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**PAPER ON FINANCIAL BENEFITS AND FINANCING OF COMESA PROGRAMMES**

***(Agenda Item 2.3)***

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# **Overview of the Paper**

## Context

1. A discussion on and of benefits that Member States derive from COMESA and the wider Regional Integration continue to take center stage within COMESA, as well as globally.
2. Member States avail resources (human, financial and technical) to participate, as well as enabling Regional Integration. Hence, Member States would like to learn of benefits and advantages, which arise from the provision of these resources.
3. These resources are provided through a number of mechanisms, which include: -
* direct transfer of funds in the form assessed Member States contributions; and
* cost of participation, as well as involvement in wider organizational and institutional arrangements.
1. Country reports are compiled and do inform detailed and deeper engagements and consultations, that are carried out between each Member State and the Secretariat. More involvement of stakeholders from all sectors in a country is required to come up with improved country reports, which not only look at what is happening, but should also deeply explore SWOT that the country faces.
2. Within COMESA, premised on the Treaty and 5-year Medium Term Strategic Plans, there are policy interventions and programmes developed that aim at implementing and deepening **Market Integration (Pillar 1)**, as well as a focus on **Industrial Development (Pillar 2)** and **Infrastructure Development (Pillar 3)**, whilst addressing cross-cutting issues, including gender equality; poverty eradication; skills, science, technology and innovation; youth empowerment; investment; blue economy; and institutional development.
3. Member States are expected to implement adjustments in all sectors and areas, which will improve their positioning and enable them to better exploit opportunities that come with market integration and manage risks of negative consequences.
4. COMESA, through its institutions provide support and facilitation through securing and transfer of resources, including financial and technical. A number of organs and institutions of COMESA operate to strengthen legal and regulations within the overall objectives of COMESA. A few are also established to enable, advocate and facilitate women, cross-border entrepreneurs and the private sector to exploit advantages and opportunities that arise from all aspects of Regional Integration.
5. Given the above, Member States are better placed to document and share information regarding benefits and advantaged of Regional Integration.
6. The adherence to the provisions of the Treaty and 5-year Medium Term Strategic Plan relating to Planning of Work Programmes, as well as budget preparation and submission by Secretary General and their subsequent review and approval by the Council to ensure:-
* that policy interventions and programmes are carried out only for the benefit of Member States; and
* effective and efficient resource allocation and control.
1. Within the above larger framework this paper will thus present a very narrow picture based on financial resources that are controlled by the Secretariat. Limited financial resources, particularly those obtained from Cooperating Partners are sometimes earmarked and transferred to Member States to facilitate policy interventions and programmes, at the

## Previous decisions of the Council and Bureau

1. The Council at its 38th meeting held in Lusaka, Zambia in July 2018 noted that COMESA has viable institutions and entities, which contribute substantially to the regional integration agenda of COMESA. These fall into three categories with respect to their functions and business: financial, regulatory, advocacy and facilitation. These include: -
* Trade and Development Bank (TDB)
* COMESA Clearing House (CCH)
* African Trade Insurance Agency (ATI)
* COMESA-Re Insurance Company (ZEP-RE),
* COMESA Monetary Institute (CMI)
* Federation of National Associations of Women in Business in Eastern and Southern Africa (FEMCOM)
* Alliance for Commodity Trade In Eastern And Southern Africa (ACTESA),
* East African Power Pool (EAPP)
* Africa Leather and Leather Product Institute (ALLPI)
* COMESA Regional Investment Agency (COMESA RIA),
* Regional Association of Energy for Eastern and Southern Africa (RAERESA),
* Yellow Card,
* COMESA Competition Commission
* COMESA Business Council and Association of Regulators of Information And Communications (ARICEA).
1. In addition, COMESA has been instrumental in in the development of the industry associations supporting the implementation of the COMESA programs in their respective fields: The African Cotton and Textile Federation (ACTIF) and Eastern and Southern Africa Dairy Associations (ESADA).
2. Only COMESA Organs, being COMESA Secretariat and COMESA Court of Justice, together with Africa Leather & Leather Products Institute; Competition Commission; FEMCOM; and Regional Investment Agency are financed through assessed annual Member States contributions.
3. Council also noted that COMESA is among a few RECs with a programme like RISM which makes direct cash transfers to Member States.
4. Council (in para 96) directed that the Secretariat should prepare a comprehensive paper on the resourcing of COMESA programmes, for submission to the Committee on Administrative and Budgetary Matters, at its next meeting.
5. The Bureau at its June 2019 meeting requested for information regarding remittances of assessed contributions to comparable organisations, including EAC; IGAD; SADC; and AU. This information has been gathered and is presented in Agenda Item 3.1. The Bureau also requested for details on benefits.

## Assessment of 2016-2020 Medium-Term Strategic Plan

1. The Report on “**Assessment of COMESA Regional Integration under the Medium-Term Strategic Plan 2016-2020”** of July 2019 (page vii), explores the issue of benefits by posing three questions, being:-
2. Was the 2016-2020 Medium-Term Strategic Plan formulated with sufficient attention being given to Member States’ national priorities and interest?
3. In what ways and to what extent did the 2016-2020 Medium-Term Strategic Plan make a difference in the delivery of COMESA’s regional integration agenda?
4. Given the current status of implementation of 2016-2020 the Medium-Term Strategic Plan, are the initiatives of Medium-Term Strategic Plan (financially and or institutionally) sustainable?
5. The Report on “Assessment of COMESA Regional Integration under the Medium-Term Strategic Plan 2016-2020” has provided deeper insights of the benefits and advantages that Member States obtain from COMESA.

# **Cost vis-à-vis benefits**

## Assessing costs

1. Some costs (including assessed Member States contributions) can be established with some level of certainty.
2. Costs, however, include the negative implications of individuals and Member States not accessing the regional public goods, which are within the goals and objectives of the COMESA Treaty and 5-year Medium Term Strategic Plans. These cannot be assessed with certainty.
3. Regional public goods (RPGs), are goods, services or resources that are produced and consumed collectively by the public sector and, if appropriate, the private, non-profit sector. Individuals (natural and or legal) cannot be excluded from use and or accessing such public goods and where use by one individual does not reduce availability to others or the goods can be effectively consumed simultaneously by more than one individual.

## Assessing benefits and advantages

1. Only limited benefits and advantages attributed to COMESA can be fully quantified.
2. Cash transferred from COMESA to Member States do fall within the category of benefits, availed by COMESA Organs and Institutions.
3. These (benefits), include: -
* A number of projects in Member States are being supported by resources obtained from Cooperating Partners and channeled through COMESA. These implement interventions and activities within the COMESA Treaty, as well as 5-year Medium Term Strategic Plans.
* Capacity building support is also being availed to create an enabling environment with appropriate policy and legal frameworks; institutional development, including community participation (of women in particular); human resources development and strengthening of systems. The support is premised on COMESA commitments, obligations and programmes, which Member States have assumed.
* Technical assistance interventions are a significant component of capacity building support that is availed to Member States

## Capturing costs and benefits

1. Systems and processes are being enhanced to improve identification, capturing and reporting of costs and benefits.
2. This is currently the situation regarding all commitments, obligations and programmes, which Member States are currently implementing.
3. This paper will now focus on narrow benefits being availed to Member States in the form of projects and cash transferred to the Member States.

# **Financing of COMESA interventions and programme**

## COMESA Treaty framework

1. The Treaty stipulates that resources (human, financial and technical) required towards COMESA commitments, obligations and programmes are to be derived from Member States through assessed annual Member States contributions, as well as by operationalizing a Common Market levy (Article 168)(1 - 2). The Treaty envisages other resources from; (a) grants, donations, funds for projects and programmes and technical assistance; and (b) income earned from activities undertaken by the Common Market.

## Division of labour

1. The implementation of the 2016-2020 Strategic Plan is guided by the principle of subsidiarity. Division of labour, as articulated in Medium Term Strategic Plan, is as follows: -
* **COMESA Secretariat:** - Provision of technical assistance and capacity building to Member States. It will also provide interface between COMESA and external stakeholders as well as to provide Member States with a platform relevant to achieve mutually acceptable formal cooperation. Such policy dialogue is key to shaping interventions. Further, the Secretariat will continue its role in resource mobilization, facilitating, coordinating and monitoring regional operations, with its capacity strengthened.
* **COMESA Institutions**: implementation agencies with delegated mandate from policy organs through the Secretariat in line with specific provisions of the Treaty. Given their technical focus, institutions provide guidance, technical support and implement decisions of the Policy Organs. The COMESA institutions will also play a key role in implementing the MTSP.
* **Member States**: State and Non-State Actors with specific roles and responsibilities. The implementation of this plan calls for close collaboration and participation between these actors.
* State actors provide the political leadership necessary for the formulation and implementation of sound regional policies and programmes.
* Non-state actors bring with them increased financial discipline, capital injection, new management styles and a stronger commercial orientation.
* **Co-operating Partners**: Provision of financial and technical support for achievement of the strategic objectives, support aid effectiveness by promoting harmonization, coherence, rationalization, alignment and ownership of development partner assistance; and require mutual accountability in relation to the commitment, provision, utilization and reporting on all adjustment support and regional integration resources.
1. During implementation there will be need to align national, regional and global agendas, policies and plans to the Medium-Term Strategic Plan, model policies, laws and protocols.

## Analysis of available resources and funds

## 9.1 At national level

1. Reflected under both the Treaty, as well as Medium-Term Strategic Plan, Member States have a far much greater responsibility in the achievement of COMESA goals and objectives.
2. Each Member State is thus required to identify, secure and allocate adequate human, financial and technical resources towards the implementation of COMESA commitments, obligations, programmes and projects. Resourcing and funding modalities differ between Member States. This paper is not discussing this issue further.

## 9.2 At regional level

1. At regional level, the Treaty has laid a foundation for the creation of COMESA Organs, Institutions and Entities. A majority of these entities have resourcing and funding arrangements, which do not require receipt of assessed annual Member States contributions. This paper is not discussing this issue further.

## 9.3. COMESA Secretariat

### 9.3.1 Functions and services

1. Established under Article 7 of the Treaty, it carries out all management functions and services, within the Common Market. Two Organs of the Common Market, namely COMESA Secretariat and COMESA Court of Justice receive assessed annual Member States contributions in accordance with Article 9 (f). COMESA Court of Justice provides adjudication functions and services.
2. Funds appropriated to COMESA Secretariat are also allocated to other COMESA Institutions, which as of 2019 are: -
* Africa Leather & Leather Products Institute
* Competition Commission
* Federation of National Associations of Women in Business in Eastern and Southern Africa
* RIA

### 9.3.2 Funding and Cash Transfer to Member States

1. Based on its mandate, resources and funds availed by Member States and Cooperating Partners are controlled by the COMESA Secretariat.
2. Tables 1 to 6 give an outline of funding from as far back as 2010. The following analysis can be made: -
3. A total of **US$498.9 million**, has been availed towards COMESA programmes over the period, 2007 to 2019, with **US$125.3 million** and **US$373.6 million**, being provided by Member States and Cooperating Partners, respectively.
4. Over this period (2007 to 2019), Cooperating Partners have provided as much as 75%, with Member States providing 25%.
5. Receipts from COMESA towards COMESA commitments, obligations and programmes have been significant over the period.

**Table 1: Funds transferred more than assessed contributions**

|  |  |
| --- | --- |
| **Member State** | **2010 - 2019** |
| **Transfer to Member State** | **Assessed contribution receipt** |
|  BURUNDI  | 22,020,766  | 3,189,683  |
|  COMOROS  | 3,506,145  | 756,184  |
|  DRC  | 2,997,860  | 996,654  |
|  RWANDA  | 34,337,578  | 3,601,050  |
|  SEYCHELLES  | 4,488,528  | 2,501,014  |
|  SWAZILAND  | 4,540,134  | 3,792,595  |
|  UGANDA  | 7,859,563  | 3,251,268  |
|  ZAMBIA  | 10,663,696  | 7,749,588  |
|  ZIMBABWE  | 9,847,960  | 8,180,407  |

**Table 2: Funds transferred less than assessed contributions**

|  |  |
| --- | --- |
| **Member State** | **2010 - 2019** |
| **Transfer to Member State** | **Assessed contribution receipt** |
|  DJIBOUTI  | 932,071  | 11,284,094  |
|  EGYPT  | 1,911,353  | 19,744,910  |
|  ERITREA  | 98,743  | 980,677  |
|  ETHIOPIA  | 5,283,462  | 8,608,127  |
|  KENYA  | 13,626,700  | 15,886,239  |
|  LIBYA  | 1,970,385  | 10,227,299  |
|  MADAGASCAR  | 1,929,734  | 6,106,237  |
|  MALAWI  | 5,234,926  | 5,313,202  |
|  MAURITIUS  | 6,779,734  | 9,783,286  |
|  SUDAN  | 624,491  | 3,345,504  |

### Status of remittance of assessed contributions (September 2019)

1. Notwithstanding the fact that a number of Member States are receiving funding to implement COMESA commitments, obligations and programmes, remittances by Member States of assessed contributions is still unsatisfactory.
2. The 30th Meeting of the Bureau of Ministers held in June 2019, directed the Secretariat to obtain information regarding remittances of assessed contributions to comparable organisations and application of penalties and sanctions, including EAC; IGAD; SADC; and AU. Information gathered: -
3. Indicates that Member States should be engaged regarding their remittances to COMESA;
4. Shows that whilst COMESA, EAC and SADC, are all considered as AU building blocks, scope of their programmes is considerably different;
5. COMESA’s performance regarding receipt of remittances of assessed contributions is behind the other RECs, as demonstrated below:



# **Conclusions**

1. Looking at the level and rate of remittances available for the implementation of COMESA programmes, it is clear that current model of determining and collecting on assessed annual Member States contributions is not appropriately aligned to the magnitude, scope and timing of interventions and programmes.
2. In line with the direction given by the Authority in 2014, a Joint Committee of the Ministers of Finance and Governors of the Central Banks met in October 2019. The Joint Committee established a Technical Experts’ Working Group (TEWG) comprising of officials from Ministries of Finance, Trade and Central Banks, to work with the Secretariat on the detailed modalities for operationalizing Article 168 (1-2) of the Treaty, which provides for a Market Levy.
3. Funds from Cooperating Partners are implemented as follows: -
4. **US$138.7 million** has been transferred to Member States towards implementation of COMESA commitments, obligations and programmes; and
5. **US$173.7 million** is implemented at level of COMESA Secretariat.
6. COMESA's overdependence on Cooperating Partners undermines ownership of programmes by Member States, as well as negatively impacting on their long-term sustainability. Funding from Cooperating Partners should be matched with contributions from Member States.
7. Compliance with remittance obligations of Member States will go a long way to assure Cooperating Partners of Member State’s commitment to COMESA’s Integration Agenda.

# **Recommendations**

1. **As part of measures aimed at enhancing levels of remittance of assessed annual Member States contributions, it is proposed that Member States be responsible for the preparation of comprehensive papers, highlighting benefits and advantages that are derived from membership of COMESA.**
2. **Member States should implement deliberate measures aimed at clearing all the amounts in respect of assessed contributions that are due to COMESA.**
3. **Cooperating Partners should be commended for their support to COMESA, as reflected in the provision of resources as follows: -**
4. **US$138.7 million has been transferred to Member States towards implementation of COMESA commitments, obligations and programmes;**
5. **US$173.7 million is implemented at level of COMESA Secretariat; and**
6. **Amounts availed to COMESA, currently make-up over 75% of the financing towards COMESA programmes.**

# **Table 1 Member States and Grants receipts (2007 2019)**

# **Table 2 COMESA cash transfer summary to Member States (2010 - 2019)**

# **Table 3 Yearly receipts of assessed annual contributions (2007 - 2019)**

# **Table 4 COMESA cash transfer per project to Member States (2010 - 2019)**

# **Table 5 COMESA Grant agreements and yearly receipts (2005 - 2019)**

# **Table 6 COMESA Technical assistance to MS (2018 - 2019)**