to as the Tripartite Task Force) and the technical level. The Chief Executives review all integration programmes and provide guidance to the technical staff. Technical staff share information on all integration programmes and undertake joint programmes, all aimed at rationalising regional integration across the eastern and southern Africa region.

7.1 The Tripartite Priority Areas

During 2006 and 2007, the three (3) Regional Economic Communities (RECs) identified infrastructure development and trade arrangements as starting points and priority areas for harmonisation.

In 2008, they agreed to prioritise infrastructure development for regional integration. This includes developing energy generation and transmission facilities, transport networks and ICT infrastructure.

In October 2008, a Tripartite Summit took place in ampala, Uganda. This paper reports on the decisions of the Tripartite Summit and progress attained so far in he implementation of these decisions.

7.2 Decisions of the First Tripartite Summit

.2.1 Merger of 3 RECs into a single REC

he first overarching decision of the Tripartite Summit was that the three RECs should immediately start orking towards a merger into a single REC with the bjective of fast tracking the attainment of the African Economic Community. The Tripartite Summit directed he Tripartite Task Force of the three Secretariats to develop a roadmap for the implementation of this nerger for consideration at its next meeting.

Trade, Customs and Economic Integration

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

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

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

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

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

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

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

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

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

7.2.2 Infrastructure Development

In the area of infrastructure development, the Tripartite Summit:

i) **directed** the 3 RECs to put in place, within one year:

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

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

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

ii) **directed** the 3 RECs to effectively coordinate and harmonise within one year:

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

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

iii) **directed** the 3 RECs to develop joint financing and implementation mechanisms for infrastructure development within one year.

7.2.3 Legal and Institutional Framework

With regard to the Legal and Institutional Framework, the Tripartite Summit:

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

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

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

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

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

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

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

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

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

7.3 Implementation of the First Tripartite Summit Decisions

7.3.1 Merger of 3 RECs into a single REC

On the roadmap for the merger of the 3 RECs, not much was done in 2008, as it was realised that the larger objective of this activity was more long rather than short-term.

7.3.2 Trade, Customs and Economic Integration

i) Roadmap for the establishment of the wider Free Trade Area

With regard to the establishment of the wider Free Trade Area, terms of reference for the mandated study were finalised and a shortlist of potential consultants from the region compiled. It was expected that the study would be completed by early July 2009, and the report of the study would be submitted to the meeting of the Tripartite Council to be held later in the year.

ii) Regional Customs Transit Guarantee (RCTG) schemes

The 3 RECs have undertaken joint programmes in customs documentation, procedures and are also exploring the possibility of merging the Regional Customs Transit Guarantee (RCTG) schemes between COMESA and SADC. The 3 RECs are co-operating in the formulation/implementation of competition policies, financial and payments systems and Commodity Exchanges.

iii) Comparative Study on Rules of Origin

The 3 RECs commissioned a comparative study on Rules of Origin in 2008 which would feed into the FTA study. The comparative analysis related to the provisions of the 3 RECs' Treaty and protocol provisions with regard to origin conferring criteria, dispute settlement, customs documentation and origin verification procedures.

iv) Customs Processes and Procedures

In a bid to improve customs procedures including legal texts and their provisions, the 3 RECs commissioned a study intended to benchmark the legal provisions of various legal texts of COMESA, EAC and SADC against the World Customs Organisation Revised Kyoto Convention. This comparative analysis has been undertaken and its findings and recommendations were to be reviewed by the Task Force and later internalised at the REC level. The recommendations of the study would be used in enhancing the structure and operations of the wider FTA.

v) EPA and WTO Negotiations

The negotiators for EPAs from the 3 RECs continued to exchange information on negotiations. Negotiations under the Doha Development Agenda were also being co-ordinated, including matters more specific to Least Developed Countries, which included non-African LDCs. The WTO LDC co-ordination arrangement was led by Tanzania which is a member of both EAC and SADC.

7.3.3 Infrastructure Development

i) Air Transport Sector Regulator

In the area of infrastructure development, the 3 RECs launched the Joint Competition Authority (JCA) on Air Transport Liberalisation in October 2008 in line with the Yamoussoukro Decision. The JCA comprises seven members, two members each from EAC, COMESA and SADC plus a chairperson on a rotational basis; COMESA was chairing the JCA in 2008.

ii) Development of Joint Programmes and Master Plans

During 2008, the 3 RECs worked on developing joint programmes for the implementation of i) a single seamless upper airspace; ii) an accelerated, seamless inter-regional ICT Broadband Infrastructure network; and iii) a harmonised policy and regulatory framework that will govern ICT and infrastructural development in the three RECs.

The 3 RECs also coordinated and harmonised the Regional Transport Master Plans, the Regional Energy Priority Investment Plans and the Energy Master Plans of the three RECs.

iii) North-South Corridor Aid for Trade pilot Aid for Trade programme

As part of the development of joint financing and implementation mechanisms for infrastructure development, the 3 RECs developed a pilot programme for infrastructure development along the North-South Corridor under the Aid for Trade initiative. This pilot programme covers the full range of infrastructure projects in surface transport (road, rail, maritime), energy and telecommunication.

To promote the pilot project, the RECs planned to hold a High level Conference on the North-South Corridor in the first quarter of 2009 in Lusaka, Zambia at which development financiers and agencies as well as international financing institutions are expected to pledge technical and financial assistance.

As a Tripartite event, the Chairpersons of COMESA, President Mwai Kibaki, of the EAC, President Kagame, and of SADC, President Motlanthe, are expected to attend and actively participated in the conference. They would highlight the importance and urgency of developing trade-related infrastructure along the North-South Corridor, particularly for the enhanced performance of the wider FTA.

7.3.4 Legal and Institutional Framework

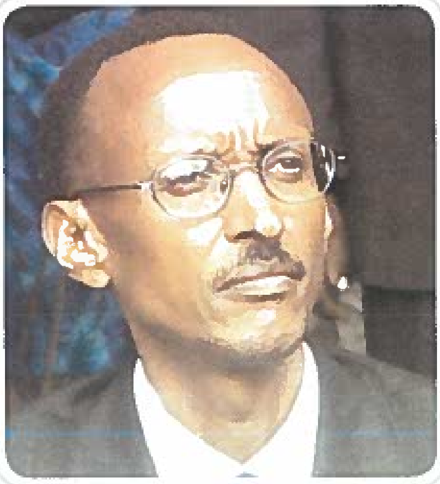
i) Memorandum of Understanding (MoU) on inter-regional co-operation and integration

With regard to the Legal and Institutional Framework, the 3 RECs were, by year end, reviewing the draft Memorandum of Understanding (MoU) on inter-regional co-operation and integration which should also provide for the powers of each decision making level. The MoU was reviewed and approved by the EAC and COMESA Councils of Ministers during 2008 and was scheduled to be reviewed and approved by the SADC Council of Ministers in August 2009. The MoU would be signed by the Chairpersons of the 3 RECs, within one month of its approval by the SADC Council of Ministers.

Tripartite Summit

The Tripartite Summit formally established a Tripartite Summit of Heads of State and/or Government which shall sit once every two years.

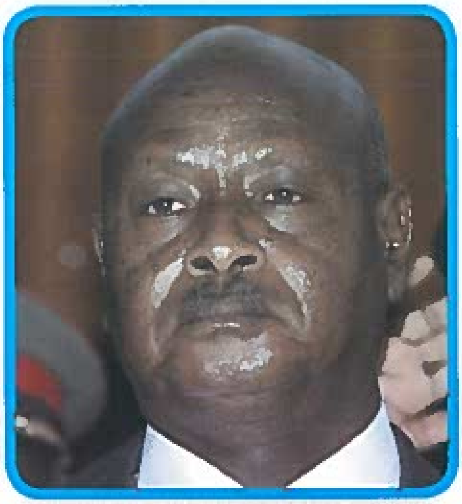
The 1st Tripartite Summit was co-chaired by chairpersons of EAC, COMESA and SADC



Paul Kagame - EAC

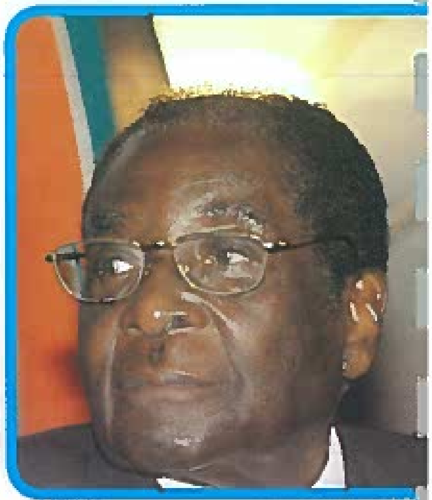
Mwai Kibaki - COMESA

Kgalema Mothlante - SADC



Yoweri Museveni - Hosted the Summit

Jakaya Kikwete - AU, Addressed the Summit

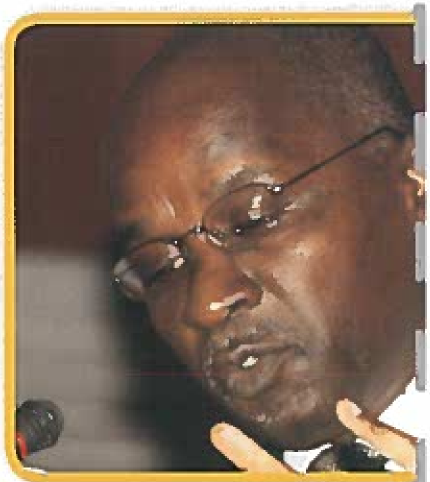


Robert Mugabe - Vice Chair, COMESA attende

And below are the Tripartite task force

Sindiso Ngwenya - COMESA

Jumwa Mwapachu - EAC



Tomaz Salomao - SADC

PART VIII: CO-OPERATION ACTIVITIES

8.1 Co-operation with the European Union

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

€645 million granted by the European Commission to the Eastern and Southern Africa and Indian Ocean Regions: Following the successful implementation of the 9th EDF, the four Regional Organizations (ROs), COMESA, EAC, IGAD and IOC, agreed to continue working together in respect of the European Union's support to the regional integration process.

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

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

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

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

As far as possible, the ROs will make use of Contribution Agreement for aid delivery. This instrument enforces full ownership with the RO, along the premises of the

Paris Declaration on Aid Effectiveness, to use the funds according to the RO's own regional integration and development strategy. For instance COMESA has used very effectively the Contribution Agreement under the 9th EDF Regional Integration Support Program. COMESA has been the first regional organization, to avail of this modality, now seen to be a success.

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

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

Programming of the 10th EDF: The RSP for the 10th EDF has two focal sectors as shown below and a non-focal sector

Focal Sector covering a) economic issues with regional integration as central theme including issues related to EPAs, trade in goods and services, food security, and natural resources; and b) Political issues linked with the Pan African architecture of conflict prevention and peace and security.

Non-Focal Sector covering institutional capacity building and cross cutting issues.

8.2 Co-operation with USA

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

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

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

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

The Regional Enhanced Livelihoods in Pastoral Areas (RELPA)

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

8.3 Co-operation with Norway

COMESA-Norway co-operation has grown over the years. During 2008, COMESA requested Norway to support the region's Climate Change programme. In December, 2008, COMESA and the Government of Norway signed a grant agreement in which Norway will make available to COMESA a financial grant amounting to NOK 17 million (Norwegian Kroner Seventeen Million or US$2.5 million) for the implementation of the Climate Change programme for the 2009 work plan. Norwegian Chargé d'Affaires at the Norwegian Embassy in Lusaka, Zambia, Mr. Gunnar Bøe signed on behalf of Norway while COMESA Secretary General, Mr. Sindiso Ngwenya, signed on behalf of COMESA.

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

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

8.4 Co-operation with DFID- RTPF

The Government of the United Kingdom, through the Department for International Development (DfID) has been a steadfast supporter of COMESA's integration agenda and programmes. DFID has supported the development of COMESA's regional competition policy and regulation from 2002 to 2008. DfID supported the development of COMESA trade in services work.

Besides several other partners that support the CAADP project, in 2007, DFID committed to provide US$1million annually for the three year period 2007-2010 to support coordination of COMESA CAADP at the regional and national levels.

In 2008, DFID provided £4.8million was provided through the Regional Trade Facilitation Programme (RTFP) to support feasibility studies on corridor development and One-Stop Border Posts.

This was in addition to about £10 million which was provided to support studies on trade matters, support to LDCs at the multilateral level especially with regard to WTO negotiations, streamlining of customs procedures and the Regional Customs Bond Guarantee project. This support was intended to enhance the FTA and prepare for the Customs Union.

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

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

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

The North South Corridor comprises two priority NEPAD Corridors:

i) Dar es Salaam Corridor linking the port of Dar es Salaam with the Copperbelt region of Zambia and Congo DR; and
ii) North-South Corridor linking the Copper belt to the southern ports in South Africa.

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

North South Corridor Conference: Under the facilitation of RTFP, a high level North-South Corridor was planned to be held in Lusaka, Zambia in the first quarter of 2009. The objectives of the conference are to provide high-level support for implementing the Summit Decisions made at the Tripartite COMESA-EAC-SADC Heads of State Summit on 22nd October, 2008, in Kampala, Uganda to create a COMESA-EAC-SADC Free Trade Area and harmonize infrastructure plans across these three regions; and to secure an international funding mechanism and Aid-for-Trade commitments from co-operating partners and private sector involvement for removing infrastructure constraints hampering progress towards realizing more trade, higher economic growth and faster poverty reduction especially along the North-South Corridor; and to secure firm political commitment from the Chairs of the three Regional Organizations to address regulatory and administrative constraints blocking expansion of regional trade and economic growth.

RTFP has also supported COMESA-EAC-SADC programme harmonization, activities, particularly the facilitation of the meetings of the three RECs Tripartite Taskforce.

8.5 Co-operation with Commonwealth Secretariat

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

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

8.6 Co-operation with International Organization of Francophonie, IOF

With regard to staff development, particularly in French language training, the International Organization of

Francophonie (IOF) is supporting two full time teachers to provide in house training in French language. Some forty staff wrote and passed the DELF/DALF examinations organised by the French Government for foreign students through the Alliance Française. The objective of the training is to enable all COMESA staff to be come bilingual and be able to communicate in French.

8.7 Co-operation with African Development Bank (AfDB)

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

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

In addition COMESA and AfDB in 2007, held several consultative meetings with the view to identify other areas of collaboration between the two institutions, and other COMESA institutions such as the PTA Bank, ATI and the LLPI. Negotiations on how best to support these institutions continued in 2008.

In March 2008, the AfDB Board approved a US$ 50 million line of credit and an equity capital increase of US$ 6.8 million (payable) as well as US$ 40.8 million (callable) to support the PTA Bank. In addition, the Bank made a pledge to provide a US$ 1 million grant for institutional capacity building to the Bank.

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

i) AMPRIP, with a budget of US$5.2 million; and

ii) International Comparison Programme (ICP), with a budget of US$4 million.

8.8 Co-operation with the World Bank

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

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

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

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

8.9 Co-operation with PROINVEST

A technical team from PROINVEST visited the Secretariat in March 2008 to introduce the new vision and mandate of PROINVEST and to identify areas of support. The areas identified were Support to the COMESA Business Council, and to Producer Associations, COMESA Common Investment Area, FEMCOM, East Africa Power Pool (EAPP) and COMESA Fund.

8.10 Co-operation with UNECA

COMESA and UNECA have had had long term relationship. During the year under review, UNECA and COMESA met in Lusaka and in Addis Ababa to consult on how to revitalize and enhance their collaboration. Accordingly, based on the proposal made by COMESA, UNECA confirmed its readiness to renew its working relationship with COMESA starting with support to the following areas:

i) COMESA Common Investment Area;
ii) COMESA Regional Industrial Strategy;
iii) Agriculture - CAADP;
iv) Information Technology; and
v) Gender.

UNECA and COMESA planned to hold other meetings in 2009 to develop a medium to long term Action Plan for their collaboration.

8.11 Co-operation with UNIDO

COMESA and UNIDO co-operation aims to strengthen Productive and Trade capacities for Economic Growth and Poverty Alleviation within the Economic Partnership Agreement. The programme components are the followings

i) support for upgrading and improving competitiveness of 1200-1300 enterprises providing related services;
ii) strengthening of quality infrastructure.
iii) upgrading of 20-30 technical support institutions.

8.12 Co-operation with WWF, NEPAD, CIFOR, NORAD

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

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

8.13 Co-operation with the African Union

COMESA has continued to actively participate in all AU meetings and provide inputs. During the 10th AU Summit that took place in Addis Ababa, Ethiopia in February this year, the following major developments took place in relation to regional integration:

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

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

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

8.14 Co-operation with India

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

The areas of focus were:

i) Agriculture
ii) Infrastructure, Energy, Trade, Industry, SMEs and Finance
iii) Education and ICT
iv) Governance, Civil/Military Relations and Peace Keeping.

COMESA had participated in one of the preparatory meetings held in Addis Ababa, Ethiopia in May, 2007, and participated in the April 2008 Summit.
COMESA also actively participated in the 2nd Conclave on India-Africa Project Partnership -Strengthening Partnerships: that took place in New Delhi on 19 - 21 March, 2008.

As part of the ongoing collaboration, an Indian Industrial Development Expert was seconded by the Indian government and joined the Secretariat in June, 2008. In the area of energy, three energy experts were proposed from which the Secretariat selected one expert who was also deployed to COMESA. The expert will work with the Secretariat and the East African Power Pool (EAPP) to facilitate development of the regional electric power master plan.

As part of the ongoing irrigation development program, four member states (Burundi, Eritrea, Rwanda and Zambia) were surveyed by irrigation experts from India. Plans are underway for the experts to visit Seychelles, Uganda, and Zimbabwe.

8.15 Co-operation with China

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

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

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

8.16 Co-operation with Japan

In 2008, Japan hosted two important meetings in relation to Africa's development. These are TICAD IV and the 10th African Partnership Forum.

The Fourth TICAD Conference was held in Yokohama, Japan, in May, 2008. TICAD is not a pledging Conference but it is an important forum which addresses priority concerns for African Development. Various preparatory meetings were held in New York and in different parts of Africa. The last preparatory meeting was held in Libreville, Gabon, at the Ministerial level on 20-21 March, 2008, at which the Draft Declaration was reviewed. A meeting held in Lusaka in October, 2007, and in the Ministerial meeting in Libreville. COMESA Participated in these meetings.

8.17 Co-operation with Yemen

A four member Yemen Technical Team visited COMESA Secretariat on 19-20 March, 2008, to jointly identify possible areas of collaboration particularly in trade and investment. Discussion continued will continue in 2009.

8.18 Special Accreditation to COMESA

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

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

8.19 Co-operation with IMF

In September, 2008, IMF trained experts from the Banking Supervision Departments of Central Banks from the COMESA region to learn the Current Issues on Financial System Development and Stability. The training session was held against the backdrop of a faster pace of economic liberalisation and integration in COMESA.

This was done in recognition that any reform programme of the financial sector that COMESA countries are undertaking would be incomplete if it did not attach adequate importance to the adoption of internationally recognised standards on corporate governance, macro-economic stability, regulation and supervision of the financial system and peer review which are cornerstones of the recent NEPAD initiative.

COMESA member States have adopted market determined exchange rates for their currencies and exchange controls have been dismantled in most COMESA countries. There is a move from the use of direct instruments of monetary control to indirect instruments. As a result, conditions for implementation of the COMESA Monetary Co-operation Programmes are becoming very conducive.

COMESA, therefore, continues to collaborate with the IMF in the formulation and implementation of these programmes.

PART IX: FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

Appendix I: Audited Financial Statements for 2007

Introduction

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

Registered office address

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

Principal activity
Establishment

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

Membership and Bureau

2007 bureau of COMESA
The 2007 Bureau was constituted by:-

Kenya : **Chairman**
Zimbabwe : **Vice Chairman**
Djibouti : **Rapporteur**

Budget

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

Emerging Framework with Development Partners

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

Cooperation with the EUROPEAN UNION

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

Cooperation with USAID

The old Strategic Objective Grant Agreement (SOAG) was extended from September 2007 to September 2008. The new financing arrangement to September 2009, the COMESA Regional Economic and Trade Integration Program (CRETIP) for US$ 2,722,198 was finalized bringing the total USAID allocation over 3 years to US$ 2,722,198 that had supported Trade and Investment, Infrastructure, Agriculture and Program support. The new funding would extend cooperation to Livestock development in Arid and Semi-Arid Regions; and approach to biotechnology issues. A Memorandum of Understanding between COMESA and the ECA Hub for the period 1st October 2007 to 30th September 2008 was finalized. COMESA will work with the Hub on several issues including, Trade Flow Analysis; Trade in Services; The Regional Customs Transit Guarantee Scheme.

Cooperation with the African Development Bank (AFDB)

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

Cooperation with the World Bank

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

Cooperation with the DFID

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

Cooperation with the WWF

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

Formula for Contribution to the COMESA Budget

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

Income

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

(ii) As at 31 December 2007, the arrears of contributions to the COMESA Budget stood at COM $9,182,857 (2006: COM$ 8,274,879) and the arrears on the ESA Member States contribution stood at COM$ 371,99 (2006: COM$ 249,092.

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

Expenditure

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

Surplus for the year

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

Bank balances and cash

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

Accumulated fund

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

External auditors

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

Signed on their behalf by

Sindiso N. Ngwenya
Secretary General

STATEMENT OF RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2007

Secretary General's Responsibilities

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

The Secretary General acknowledges his responsibility for:

(i). Adequate accounting records and maintenance of effective internal control systems;

(ii). The preparation of financial statements which fairly present the state of affairs of the Common Market for Eastern and Southern Africa (COMESA) - Secretariat as at the end of the financial year and the results of its operations and cash flows for that period and which comply with Generally Accepted Accounting Principles (GAAP);

(iii). The selection of appropriate accounting policies supported by reasonable and prudent judgements.

The Secretary General reports that:

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

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

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

Signed on their behalf by:

Sindiso N. Ngwenya
Secretary General

Ambassador Nagla Hussainy
Assistant Secretary General – Administration and Finance

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

Country	Balance at 1 January 2007	Assessment for 2007	Received during 2007	1% Interest on outstanding balance	Balance at 31 December 200
	COM $	COM $	COM $	COM $	COM $
Burundi	475,376	215,693	(295,082)	3,960	399,94
Comoros	909,054	69,330	-	9,784	988,16
Congo D.R	4,003,752	500,715	-	45,045	4,549,51
Djibouti	687,018	69,330	-	7,563	763,91
Egypt	-	885,881	(885,881)	-	-
Ethiopia	-	400,572	(396,708)	(34)	3,83
Eritrea	-	69,330	-	693	70,02
Kenya	(4,691)	885,881	(884,642)		(3,452
Libya	93	885,881	(885,881)		9
Madagascar	588,607	308,132	(898,482)	(17)	(1,760
Malawi	-	277,319	-	2,773	280,09
Mauritius	-	546,935	(546,935)	-	
Rwanda	273,441	215,693	(215,663)	2,735	276,20
Seychelles	742,009	69,330	(110,000)	7,013	708,35
Sudan	233,980	469,902	-	7,039	710,92
Swaziland	-	231,099	(231,099)	-	
Uganda	366,240	315,836	(249,960)	4,321	436,43
Zambia	-	400,572	(400,001)	6	57
Zimbabwe	-	885,881	(885,881)	-	
TOTAL	**8,274,879**	**7,703,312**	**(6,886,215)**	**90,881**	**9,182,85**

REPORT OF THE INDEPENDENT AUDITORS TO THE COMESA COUNCIL OF MINISTERS

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

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

Respective responsibilities of Secretary General and the and Auditors

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

Basis of opinion

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

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

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

Opinion

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

In our opinion:

i) Proper accounting records have been kept by the Common Market for Eastern and Southern Africa

Secretariat (COMESA Secretariat) as far as it appears from our examination of those records.

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

DE CHAZAL DU MEE
Chartered Accountants

Clifford Ah Chip

Date:

Lusaka, Zambia

GENERAL INFORMATION

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) Expenses

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

(c) Property and Equipment

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

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

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

2.1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currencies

i) Presentation currency

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

ii) Translation of foreign currencies

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

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

(e) Revenue recognition

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

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

(f) Provision for impairment

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

(g) Grants

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

List of Acronyms

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

List of Acronyms

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

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