COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA

Seventh Extraordinary Meeting of the Council of Ministers

Lusaka, Zambia
5 April 2019

REPORT OF THE SEVENTH EXTRAORDINARY MEETING OF THE COUNCIL OF MINISTERS

THHEME: COMESA - Towards Digital Economic Integration

CK/ZM-nmn/2019
INTRODUCTION

1. The Seventh Extraordinary Meeting of the Council of Ministers was held at COMESA Headquarters, Lusaka, Zambia on 5 April 2019.

2. The following Member States Attended meeting – Burundi, Democratic Republic of the Congo; Egypt; Eswatini; Ethiopia; Kenya; Madagascar; Malawi; Mauritius; Rwanda; Seychelles; Somalia; Sudan; Uganda; Zambia; and Zimbabwe.

3. The list of participants is attached, as Annex 1.

OPENING OF THE MEETING (Agenda Item 1)

Moment of Silence

4. The Opening ceremony started with a prayer and a moment of silence in honour and memory of those COMESA has recently lost. Special mention was made of Sir Albert René, the former President of the Republic of Seychelles, Ambassador Julius Onen, former Permanent Secretary of Trade Industry and Cooperatives of the Republic of Uganda, Her Excellency Brenda Muntemba Sichilembe, former High Commissioner of Zambia to Kenya, victims of the recent cyclone and floods in Malawi, Mozambique and Zimbabwe, 1 staff of the COMESA Secretariat and the 157 who perished on an Ethiopian Airlines flight from Addis Ababa to Nairobi on 8 March 2019 including two COMESA interpreters.

Appreciation

5. Malawi expressed appreciation for solidarity by the COMESA Member States during the crisis following the recent cyclone and floods. He informed the Council that Malawi has humanitarian needs amounting to US$ 30 million, and infrastructure needs estimated at US$ 143 million.

6. The Head of Delegation of Uganda extended appreciation to the Meeting for honouring the late Ambassador Julius Onen, the Permanent Secretary of Trade Cooperatives and Industry, through observing a moment of silence. He thanked also the Secretariat for sending a high-powered delegation to his funeral.

7. In addition, the Head of Delegation of Zimbabwe also expressed appreciation for solidarity over the flood that hit the country.

8. The Head of Delegation of Seychelles also extended appreciation to the meeting for honouring the late President Sir Albert René.

9. The Head of Delegation of Zambia also extended appreciation to the meeting for honouring the late High Commissioner of Zambia to Kenya, Ms Brenda Muntemba Sichilembe who passed on after a tragic accident.
Statement of the Secretary General

10. The Secretary General of COMESA, Ms Chileshe Mpundu Kapwepwe, delivered her statement during the opening ceremony of the Seventh Extraordinary Council of Ministers Meeting. She welcomed Ms. Inonge Wina, the Vice President of the Republic of Zambia and Guest of Honour and thanked her for gracing the occasion, and conveyed her deepest and warmest gratitude to H.E. Mr Edgar Chagwa Lungu, the President the Government and the people of Zambia for hosting the meeting. She welcomed all Honourable Ministers and all delegations to the meeting. She mentioned that COMESA was marking 25 years this year, which will be occasion for celebration.

11. Turning to the agenda, she informed the meeting that COMESA is the only regional economic community that has passed the 7-pillar assessment by the EU and indicated that for period 2005 to 2017, the European Union (EU) had disbursed USD277 million, while for the period 2018 to 2022, an amount of USD125 million had already been negotiated for disbursement. She further indicated that an amount of USD104.2 million had already been disbursed to Member States out of USD140 million approved under the RISM programme. She therefore underscored the importance of maintaining the status of COMESA and that of the 7 pillar assessment.

12. She briefed the meeting about progress on the EDF 11 Programs, covering Small Scale Trade, trade facilitation, competitiveness and capacity building. She briefed the meeting also about the USAID-funded capacity building project, which will assist in re-engineering Secretariat processes. She explained that though this was an extraordinary meeting, some core issues of the COMESA had been put on the agenda, namely, the Tripartite Free Trade Area outlining its benefits which include a huge market, increase in intra-regional trade, a single trade regime covering customs, standards and other trade-related areas, which reduces complexity and the cost of doing business. She mentioned also the Tripartite Industrial Work Program and the Infrastructure Master Plans for transport, energy and ICT. She called for urgent ratification of the Agreement so that it enters force.

13. The Secretary General informed the meeting that the African Continental Free Trade Area had entered force, with the attainment of the twenty-second ratification this week and urged Member States to prepare to implement it. She underscored the importance of domestication and implementation of programs, to achieve social economic transformation.

14. She ended her statement by underscoring the utter importance of paying contributions to the COMESA Budget, in order to realise a COMESA that is fit for purpose.

Guest of Honour

15. Ms. Inonge Wina, the Vice President of the Republic of Zambia and the Guest Honour, welcomed all the Honourable Ministers and all delegations to Zambia, a country of wonder and peace and a regional hub for eastern and southern Africa. She urged all delegates to feel at home as Zambia is the home for COMESA and invited them to find
time to sample the wonders and tourist attractions like Mosi o Tunya. She welcomed the presence of ministers as indication of a passionate dedication to COMESA.

16. She welcomed the Tripartite FTA Initiative, which constitutes a huge market of 720 million people, and a combined GDP US $1.5 trillion; and covers over half of Africa.

17. She was pleased to note that the meeting will consider the report of the Select Committee on Audit Matters, indicating that the efficiency of the Secretariat is necessary to support regional integration. Secretariat efficiency also nurtures goodwill among partners.

18. Turning to the theme of the meeting, Towards Digital Economic Integration, she highlighted the benefits of digital economies, through increased choices, convenience, and value for money. She reminded the meeting that economic integration is for our grandchildren and those to be born, and called for a solid foundation for the future, through digital integration.

19. She pointed to the need to harmonise cross-border operations, using digitisation, to reduce the cost of doing business and promote competitiveness. She called for first class telecommunications and ICT infrastructure in COMESA and Africa at large.

20. Africa has huge resource endowment and movement across borders will only increase as projections clearly indicate. Harnessing the demographic dividend is therefore critical. Against this backdrop, digital economic integration is key.

21. In this regard, she welcomed the COMESA digital programs, particularly the Digital Free Trade Area, which covers e-commerce, e-logistics and e-legislation. She welcomed the Tripartite Industrial Work Program and Master Plans for transport and ICT.

22. She urged Member States to implement the Social Charter, commending the Member States who have signed it already. She also welcomed the 50 Million Women Speak program and urged Member States to support it.

23. She called for readiness to implement the African Continental FTA. She emphasized, however, that ratification and implementation of the Tripartite FTA is the required immediate step, as a low hanging fruit ready for immediate utilisation. She urged Member States to act now, as the deadline for ratification is this month. She pointed again to the benefits of the Tripartite, including, a single trade regime covering various trade-related areas, which reduces the cost of doing business, the increase in intra-regional trade, the industrial work program, and infrastructure master plans.

24. Finally, she stated that Africa has shown the world that with determination what seems impossible can be achieved. She issued a rallying call to Honourable Ministers and all delegations to do their utmost to achieve social economic transformation in the region and Africa at large. She then opened the meeting and wished all participants successful deliberations.
Vote of Thanks

25. The Honourable Soraya Hakuziyaremye, Minister of Trade and Industry of the Republic of Rwanda moved a vote of thanks to the Vice President and Guest of Honour. She thanked the Guest of Honour for gracing the meeting, and thanked the H.E. Mr Edgar Chagwa Lungu, the President, the Government and the people of Zambia for the hospitality extended to all delegations since their arrival.

26. She welcomed the wise statement of the Vice President, pointing to the need for a well-managed COMESA Secretariat and getting value for the scarce resources. Finally, she thanked the Secretary General for facilitating the meeting.

ELECTION OF THE BUREAU (Agenda Item 2)

27. Council elected its Bureau, as follows:

Chairperson: Madagascar
Vice Chairperson: Sudan
Rapporteur: Ethiopia

ADOPTION OF AGENDA AND ORGANIZATION OF WORK (Agenda Item 2)

28. Council considered and adopted the following Agenda:

OPEN SESSION
1. Opening Ceremony
   1.1 Welcoming remarks by the Secretary General
   1.2 Keynote address by the Guest of Honour
   1.3 Vote of thanks
2. Adoption of Agenda and Organization of Work
3. Introduction by the Secretary General – new external audit framework by COBEA
4. Report of the Select Committee of the Council of Ministers
5. Consideration of the Intergovernmental Committee (IC) Report
6. Any other business
7. Adoption of Report and Closure of Meeting

INTRODUCTION BY THE SECRETARY GENERAL – NEW EXTERNAL AUDIT FRAMEWORK BY COBEA (Agenda item 3)

29. In introducing this agenda item, the Secretary General invited Council to reiterate its deliberations and decisions of its meeting which took place in November 2018, in Lusaka, Zambia.

DISCUSSIONS

Paragraph 62. Council noted that audit issues are serious and sensitive and need to be handled meticulously, there is need for arbitration to resolve the
disagreement between COBEA and Management. Council further noted that an audit report indicates the manner in which organizational resources were managed and should be taken in good faith with a view to address issues raised. Negotiation of an audit report is tantamount to questioning the integrity of the auditors, therefore, the report should either be adopted or rejected.

Paragraph 63. Council expressed full confidence in the new Secretary General in undertaking the reforms required by the organization in achieving its mandate.

Paragraph 64. Secretariat informed Council that due process was not followed in the delivery of the draft audit report and there was a need for the Secretariat to be availed an opportunity to respond to the issues raised in the draft audit report.

Paragraph 65. Council considered the 2017 COMESA Secretariat Audit Report and commended COBEA for their effort. Council noted that the Secretariat contested some sections of the COBEA report.

DECISIONS

Paragraph 66. In view of the discussions above, Council decided:

(i) To constitute a Select Committee of Council consisting of the Chair, Vice Chair and three other non – members of COBEA namely Kenya, Mauritius and Uganda to interrogate the 2017 COMESA Secretariat Audit Report;

(ii) That the Select Committee be convened in the second week of January 2019;

(iii) That the report of the Select Committee be submitted to an Extra Ordinary meeting of Council of Ministers to be held in February 2019;

(iv) A status report on the implementation of Council decision for the last 5 years be circulated to Member States before presentation to IC at its next meeting; and

(v) The Audit Charter for COBEA be developed.

30. Given the seriousness and sensitivity of this matter, Council of Ministers had to constitute a Select Committee to look into the issues raised by the COMESA Board of External Auditors (COBEA) and to establish whether due audit process was followed in the delivery and finalisation of the audit report as required by the relevant international audit standards and practices.

31. Council was informed that the Ministerial Select Committee met in Lusaka, Zambia on 18 January 2019 to consider the report prepared by the Select Committee of Officials who met from 15 to 17 January 2019. While they did look at the issues raised by COBEA,
they did not expressly establish whether due process was followed in the delivery and finalisation of the audit report.

32. The report adopted by the Select Committee recommended that COBEA should ensure that in future audits, COMESA Secretariat should be provided with a draft report prior to signing of the final audit report. This recommendation to COBEA therefore recognizes the concern raised by the Secretariat that due audit process as provided for in the ISSAI was not followed in the delivery of the draft report. This was a very serious omission in any audit process and in particular when a qualified opinion is being issued by the External Auditors as highlighted below by the standard.

**Communication with those Charged with Governance**

(Ref: ISAI1705 and ISA 705 Para. 30)

33. A29. Communicating with those charged with governance the circumstances that lead to an expected modification to the auditor’s opinion and the proposed wording of the modification enables:

   (a) The auditor to give notice to those charged with governance of the intended modification(s) and the reasons (or circumstances) for the modification(s);

   (b) The auditor to seek the concurrence of those charged with governance regarding the facts of the matter(s) giving rise to the expected modification(s), or to confirm matters of disagreement with management as such; and

   (c) Those charged with governance to have an opportunity, where appropriate, to provide the auditor with further information and explanations in respect of the matter(s) giving rise to the expected modification(s).

34. While recognising that the due audit process was not followed, Council was invited to note that the Select Committee had recommended that the COBEA report be adopted.

35. The Extraordinary meeting was informed that the decision to engage the office of the Auditors General of the Member States to carry out the audit of the financial statements of the Secretariat and its agencies was made by the Council of Ministers at its meeting held in October 2016 in Madagascar. The same Council had also discussed the operationalisation of its decision through a report to be formally presented by the Secretariat.

36. Extraordinary meeting was informed that the Council at its meeting held in 2017 did receive a report on the operationalisation of its 2016 decision. However, due to its complexity and magnitude, it was decided that this matter be dealt with by the Auditors General of Member States who met in March 2018. They produced a roadmap and a framework which was approved by the Bureau. Some of the elements of the framework were:
(i) Audit costs – The COMESA Organs and institutions’ budgets on external audit fees shall be used to pay travel, accommodation and related costs from audits to be undertaken by Auditor General offices;

(ii) Consolidated Financial Statements – These shall be a single holistic set of COMESA Secretariat financial statements which shall incorporate all resources from Member States and non-Member States, with effect from the year ending 31 December 2017;

(iii) Requirements of Cooperating Partners – Requirements of cooperating partners will continue to be met by private external audit firms;

(iv) Audit Manual – A standard manual for external audit of COMESA Organs and its institutions shall be prepared; and

(v) Audit Instruments – There was a need to prepare the following instruments to guide the process:
   a. The Audit Charter;
   b. The Standard Procedure Manual;
   c. Quality Control Assurance Manual and
   d. Rules of procedures.

37. Extraordinary meeting was informed that the all instruments mentioned in the framework are yet to be developed to guide the external audit process of COBEA. Had these instruments been in place, the circumstance in which the Secretariat found itself would not have arisen.

38. Extraordinary meeting was informed that the absence of these key instruments would result in the Secretariat failing to pass the upcoming 9 pillar assessment to be undertaken from at the end of 2019 by the European Union Commission. Council was informed that the EU pillar assessment was a key determinant for the Secretariat to continue mobilising resources from European Union and continuing to attain objectives of the 2016-2010 Medium term strategic plan and for years beyond. Substantial financial resources have been received following COMESA’s attainment of the 4 and 7 pillar Assessment status in 2005 and 2014 respectively. For the period 2005 to 2017, the European Union disbursed USD277 million and for the period 2018 to 2022 an amount of USD125 Million for disbursement is underway.

39. Passing the 9-pillar assessment of the EU is very critical for COMESA to continue mobilising further resources and to continue to allow COMESA to apply its own Rules and procedures in the management of the grants received instead of the EDF procedures which are time consuming and limited in value.

40. Extraordinary meeting was informed that the lack of the above instruments has also resulted in Grants’ financial statements of cooperating partners being qualified, despite they having been issued with clean reports by private external auditors. Since COBEA gave an opinion on the consolidated financial statements of the Secretariat which
incorporates both Member States and non-Member States resources, their qualified opinion also affects all the audits of grants undertaken by private external auditors.

41. The attention of Council was drawn to Article 169 of the COMESA Treaty which requires the accounts of the COMESA Secretariat to be prepared in accordance with international accounting standards and be audited by external auditors. The External auditors are appointed by the Council of Ministers from time to time on the proposal of the Secretary-General. Such External Auditors should be based in the Common Market and be qualified to practice in accordance with the national laws of the Member States. The External Auditors should be persons of outstanding repute and integrity and who shall have demonstrated a high degree of professional skills.

42. Over the years this Treaty provision has been adhered to and Council has been appointing External Auditors on the proposal of the Secretary General following a due procurement processes. The appointed External Auditors were given a contract for a 1st term of two years limited to a maximum of two terms.

43. Council noted that similar comparable organizations that use Board of Auditors as the External Auditors have the following provisions expressly stated in the Treaty:

(a) **African Union Commission**  
Article 86  

*The Board of External Auditors*

The selection procedure, terms of appointment, and duties and responsibilities of the Board of External Auditors shall be defined in the financial rules and regulations which are adopted by the assembly of Heads of State and Government of the African Union Commission and Article 77 of the Financial Rules and Regulations stipulates that (1) There shall be established a Board of External Auditors whose function shall be to audit the accounts of the Union. (2) The audit shall be conducted in accordance with Internationally Accepted Auditing Standards. The Board of External Auditors shall be appointed by the Executive Council.

(b) **East African Community**  
Article 134  
Audit of Accounts

1. There shall be an Audit Commission made up of the Auditors General of the Partner States whose functions will be to audit the accounts of the Community.

2. It shall be the duty of the Audit Commission to verify that any contributions received, or revenue collected by the Community have been allocated and distributed in accordance with this Treaty and to include a certificate to that effect in its report.
3. The Audit Commission shall submit its reports under paragraph 2 of this Article to the Council which shall cause the same to be laid before the Assembly within six months of receipt for debate and for such other consultations and action as the Assembly may deem necessary.

4. In the performance of its functions under this Article, the Audit Commission shall not be subject to the direction or control of any person or authority.

44. Council further noted that the Treaty which established the Preferential Trade Area for Eastern and Southern African States in 1992 expressly provided for Board of Auditors and Accounts of the PTA in Article 38 as reproduced below:

**Article 38**

**Board of Auditors and Accounts of the Preferential Trade Area**

1. The accounts of the Preferential Trade Area relating to each financial year shall be audited in the following financial year by a Board of Auditors constituted in accordance with paragraph 2 of this article and referred to in his Treaty as the “Board of Auditors”.

2. The Board of Auditors shall consist of five persons from any five Member States designated from time to time by the Council on the proposal of the Commission and who shall be appointed by such Member States from among persons qualified as auditors in accordance with the respective laws of such Member States.

3. The Board of Auditors shall act in accordance with any general or specific direction of the Council and, subject thereto, shall:

   (a) determine its own procedure; and

   (b) submit its report of the audit to the Secretary General not later than six months from the expiry of the financial year to which the accounts so audited relate.

4. Upon receipt of the report of the Board of Auditors, the Secretary General shall circulate copies thereof to every Member State and convene a meeting of the Commission to examine the report and to make such recommendations in relation thereto before the report is submitted to the Council for adoption.

5. The Council may make regulations for the better carrying out of the provisions of this Article and, without prejudice to the generality of the foregoing, such regulations may provide for the terms and conditions of service of the members of the Board of Auditors and the powers of the Board of Auditors.
45. Council was invited to note the difference between the Treaty of PTA and that of COMESA with regard to the audit of the books of the Secretariat. While the Treaty of PTA made reference to a Board of Auditors to conduct audit of the Secretariat, that of COMESA makes reference to External Auditors who are qualified to practice in accordance with the national law of the Member States.

46. Council further noted that the audit report of COBEA is submitted to the Sub Committee of Audit and Budgetary Matters which consists of officials from the Auditor's Generals Office and other Ministries who are lower in rank than the Auditor's Generals. This is a matter which requires further deliberation to avoid conflict of interest and ensure the independence and objectivity in the audit process.

47. Council noted from the above that more work should be done prior to engaging COBEA to undertake the audit of the Secretariat and its institutions.

Discussion

48. The Council made the following observations:

(i) Appreciated and thanked the Secretary General for her insights into the new External Audit Framework that is currently used by the Secretariat. Some of these insights included lack of the relevant instruments for operationalizing the new audit framework, departure from the enabling Treaty provisions and their effect on the ability of COMESA to mobilise resources, should it fail the 9 pillar assessment of the EU given the current challenges;

(ii) The report presented by the Secretary General requires further scrutiny by relevant experts from Member States in light of the need to preserve the 7 Pillar status of COMESA and to prepare for the 9 pillar assessment by the EU;

(iii) The need to finalise the relevant instruments by relevant experts for operationalizing the framework for use by COBEA in the course of the audit;

(iv) The instruments should be in place as a matter of urgency, and should be submitted to the next meeting of the Council in ordinary session for consideration and approval;

(v) The instruments should be in place before the next audit process is carried out by COBEA;

(vi) The instruments will enhance the audit due process and will guide the two parties in their responsibilities.
DECISIONS

49. **Council decided that:** -

   (i) The instruments identified in the framework as presented by the Auditors General in their meeting on March 2018 should be prepared and presented to the Policy Organ for consideration and approval;

   (ii) The preservation of the 7 Pillar status of COMESA should be a key consideration in the finalization of the above instruments; and

   (iii) The Instruments should facilitate the Secretariat to prepare itself for the new 9 pillar assessment.

REPORT OF THE MINISTERIAL SELECT COMMITTEE OF COUNCIL (Agenda Item 4)

50. Council considered the Report of the meeting of the Ministerial Select Committee held at COMESA Headquarters in Lusaka, Zambia on 18 January 2018. Council noted that the Select Committee meeting was attended by Madagascar, Mauritius, Kenya, Sudan and Uganda and the following were in attendance: -

   (i) COMESA Secretariat: Secretary General, Assistant Secretary Generals and their Management Team; and

   (ii) COMESA Board of External Auditors (COBEA), represented by Auditors’ General of Burundi (Chair); Egypt; Eritrea; and Ethiopia.

51. The Ministerial Select Committee Report is attached as, Annex 2.

52. Council noted the mandate of the Ministerial Select Committee, as given and approved by the Council at its meeting held in November 2018 which is outlined below: -

   (i) To constitute a Select Committee of Council consisting of the Chair, Vice Chair and three others, other non – members of COBEA namely Kenya, Mauritius and Uganda to interrogate the 2017 COMESA Secretariat Audit Report;

   (ii) That the Select Committee be convened in the second week of January, 2019;

   (iii) That the report of the Select Committee be submitted to an Extra Ordinary meeting of Council of Ministers to be held in February 2019;

53. Council further noted the issues, discussions held and recommendations made by the Ministerial Select Committee to the Council: -
(i) Issues Under Basis of Qualified Opinion; Emphasis of Matter; and other matters:
Each issue was individually interrogated; submissions received from COMESA Secretariat and COBEA; observations and recommendations made;

(ii) Control measures
1. The Select Committee recommends to Council to note COMESA Secretariat commitment to put in place control measures to ensure rules and regulations regarding contracting of consultants and expenditure are adhered to all times.
2. Based on the interrogation, the Meeting noted a number of underlying issues, which should be dealt with to ensure smooth external audits, as well as strengthening overall governance, accountability and transparency.

(iii) Overall recommendations of the Select Committee
3. That the draft Audit Charter be developed in consultation with COBEA for the approval of Council.
4. The Audit Charter to address mechanisms for enhancing the auditor and auditee relationship.
5. In light of the outcome of interrogation exercise and since COMESA has successfully been assessed under the seven (7) pillars’ standards, both COBEA (Pillar 3: External Audit) and COMESA Secretariat (Pillar 1: Internal Control; Pillar 2: Accounting; Pillar 4: Grants; Pillar 5: Procurement; Pillar 6: Financial Instrument (Not applicable); Pillar 7: Sub Delegation), should adhere to the requirements of these Pillars to enable it to use its own procedures.
6. The Secretariat to come up with a comprehensive programme to strengthen its capacity in a holistic manner in order for it to deliver on its mandate.
7. The Committee noted that the Select Committee recommended that the Council adopts the 2017 COBEA audit report on the COMESA Secretariat Financial Statements and the matters raised in the audit report be followed up in the 2018 external audit.
8. Given the need for a reconciliatory outcome envisaged by Council through the Select Committee, it was the view of a number of Member States that where this was not achieved, the matter should be referred to higher Organs of COMESA.
9. The Meeting noted that the Secretariat to prepare the comprehensive legal paper on the course of action based on the decisions to be made by Council upon receipt of Select Committee recommendations.
Discussion

54. Council made the following observations on the Report of the Select Committee:

(i) Recalled the circumstances which led to the establishment of the Select Committee - that due audit process was not followed in terms of finalization of the COBEA auditors report. Council had noted the Secretariat was not given an opportunity to address issues, by being availed with a draft auditors’ report, as required by Standards on Auditing;

(ii) Responses, documents and clarifications were made by the COMESA Secretariat to the Select Committee, which was also attended by COBEA were not incorporated in the conclusions of the Report of the Select Committee. The inputs from the Secretariat should have led to a re-examination of the COBEA Auditors Report;

(iii) The mandate of the Select Committee was to interrogate 2017 COBEA report; which entailed receiving responses, documents and clarifications from the Secretariat to facilitate the consideration of the same by COBEA. Council noted that this was not achieved;

(iv) That an audit process is premised on opportunities being given to auditees to respond and address audit issues, prior to finalization of auditors’ reports.

55. Council received the following further explanations and information:

(i) COMESA Secretariat:

a) That COBEA accepted that they did not give an opportunity to the COMESA Secretariat to address issues, by being availed with a draft auditors’ report, as required by Standards on Auditing.

b) That it requested for an opportunity to address issues in the COBEA report, before its finalization. Since this was not done, Council at its November 2018 meeting established a Ministerial Select Committee;

c) The Select Committee was a platform for COBEA to receive the submissions from the Secretariat, as this opportunity was not availed prior to finalization of their report. Hence, the Secretariat requested the Council for an opportunity to address issues in 2017 COBEA Report;

d) In light of the above, the Secretary General requested Council that the COBEA report be considered as an internal audit report and she assured Council that all recommendations therein would be duly followed up and implemented. The COBEA recommendations shall be on the agenda of the meetings of Council until they are fully addressed;
e) Given the situation regarding the new external audit framework and its challenges, the Secretary General requested for guidance on the need to have audited Financial Statements as per Treaty provisions.

(ii) COBEA: informed the meeting that a due process was followed by the auditors. This included holding an audit planning meeting with management, which was approved by Council in July 2018; holding entrance and exit meetings with management; internal quality assurance within COBEA; and presentations to COMESA structures (Sub Committee, Committee, IC and Council).

56. Council deliberated on the options available regarding the 2017 COBEA report and concluded as follows: -

(i) The COBEA report in its current form cannot be adopted because due audit process was not fully followed;

(ii) The report should be considered as an internal report for utilization by COMESA alone. This report should not be shared with other stakeholders other than the COMESA Policy Organs; and

(iii) The issue of an external audit raised by Secretariat would be addressed in due course.

Decision

57. **Council took the following decisions:** -

   i. *Adopted the reports of the Ministerial Select Committee and 2017 COBEA report as an internal report; and*

   ii. *Directed the Secretariat to implement the 2017 COBEA audit report recommendations and submit its report to Council until all matters are fully addressed.*

CONSIDERATION OF THE REPORT OF THE INTERGOVERNMENTAL COMMITTEE MEETING (Agenda Item 5)

BRIEF UPDATE ON TRIPARTITE FREE TRADE AREA AGREEMENT (Agenda Item 5 (a))

58. The Council was informed that the Seventeenth Meeting of the Tripartite Trade Negotiation Forum (TTNF) was held on 11 – 12 March 2019 in Addis Ababa, Ethiopia. The objective of the Meeting was to consider among others:

   (i) Exchange of tariff offers
   (ii) Signature and Ratification of the TFTA Agreement
   (iii) Tripartite Resource Mobilisation Strategy
   (iv) Tripartite Simplified Trade Regime
(v) Establishment of the Tripartite Secretariat

Exchange of Tariff Offers

59. The meeting received updates on exchange of tariff offers as follows:

(i) EAC reported that its negotiations with SACU was near complete with only a few outstanding issues especially on requests made on certain products by either party. The Parties have scheduled a meeting on 24 – 26 April with a view to concluding on the issues at the technical level. EAC/Egypt had concluded tariff negotiations at the technical level and were only awaiting Senior Officials to formally conclude the negotiations. EAC further reported having shared its tariff offers with Eritrea, Ethiopia, Mozambique and Angola 3 years ago, but was still awaiting responses from these countries.

(ii) SACU confirmed the advanced status of tariff negotiations with EAC and expressed hoped that these would be concluded at their next meeting. SACU further reported planning additional bilateral meetings with Egypt, noting that its offer to non-FTA countries still stood.

(iii) Malawi informed the meeting that it was offering the COMESA and SADC acquis to FTA members and was currently working with Malawi Customs Authorities to develop a template for the Tripartite tariff schedules.

(iv) Mauritius reported that it had already made its offer based on the COMESA acquis and had already shared its offer with Eritrea, Ethiopia and Angola and was awaiting response from them.

(v) Seychelles reported that it submitted its offers based on the COMESA acquis in 2015 and was awaiting response from non-FTA countries.

(vi) Sudan informed the meeting that its offer was under development and will be exchanged with non-COMESA Member/Partner States once finalized.

(vii) Zimbabwe reported that it was developing its tariff offers based on the acquis in COMESA and SADC.

(viii) The meeting noted that DR Congo joined COMESA FTA in 2016 with a program of phasing out tariffs within three years. The meeting further noted that DR Congo informed TTNF in previous meetings that it will offer COMESA FTA acquis to the rest of Tripartite Member/Partner States subject to reciprocity.

60. The Meeting called for stronger recommendations to the Ministers, on finalization of negotiations and ratifications. The meeting noted that the TFTA will be a launch pad for the operationalisation of the AfCFTA.

61. Egypt informed the meeting that it was still pursuing negotiations with SACU.
**Decisions**

62. **Council:**

(i) Requested the Tripartite Task Force (TTF) to follow up with those countries that are not responding to tariff offers;

(ii) Requested the TTF to work with those countries offering the acquis so as to start populating Annex I on Elimination of Import Duties to facilitate implementation of the Agreement; and

(iii) Took note of the progress on the SACU-EAC, SACU-Egypt and EAC–Egypt tariff negotiations and urged them to conclude their tariff negotiations as soon as possible.

**Signature and Ratification of the TFTA Agreement**

63. Council received updates on signature and ratification as follows:

(i) South Africa has ratified the Agreement and deposited its instruments of ratification;

(ii) The process of ratification in Namibia was at an advance stage and was due for completion by April, 2019;

(iii) Botswana has indicated that it signed the Agreement but was awaiting conclusion of the tariff negotiations between EAC and SACU;

(iv) Seychelles will ratify the Agreement once outstanding issues on rules of origin that are of interest to Island States are concluded;

(v) Sudan has reached an advanced stage of ratification, the ratification will be completed by Parliament;

(vi) Zimbabwe has indicated that it signed the Agreement in 2015 but was awaiting adoption of Annex I in order to send the full package for ratification

(vii) Malawi has initiated internal consultations with a view to ratifying the Agreement upon completion of consultations and conclusion of negotiations on rules of origin;

(viii) Mauritius signed the Agreement in 2017 but was awaiting conclusion of negotiations on rules of origin in order to ratify it;

(ix) EAC has indicated that Uganda and Kenya ratified the Agreement and that Burundi, Rwanda, and Tanzania had signed it and were all at advanced stages of ratifying the Agreement;

(x) Eswatini informed the Meeting that the Cabinet will consider the ratification of the TFTA soon, and that the necessary documents have been prepared.

64. The meeting noted that 10 of the 22 countries that have ratified the AfCFTA Agreement were Tripartite Member/Partner States (Kenya, Rwanda, Uganda, South Africa, Namibia, Eswatini, Egypt, Djibouti, Ethiopia and Zimbabwe). The meeting further noted that of these 10, Zimbabwe, Ethiopia, Rwanda, Namibia, Eswatini and Djibouti were yet to ratify the TFTA Agreement. The meeting observed that this could send the wrong message.
65. The meeting also noted that Tripartite Heads of States and Government had last met in 2015 and there was need for them to meet so as to sustain the political momentum.

66. The Meeting called upon COMESA Member States to ratify the TFTA immediately and maintain a high momentum into operationalization of the Agreement.

Decisions

67. **Council:**

   (i) **urged Member/Partner States to recommit to the Tripartite at the political level to ensure it remains relevant as launch pad for the AfCFTA;**

   (ii) **called for the holding of a Tripartite Summit to put more political momentum into Tripartite;**

   (iii) **requested the TTF to re-confirm Rwanda’s continued willingness to host the Fourth Tripartite Summit; and**

   (iv) **Called upon all COMESA Member States to immediately ratify the TFTA.**

Tripartite Resource Mobilisation Strategy

68. The meeting noted that the Tripartite sub-committee on Resource Mobilisation met on 21-22 February 2019 to revise and finalize the Resource Mobilization Strategy. However, this process was not concluded since the Annex on the implementation matrix is yet to be populated.

Decisions

69. **Council directed the Secretariat:**

   (i) **to finalise the draft Tripartite Resource Mobilization Strategy for circulation to Member/Partner States for comments;**

   (ii) **to undertake analysis of all existing financial commitments of Member/Partner States under the three RECs, with a view to submitting recommendations for apportioning funding for Tripartite activities.**

Concept Note on the Tripartite Simplified Trade Regime (STR)

70. Council noted that a draft Concept Note on Tripartite Simplified Trade Regime has been prepared and considered by the Tripartite Trade Negotiation Forum.
The Tripartite Secretariat

71. Council noted that a proposal for the establishment of a Tripartite Secretariat has been considered by the Tripartite Trade Negotiation Forum. This proposal was first presented to the Second Extraordinary Meeting of the Tripartite Trade Negotiation Forum held in May 2015 which directed the TTF to revise the proposal to consider budgetary requirements and the future sustainability of the Secretariat.

72. The Meeting observed that a long period of time has passed since the proposal on the secretariat was first made. Noting the possibility and therefore the need to avoid duplication with the Continental FTA Secretariat, together with the REC Secretariats, the meeting called for rationalization in revising the concept note. The Meeting noted the need to keep costs to Member States within manageable levels. Consideration could be given to establishment of Tripartite Task Force focal points in the REC Secretariats.

Decision

73. Council directed the Secretariat to finalise the draft proposal on the establishment of the Tripartite Secretariat working closely with the TTF for further consideration by the Tripartite organs, taking into account all the comments made by Member States.

FAQs ON THE TRIPARTITE FREE TRADE AREA AGREEMENT (TFTA AGREEMENT)


75. The FAQs address and clarify the following issues: -

   (i) Can Trading Commence once Ratification Threshold is Achieved?
   (ii) What Makes the TFTA Different?
   (iii) What are the Potential Benefits ARISING FROM the TFTA?
   (iv) Does TFTA Agreement Address Potential Threats to Member States?
   (v) Is there Interface between TFTA and AfCFTA?
   (vi) Should a country that has ratified the AfCFTA still ratify the TFTA

Discussion

76. The Meeting underscored the critical importance of infrastructure in addressing competitiveness and improving the business and investment environment.

77. In this regard, the Secretariat updated the Meeting that various interventions were in place covering surface and air transport, energy, information and communications technology, and transport and trade facilitation. Regarding surface transport, the Meeting was informed that programs were being undertaken jointly with the African Union Commission and the African Union Development Agency/ NEPAD under the Program for
Infrastructure Development in Africa (PIDA). The Meeting was further informed that a Meeting on Infrastructure will be held in the near future to advance the programs.

78. The Meeting noted that the corridors have arteries. For instance, the Northern Corridor continues on to Kigali and Bujumbura, to Juba in South Sudan, and from Kampala to Kisangani in DRC. The Meeting called for inclusion of arteries into the corridor programs. The importance of coordination was underscored in order to ensure complementarity among the various initiatives.

79. The Meeting called for an analysis of the level of connectivity between countries using road, railway and water transport; in order to assess the state of operational connectivity of the regional market.

Decisions

80. Council urged COMESA Member States to ratify the Tripartite FTA Agreement, so that it enters force.

81. Council further decided that infrastructure development be adequately prioritised, taking into account the dynamic developments in the region, and in this regard underscored the importance of including arteries in the corridor programs.

BRIEF UPDATE ON CONTINENTAL FREE TRADE AREA AGREEMENT (Agenda Item 5)(b))

82. Council received a brief on the negotiation of the African Continental Free Trade Area (AfCFTA). The main objective of the AfCFTA is to create a single continental market for goods and services. Towards this end, the Kigali African Union Summit held in March 2018 saw 44 out of the 55 African Union (AU) Member States signing the consolidated text of the AfCFTA, which included the Agreement establishing the AfCFTA, the Protocol on Trade in Goods, the Protocol on Trade in Services and the Protocol on Rules and Procedures on the Settlement of Disputes together with their Annexes. An additional 5 signatures were added at the 31st AU Summit held in Mauritania in July 2018. To date, 52 AU Member States have signed the Agreement while 18 have ratified it. Four more ratifications are required for the Agreement to enter into force.

83. While most of the work on Phase I of the AfCFTA negotiations has been concluded there is work which is still outstanding. In this regard, discussions are still on-going on tariff liberalisation, rules of origin, trade in services and trade remedies.

STATUS OF AFCFTA NEGOTIATIONS ON OUTSTANDING PHASE I ISSUES

84. The 7th Meeting of the African Ministers of Trade (AMOT) was held on 12 -13 December 2018 in Cairo, Egypt. This meeting was preceded by the 7th Meeting of the Committee of Senior Trade Officials (STO) and the 14th Meeting of the AfCFTA Negotiating Forum (NF).

85. The Ministers made the following key decisions:
**Tariff Liberalization**

86. The Ministers adopted the Template which will be used in the AfCFTA for tariff liberalisation on trade in goods.

87. On Asymmetry in Application of the Modalities on Tariff Liberalisation by LDCs and Developing Countries in Customs Unions, AMOT noted that there were divergent views on this matter and directed the STOs to authorise the NF to find a practical solution that does not impact on the adopted Modalities.

88. On the designation of Sensitive Products and Exclusion Lists, Anti-Concentration Clause and Double Qualification AMOT agreed as follows:

   i) A 5-year transitional period for liberalisation of sensitive products. State Parties and/or customs unions, may commence liberalisation of the sensitive products in year 6. However, State Parties and/or customs unions who are willing to do so may commence liberalisation of sensitive products earlier;

   ii) The timeframe for the liberalisation of sensitive products will remain the same as provided for in the adopted Modalities. For developing countries termination of liberalisation of sensitive products shall be within the 10-year time frame, and for LDCs it shall be 13 years;

   iii) The designation for sensitive products is 7% and exclusion list is 3%.

89. On the AfCFTA Adjustment Facility, AMOT was informed that a study on the Adjustment Facility had been carried out based on requests from Member States and that the findings of the study would be disseminated in a dedicated session of the NF. AMOT directed the AUC to organise a dedicated session of the NF to discuss this by April 2019.

**Rules of origin**

90. On AfCFTA rules of origin, AMOT took note of the progress made so far towards the development of Appendix IV to Annex 2 on Rules of Origin and directed that all outstanding work on rules of origin be finalised by end of June 2019. So far, eleven (11) meetings of the TWG on Rules of Origin have been held and the TWG has been able to conclude on a number of items save for the following as contained in Article 42 of Annex 2 on Rules of Origin. Among the issues that are still outstanding are list rules for some products (e.g. Chapter 3 on fisheries), textiles and motor vehicles etc., the percentage thresholds, treatment of goods produced in SEZs, among others. All the outstanding issues will be considered at the 12th Meeting of the AfCFTA TWG on Rules of Origin planned for 25 March – 6 April 2019 in Addis Ababa, Ethiopia.

91. On Development of Regulations on Special Economic Zones, AMOT noted that the AUC was in the process of developing a technical note which would inform the drafting of the Regulations. Amongst others, the technical note would examine the contributions of the SEZ to industrialization, exports and economic development in Africa. AMOT
directed the AUC to present the technical note on this matter to the next meeting of the NF.

Trade Remedies

92. AMOT was informed of some inconsistencies in Article 7 of Annex 9 on Trade Remedies and the need to align these with the Draft Guidelines for Implementation of Trade Remedies. AMOT agreed that the TWG on Trade Remedies considers the inconsistencies and report back to the next session of the NF.

Trade in Services

93. AfCFTA negotiating institutions meetings that took place in Cairo, Egypt in November/December 2018 made key recommendations in relation to negotiations on trade in services.

94. The 14th meeting of the AfCFTA NF recommended that:
   i) for Member States that are WTO Members, the starting point for negotiations of trade in services would be GATS in order to achieve GATS plus;
   ii) for those that are non-WTO Members, the starting point for negotiations of trade in services would be the autonomous liberalisation at the national level;
   iii) Each Member State would be required to commit to a minimum threshold of sectors or sub-sectors, in order to create the single market for services in Africa and to ensure that all AfCFTA State Parties are starting from the same point, taking account of variable geometry. Such threshold should reflect the following:

   (a) substantial liberalisation of sectors/sub-sectors, on reciprocal basis; and
   (b) Effective elimination of barriers to trade in services.

95. The Seventh meeting of the STO took note of the recommendations of the 14th NF and accepted them and in addition, they also recommended that:
   i) the non-WTO Member States to submit data on their autonomous liberalisation at national level for circulation to other Member States;
   ii) the scheduling of specific commitments to use W/120 for the classification of services sectors, and the latest UN CPC Classification List for the sub-sectors;
   iii) to use the term “Member States” in the context of negotiations and ‘State Parties’ in the context of implementation.

96. The meeting of the 7th AMOT:
   i) considered and adopted the Guidelines for Services Negotiations as well as the Roadmap for Finalization of Outstanding Work on the AfCFTA Negotiations;
ii) directed that the negotiations on Trade in Services be concluded by January 2020;
iii) decided that training on trade in services be provided in parallel with submission of offers as well as national and regional consultations; and
iv) directed the AUC to include in the Roadmap a calendar for progressive liberalisation of the other sectors beyond and after the five priority services sectors including the development of regulatory cooperation frameworks.

97. In addition, the AUC Secretariat organized the 6th TWG on Trade in Services in February 2019 as a capacity building exercise for Member States in developing their requests and offers.

National consultations on the AfCFTA

98. On national consultations with stakeholders, AMOT considered that the engagement with stakeholders was important and urged those Member States that had not concluded their consultations with stakeholders, to do so in order to promote ownership and awareness of the AfCFTA.

ROADMAP FOR FINALIZATION OF OUTSTANDING WORK ON AFCFTA NEGOTIATIONS

99. AMOT considered the Roadmap for Finalization of Outstanding Work on the AfCFTA Negotiations and adopted it.

100. AMOT agreed that:

i) Negotiations on Trade in Services be concluded by January 2020; and
ii) Training on trade in services be provided in parallel with submissions of offers as well as national and regional consultations.

101. AMOT directed the AUC to include in the Roadmap:

i) a calendar for progressive liberalisation of the other sectors beyond and after the five priority services sectors including the development of regulatory cooperation framework; and
ii) a meeting of the TWG on Trade Remedies and schedule it for March 2019.

102. Regarding Phase II issues, AMOT agreed to establish three separate technical working groups for Investment, Competition Policy and Intellectual Property Rights (IPRs) and requested the AfCFTA NF to complete negotiations by June 2020.

103. AMOT further directed the AUC to:

ii) develop draft terms of reference for each TWG for consideration by the AfCFTA NF by April 2019;
iii) carry out the Situation Analysis studies on Phase 2 issues by April 2019; and
iv) provide the requisite logistical and administrative support to Phase II Negotiations.

ROLE OF TRIPARTITE TASK FORCE (TTF) IN AFCFTA NEGOTIATIONS

104. The 7th Meeting of the Tripartite Ministers held in June 2018 in Cape Town reiterated its decision that Tripartite countries should be holding joint consultative meetings to coordinate their positions at the AfCFTA negotiations and directed that TTF attends all the AfCFTA meetings to help Member/Partner States in coordinating consultative meetings.

105. The Meeting noted that Egypt is the current Chair of the African Union and made the following observations:

(i) Tariff Offers should be submitted by June 2019 covering the 90 percent reduction;
(ii) Rules of Origin negotiations should be finalized by July 2019;
(iii) The Trade Observatory should be part of the Agreement;
(iv) Liberalisation of services is part of the AfCFTA program, on which negotiations are ongoing;
The Continental digital and payment system should not prejudice but should add value to the REC systems.

Decision

106. Council directed the COMESA Secretariat to actively support the AfCFTA negotiations and consultative preparations by Tripartite Member/Partner States.

BRIEF UPDATE ON COMPLIANCE WITH THE COMESA TREATY: TRADE AND CUSTOMS OBLIGATIONS (Agenda Item 5) (c)

107. Council received a presentation on implementation of COMESA obligations with a focus on some trade and customs obligations.

The Meaning

108. Trade refers to buying and selling of products, namely, goods, services and assets.

109. The COMESA Court of Justice can hear matters arising from cross-border trade in goods among Member States under the terms of the Free Trade Area, established under Article 46 of the Treaty, as decided in Polytol v Mauritius (reference no.1 of 2012). More broadly, the Court can hear all matters affecting the interpretation and application of the Treaty.

Importance of Trade

110. People on earth need incomes. This is an existential truth. It’s believed that an income can be earned through either trade or illegal means. Trade covers trade in goods,
services and assets. Goods, services and assets are known as products. Public policy would encourage only the earning of incomes through trade, rather than from criminal activities or based on vagaries of death.

111. Practically all products on earth are tradeable. They can range all the way from bread, fish and wine; to inputs and equipment or capital that promote industrialization; to infrastructure projects like materials for roads, bridges, electricity and other forms of energy; to materials for information and communication technologies. This means that there should be no dichotomy between trade, industrialization and infrastructure; they are a continuum. This is a fundamental point, and lost, public policy gets artificial and misses basic points about the process of social economic transformation and development.

Trade Regimes in COMESA

112. In accordance with the Treaty and various Regulations and Decisions, trade in COMESA can take place under various regimes. Formal trade in goods can be under the Free Trade Area on a duty-free, quota-free, exemption-free basis (Articles 46 and 49); trade in goods under safeguard measures (Article 61), at the moment only sugar imports into Kenya; and small-scale trade in goods under the Simplified Trade Regime where a consignment should not exceed US $1000 per crossing.

113. Trade in services can take place under the schedules of specific commitments adopted by Council in December 2014, under Article 4 of the Treaty and other sectoral provisions. There are 12 services sectors including, transport, finance (banking and insurance), communication, and tourism where negotiations for liberalization in COMESA have been completed; energy, construction and related engineering, and business services where the second round of negotiations was launched in 2018; as well as education, health, cultural, and entertainment services where negotiations haven’t been undertaken.

114. International obligations that Member States have entered are to be complied with, in trading in COMESA; while fully utilizing the exceptions, notably Article 24 of the General Agreement on Tariffs and Trade and Article 5 of the General Agreement on Trade in Services of the World Trade Organization.

115. Trade in products protected under various territorial intellectual property rights such as patents, trademarks, industrial designs, copyrights, trade secrets, should be consistent with applicable treaties, notably the World Trade Organization’s Agreement on Trade Related Aspects of Intellectual Property Rights, as amended in Article 31, in 2005, to qualify the territoriality of patents, in order to promote regional trade in life-saving medicine that assist the achievement of the public policy objectives of protecting public health, especially in dealing with HIV-AIDS, malaria and tuberculosis.

Prescribed Timelines Missed

116. Some key timelines in the Treaty have not been adhered to.
117. For instance, some Member States have not joined the Free Trade Area contrary to Article 46 of the Treaty. All Member States were to be in the FTA by the year 2000. Ethiopia which has reduced its MFN tariff on originating products by a mere 10 percent, and Eritrea by 80 percent. Congo DR has passed the domestic legislation to apply the FTA, but implementation is lagging. Uganda joined the FTA but has a list of originating products on which it still maintains duties. Indications are that the list will be phased out.

118. The Customs Union has not been established contrary to Article 45 of the Treaty. It was to be established in 2004.

119. However, Four Member States have implemented the Common External Tariff by 74 percent, by virtue of implementing the Common External Tariff of the East African Community, which is aligned to the COMESA CET. 18 Member States have implemented the Customs Management Regulations by 98 percent, largely as a result of implementing the Revised Kyoto Convention of the World Customs Organization. However, the value addition of the COMESA CMR, beyond the Revised Kyoto Convention, is that there are no reservations or optional provisions. And, 16 Member States have aligned their Tariffs to the COMESA Common Tariff Nomenclature, under the HS 2017.

120. Member States now only join the FTA or the Customs Union when they are pleased to do so, not as obligations with prescribed timelines.

**Intra-COMESA Trade in goods**

121. Intra-COMESA exports of goods have increased from US $ 1.5 billion in 2000, when the FTA was formed, to about US $ 7 to 10 billion, using 2017 data. Analysis by the Secretariat has established existing unutilized trade in goods potential of US $ 82 billion annually. Informal trade is estimated at 40 percent of total trade. Though covering a significant amount of trade, only 7 Member States implement the Simplified Trade Regime, initially on a pilot basis.

**Services Trade Performance**

122. Services contribute on average 50 percent to the Gross Domestic Product of Member States. Export of services is estimated at US $ 36 billion annually, using 2016 data.
Figure 2: COMESA Services Trade 2005-2016

Source: WTO, I-TIP Services Database

123. Services have a multiplier of at least 3 in employment generation.

Figure 3: Employment in Services (% of Total Employment) in 2017

Source: International Labour Organization (ILO). Data for Seychelles not available

124. Eight Member States have not negotiated and submitted their schedules of specific commitments for the four priority sectors of communication, financial (banking and insurance), tourism and transport services. Implementation of the schedules of specific commitments by the 11 Member States that have submitted theirs, is very much in order.

125. To meet the threshold of substantial sectoral coverage required under Article 5 of The General Agreement on Trade in Services, negotiations in the three additional sectors of energy, construction and related engineering and business services, should be
conducted, concluded and schedules of specific commitments submitted and implemented.

**The various Non-Tariff Barriers**

126. Non-Tariff Barriers have been put in place and maintained contrary to Article 49 of the Treaty, in some cases for many years.

127. Examples include UHT milk from Kenya into Zambia since 2003, edible oil from Kenya into Zambia since 2003, ceramic tiles from Egypt into Sudan since 2016, and the Zimbabwe licensing system since 2016.

128. Zimbabwe has Statutory Instruments that require licenses for importation of listed products. Some changes have been made to remove some products.

129. Sudan does not recognize ceramic tiles from Egypt as originating.

**Applicable Law**

130. Noteworthy is that regime-shopping is becoming common. For example, Zambia adopted a one-year safeguard measure on steel products under Article 61 of the COMESA Treaty. When challenged through a letter from the Secretary General, Zambia issued a new notification that the safeguard was under the WTO Agreement on Safeguard Measures.

131. The issue of applicable law will be pertinent, especially as other regimes emerge, for instance under the COMESA-EAC-SADC Tripartite FTA, and the African Continental FTA.

**Elimination of NTBs**

132. Out of 205 NTBs reported in COMESA since 2008, five remain unresolved. But new ones keep cropping up. Besides, there are significant border delays at some borders, for instance, at Kasumberalesa.

133. While this can be considered a success story, the process of resolving some NTBs was painfully slow and occasioned huge material loss to business for years. In some cases, trade in the products totally stopped, according to the analysis by the Secretariat on the impact of NTBs.

134. Zimbabwe refused to recognize fridges and freezers from Swaziland, as it was then known, as originating, claiming that the products didn’t meet the requirement for 25 percent value addition, as products of particular economic importance.

135. The COMESA Regulations on NTBs, adopted in 2014 by Council, provide a regime, covering consultations, mediation and arbitration, and enforcement under Article 171 of the Treaty. Timelines for every stage are prescribed. Adherence to these Regulations can greatly assist. Parties regarding the outstanding NTBs and complaints
do not appear to be complying with the prescribed stages and timelines. The preferred approach tends to be bilateral consultations, that in some cases get postponed frequently.

**Domestication Assessments**

136. Documentation of the status of implementation of the Treaty, the Regulations and Decisions as well as Directives, does greatly assist in monitoring, assessment, and corrective action.

137. The Secretariat has once undertaken a comprehensive survey, through field missions, in 2012, of the status of implementation of the Treaty, the Regulations and Decisions. While commendable, this approach was not sustained.

138. Desk studies were instead done in the subsequent years. In 2018, the desk study was not completed in good time for the Council. The Regional Integration and Support Mechanism Project has been producing its own evaluation of performance on 16 indicators that Member States self-select to implement with financial support from the Secretariat.

139. The last three summits, in 2015, 2016 and 2018 discussed recruitment and financial management. At summit level, this was felt to be inappropriate. Participation by presidents and ministers in COMESA Meetings has dwindled quite alarmingly, and feedback seems to indicate that lack of suitable and adequate substantive agenda items is a significant factor.

**Discussion**

140. The Meeting recalled the Monitoring and Evaluation (Mandeonline) system which the Secretariat developed and undertook awareness creation activities in a number of Member States. The Meeting recalled that the system would be helpful in standardizing the monitoring and evaluation system.

141. The Secretariat informed the Meeting that work has started on reviving this system. Monitoring and Evaluation functions require attention, through finalizing the re-structuring work. Use of technology is a key priority in improving the monitoring and evaluation exercises.

142. The Meeting sought clarification on the interface between the FTA and the Customs Unions in the region, particularly where there are conflicts in customs duty rates under the FTA and a Common External Tariff for instance of the East African Community.

143. It was explained in response that imports into the Member States that belong to the EAC enter on the basis of the COMESA FTA regime, under s.112 of the EAC Customs Management Act.
Decisions

144. Council decided that:

(i) The Secretariat should have a standing agenda item on review and evaluation of implementation of COMESA Obligations and Council Decisions on Policy Organs Agenda;

(ii) The Secretariat should prepare annual reports on implementation of COMESA Obligations and Council Decisions, for consideration by the Policy Organs; and

(iii) The Member States, Secretariat, Court, and COMESA Institutions should scale up activities to promote awareness about and use of the COMESA Court of Justice as the organ vested with the responsibility to assist in the interpretation and application of the Treaty.

STAFF REVOLVING FUND (Agenda Item 5(d)(i))

145. Council noted that the Inter-Governmental Committee received a Paper on the Staff Revolving Fund, established by the Council in November 2018. Council further noted that the Paper was referred to the Sub Committee on Audit and Budgetary Matters. The Paper is attached as, Annex 3.

Discussions

146. Council noted the submission.

Decisions

147. Council decided that the paper on the modalities of operationalizing the Staff Revolving Fund, it established in November 2018, be submitted to the Sub Committee on Audit and Budgetary Matters.

STATUS OF MEMBER STATE CONTRIBUTIONS (Agenda Item 5(d)(ii))

148. Council received and considered a Report on status of remittance of assessed annual Member States contributions. The Report is attached as, Annex 4

149. Council recalled the following provisions from the Treaty, as well as decisions of the Authority: -

Source: COMESA Treaty

Article 166(6): “Fifty per cent of the contributions for each Member State shall be paid into the budget of the Secretariat within one month from the beginning of the financial year to which they relate, and the remainder shall be paid within six months from the beginning of the financial year”.
Source: COMESA Treaty

**ARTICLE 171 (6) Sanctions**: Where a Member State is in arrears for more than two years in the payment of its contributions for reasons other than those caused by public or natural calamity or exceptional circumstance that gravely affects its economy, such Member State may, by a resolution of the Authority, be suspended from taking part in the activities of the Common Market and shall cease to enjoy the benefits provided for under this Treaty.

**Source: Second Summit of the COMESA Authority (April 1997)**

(i) Any Member State that failed to meet its budgetary commitments for two or more years should have all benefits and operations suspended in that Country and lose its rights and privileges, including addressing Policy Organs Meetings. The suspension should also cover all new extra budgetary resources, projects, except these currently being implemented;

(ii) All arrears at the end of every financial year should accru interest of one per cent; and

(iii) No new recruitment should be undertaken from Member States with arrears of two years or more.

**Source: Fourth Summit of the COMESA Authority (May 1999)**

Where the (COMESA) Authority had waived the application of sanctions on any State and such state failed to comply with her repayment plan, then such state shall automatically revert into the sanction status.
Part I: COMESA Secretariat (for COMESA Secretariat; Competition Commission; Federation of National Associations of Women in Business in Eastern and Southern Africa; Regional Investment Agency)

150. Council noted that the Report highlights the following issues: -

(i) Status of remittance of assessed annual Member States contributions, as shown in Table 1 below:

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<td>MAURITIUS</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>593,585</td>
<td>-</td>
<td>(593,585)</td>
</tr>
<tr>
<td>RWANDA</td>
<td>-</td>
<td>-</td>
<td>597,447</td>
<td>597,447</td>
<td>-</td>
<td>556,246</td>
<td>5,974</td>
</tr>
<tr>
<td>SEYCHELLES</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>174,895</td>
<td>-</td>
</tr>
<tr>
<td>SOMALI</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>174,895</td>
<td>-</td>
<td>174,895</td>
</tr>
<tr>
<td>SUDAN</td>
<td>-</td>
<td>1,320</td>
<td>805,859</td>
<td>-</td>
<td>987,547</td>
<td>8,072</td>
<td>1,821,675</td>
</tr>
<tr>
<td>TUNISIA</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,878,029</td>
<td>-</td>
<td>1,878,029</td>
</tr>
<tr>
<td>UGANDA</td>
<td>1,037,656</td>
<td>815,365</td>
<td>-</td>
<td>841,853</td>
<td>-</td>
<td>1,035,818</td>
<td>26,949</td>
</tr>
<tr>
<td>ZAMBIA</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,234,130</td>
<td>-</td>
<td>1,234,130</td>
</tr>
<tr>
<td>ZIMBABWE</td>
<td>-</td>
<td>(0)</td>
<td>774,169</td>
<td>-</td>
<td>632,754</td>
<td>7,742</td>
<td>1,772,561</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8,488,172</td>
<td>2,357,420</td>
<td>-</td>
<td>7,845,728</td>
<td>597,447</td>
<td>17,489,545</td>
<td>186,913</td>
</tr>
<tr>
<td>%</td>
<td>0%</td>
<td>0%</td>
<td>8%</td>
<td>34,804,195</td>
<td>365,638</td>
<td>3%</td>
<td>100%</td>
</tr>
</tbody>
</table>
(ii) US$36,314,814 is due to COMESA Organs and Institutions, for the following years: -

(a) US$17,082,873 (i.e. 48%)
(b) US$7,248,281 (i.e. 20%)
(c) US$2,357,420 (i.e. 7%)
(d) US$8,488,172 (i.e. 24%)

151. Council further noted the following issues: -

**Non-compliance with provisions under the Treaty and decisions of the Authority**
Remittances towards assessed annual Member States contributions are still outside the provisions of the Treaty and decisions of the Authority, as follows: -

(i) Up to 11 March 2019, only Mauritius (US$593,585) has made its remittance towards assessed Member States contributions. US$8,792,458 (i.e. 50%) was due by 31 January 2019 and the remaining balance by 30 June 2019.


(iii) Prior year arrears that are over two years of US$8,488,172, remain unremitted.

**Member States with arrears of over two years, without repayment plans**
(i) Member States yet to address the arrears that are over two years in line with the provision under Article 171 (6) are outlined in Table 2 below:

<table>
<thead>
<tr>
<th>Member state</th>
<th>Total Due</th>
<th>Analysis of Total Due</th>
<th>Total Received in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Over 2 years</td>
<td>1-2 years</td>
<td>1 year</td>
</tr>
<tr>
<td>Col 1</td>
<td>Col 11= Sum (2-10)</td>
<td>Col 10=2+3</td>
<td>Col 11=(4+5)</td>
</tr>
<tr>
<td>UGANDA</td>
<td>3,757,641</td>
<td>1,037,656</td>
<td>815,365</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,757,641</td>
<td>1,037,656</td>
<td>815,365</td>
</tr>
<tr>
<td>%</td>
<td>100%</td>
<td>28%</td>
<td>22%</td>
</tr>
</tbody>
</table>

(ii) Communications have been sent to Uganda about the relevant provisions of the Treaty, as well as the decisions of the Authority relating to arrears of annual Member States contributions, which are over two years.

**Non-compliance with repayment plans approved by the Authority on the remittance of arrears of assessed Member States contributions.**

**Comoros**
(i) COMESA Authority approved a repayment plan for annual Member States arrears from COMOROS in October 2016, providing for: -
(a) Equal annual instalments of COM$67,053.64; and
(b) Annual Member States contribution being kept up to date.

(ii) As at end of February 2019, COMOROS:

(a) Has not complied with the repayment plan by US$391,812. This amount should have been remitted by 31 December 2018. No remittance has been in 2019 towards the repayment plan.
(b) 2019 Annual Member States contribution of US$241,949 should be remitted by 30-January-2019 (i.e. 50%) and 30-June-2019 (i.e. 50%). 1st remittance has not been made.

Djibouti

(i) COMESA Authority approved a repayment plan for annual Member States arrears from Djibouti in October 2016, providing for: -

(a) Equal annual instalments of COM$57,624.00; and
(b) Annual Member States contribution being kept up to date.

(ii) As at end of February 2019, Djibouti:

(a) Has not complied with the repayment plan by US$1,173,470. This amount should have been remitted by 31 December 2018. No remittance has been in 2019 towards the repayment plan.
(b) 2019 Annual Member States contribution of US$232,519 should be remitted by 30-January-2019 (i.e. 50%) and 30-June-2019 (i.e. 50%). 1st remittance has not been made.

Libya

(i) COMESA Authority approved a repayment plan for annual Member States arrears from Libya in October 2016, providing for: -

(a) Equal annual instalments of COM$1,080,275; and
(b) Annual Member States contribution being kept up to date.

(ii) As at 28 February 2019, Libya:

(a) Has not complied with the repayment plan by US$4,347,164. This amount should have been remitted by 31 December 2018. No remittance has been in 2019 towards the repayment plan.
152. Council noted the following risks: -

(i) **Lack of cash to implement approved work programme**

COMESA Organs and Institutions do not have cash to implement approved work programme.

This is resulting in continuing withdrawals from Reserve Fund. Good corporate governance requires that organisations maintain an adequate level of Reserve Fund. This is required to address unforeseen circumstances, as well as demonstrate commitment of Member States. A run-down of the Reserve Fund will have an immediate impact, as it will result in depletion of the only source of operating working capital of COMESA.

COMESA shall not have funds to complete the implementation of the 2019 work programme and budget based on current levels of the Reserve Fund balance and projected expenditure in the remaining period.

(ii) **Loss of grant funding**

Considerable outstanding assessed annual Member States Contributions erodes confidence of Cooperating Partners. This may over time lead to reduced and ultimately withdrawal of grant funding.

153. Council noted the paper on benefits accruing to Member States by their membership to COMESA will be submitted to the next meeting of Sub Committee on Audit and Budgetary Matters.

154. Council received assurance from: -

(i) Uganda that arrears and part of 2019 assessed contributions will be remitted by the end of June 2019;

(ii) Seychelles that payment is under process and will be completed before end of April 2019; and

(iii) Eswatini that arrears will be remitted by end of April 2019.

**Discussions**

155. Council made the following observations: -

(i) That there is a need to fully address and implement audit recommendations

(ii) Uganda: working on clearing the arrears and 2019 assessed contributions

(iii) Eswatini: arrears to be paid by end of April, 2019 and 2019 assessed contributions by end of June 2019
(iv) D.R Congo: working on clearing the arrears and 2019 assessed contributions before the end of 2019

156. The Secretary General assured Council that measures will be put in place to address institutional weaknesses.

Decisions

157. Council approved the following:

2019 Receipts towards assessed contributions
(i) Commend Mauritius for having remitted US$593,585, towards its assessed annual Member States contributions for 2019;

(ii) Commend Rwanda for having remitted US$597,447, which has been applied towards 2018: COM$597,447; and

(iii) Urge Member States to remit 2019 approved assessed annual Member States contributions in line with Article 166 (6) of the Treaty.

Arrears of assessed annual Member States contributions
Urge Member States to clear arrears, as outlined below:

(iv) 2018: US$7,248,281
(v) 2017: US$2,357,420
(vi) Prior to 2017 financial year: US$8,488,171

Non-compliance by Member States with repayment plans
(vii) Comoros (COM$391,812); Djibouti (COM$1,173,470); and Libya (COM$4,347,164) should consider addressing the shortfall in complying with the repayment plan on remittance of their arrears of annual Member States contributions, as approved by the COMESA Authority. Sanctions are automatically reinstated on a Member State, which has not complied with the approved repayment plan.

(viii) In line with the approved repayment plan, COMOROS, Djibouti and Libya are also required to pay 2019 assessed annual Member States contributions, in line with Article 166 (6) of the Treaty.

Member States with repayment plans
(ix) Uganda should consider the provision (Article 171) (6) and decisions of the COMESA Authority regarding Member States, with arrears that are over two years (COM$1,037,656).
**Part II: COMESA Court of Justice**

158. Council noted that the Report highlights the following issues:

(i) Status of remittance of assessed annual Member States contributions, as shown in Table 2 below:

**Table 2:** Status of remittance towards assessed annual Member States contributions (US$), as 31 March 2019

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>TOTAL OUTSTANDING AS AT 31 DEC 2017</th>
<th>ASSESSED CONTRIBUTIONS FOR 2018</th>
<th>TOTAL PAYABLE FOR 2018</th>
<th>AMOUNT RECEIVED IN 2018</th>
<th>BALANCE AS AT 31/12/2018</th>
<th>INTEREST ON ARREARS</th>
<th>2019 ASSESSED CONTRIBUTION</th>
<th>AMOUNT RECEIVED IN 2019</th>
<th>TOTAL DUE</th>
<th>YEARS IN ARREARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BURUNDI</td>
<td>269,326</td>
<td>76,967</td>
<td>346,293</td>
<td>-</td>
<td>346,293</td>
<td>3,463</td>
<td>27,897</td>
<td>-</td>
<td>377,653</td>
<td>2014 - 2019</td>
</tr>
<tr>
<td>COMOROS</td>
<td>212,217</td>
<td>25,708</td>
<td>237,925</td>
<td>-</td>
<td>237,925</td>
<td>2,379</td>
<td>27,897</td>
<td>-</td>
<td>268,201</td>
<td>2000 - 2019</td>
</tr>
<tr>
<td>D.R. CONGO</td>
<td>710,433</td>
<td>198,311</td>
<td>908,744</td>
<td>-</td>
<td>908,744</td>
<td>9,087</td>
<td>247,469</td>
<td>-</td>
<td>1,165,300</td>
<td>2014 - 2019</td>
</tr>
<tr>
<td>DJIBOUTI</td>
<td>105,795</td>
<td>37,890</td>
<td>143,685</td>
<td>-</td>
<td>143,685</td>
<td>1,437</td>
<td>27,897</td>
<td>-</td>
<td>173,018</td>
<td>2015 - 2019</td>
</tr>
<tr>
<td>EGYPT</td>
<td>314,676</td>
<td>308,501</td>
<td>623,177</td>
<td>-</td>
<td>623,177</td>
<td>0</td>
<td>334,760</td>
<td>-</td>
<td>334,760</td>
<td>2019</td>
</tr>
<tr>
<td>ESWATINI</td>
<td>83,609</td>
<td>86,736</td>
<td>170,345</td>
<td>-</td>
<td>170,345</td>
<td>876</td>
<td>58,978</td>
<td>-</td>
<td>147,443</td>
<td>2018 - 2019</td>
</tr>
<tr>
<td>ETHIOPIA</td>
<td>-</td>
<td>155,121</td>
<td>155,121</td>
<td>-</td>
<td>155,121</td>
<td>4,000</td>
<td>193,573</td>
<td>-</td>
<td>197,613</td>
<td>2019</td>
</tr>
<tr>
<td>LIBYA</td>
<td>1,243,219</td>
<td>308,501</td>
<td>1,551,720</td>
<td>-</td>
<td>1,551,720</td>
<td>15,517</td>
<td>194,471</td>
<td>-</td>
<td>1,761,708</td>
<td>2012 - 2019</td>
</tr>
<tr>
<td>MADAGASCAR</td>
<td>295,662</td>
<td>100,362</td>
<td>396,024</td>
<td>-</td>
<td>396,024</td>
<td>1,373</td>
<td>74,743</td>
<td>159,119</td>
<td>2018 - 2019</td>
<td></td>
</tr>
<tr>
<td>MALAWI</td>
<td>174,991</td>
<td>104,732</td>
<td>279,723</td>
<td>-</td>
<td>279,723</td>
<td>1,017</td>
<td>80,061</td>
<td>-</td>
<td>182,751</td>
<td>2018 - 2019</td>
</tr>
<tr>
<td>RWANDA</td>
<td>93,996</td>
<td>97,020</td>
<td>191,016</td>
<td>-</td>
<td>191,016</td>
<td>970</td>
<td>89,694</td>
<td>-</td>
<td>194,471</td>
<td>2019</td>
</tr>
<tr>
<td>SOMALI</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,897</td>
<td>-</td>
<td>27,897</td>
<td>2019</td>
</tr>
<tr>
<td>SUDAN</td>
<td>573,220</td>
<td>126,228</td>
<td>699,448</td>
<td>-</td>
<td>699,448</td>
<td>6,994</td>
<td>157,518</td>
<td>-</td>
<td>863,961</td>
<td>2014 - 2019</td>
</tr>
<tr>
<td>TUNISIA</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>299,554</td>
<td>-</td>
<td>299,554</td>
<td>2019</td>
</tr>
<tr>
<td>UGANDA</td>
<td>129,827</td>
<td>132,497</td>
<td>262,324</td>
<td>-</td>
<td>262,324</td>
<td>2,623</td>
<td>165,218</td>
<td>-</td>
<td>430,166</td>
<td>2017 - 2019</td>
</tr>
<tr>
<td>ZAMBIA</td>
<td>0</td>
<td>157,692</td>
<td>157,692</td>
<td>-</td>
<td>157,692</td>
<td>0</td>
<td>196,978</td>
<td>-</td>
<td>196,978</td>
<td>2019</td>
</tr>
<tr>
<td>ZIMBABWE</td>
<td>132,262</td>
<td>132,497</td>
<td>264,759</td>
<td>-</td>
<td>264,759</td>
<td>1,338</td>
<td>100,927</td>
<td>-</td>
<td>236,096</td>
<td>2018 - 2019</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,365,199</td>
<td>2,570,842</td>
<td>6,936,041</td>
<td>2,198,829</td>
<td>4,737,212</td>
<td>47,372</td>
<td>2,789,793</td>
<td>245,948</td>
<td>7,328,429</td>
<td></td>
</tr>
</tbody>
</table>
159. Council noted that the Report highlights the following issues:

i) Mauritius had fully settled her 2019 assessed contributions;

ii) Egypt, Ethiopia, Kenya, Rwanda, Seychelles and Zambia had cleared their contributions up to 2018 and therefore have only the 2019 assessed contributions still outstanding and thus their unpaid contributions fall between 0 – 1 year;

iii) Somali and Tunisia who joined the Membership of COMESA in 2018 had no previous assessed contributions obligations and, therefore, have only the 2019 assessed contributions outstanding and thus their unpaid contributions fall between 0 – 1 year;

iv) Eritrea, Eswatini, Madagascar, Malawi and Zimbabwe paid their contributions up to 2017 and thus their unpaid contributions fall between 1 – 2 years; and

v) Burundi, Comoros, Democratic Republic of Congo, Djibouti, Libya, Sudan and Uganda who paid up their contributions ranging from 2013 to several years have arrears of over 2 years.

160. While seven Member States fully remitted their budgetary contributions towards the Court’s budget last year, five other Member States cleared their arrears up to 2017, other seven Member States had either remitted their last payments since 2016; 2014 and 2013 or had several years of arrears.

161. The Meeting noted that during the period under review the Court received a total amount of COM$151,268 and allocated towards servicing of arrears and this amount represented a 3.16% of arrears amounting to COM$4,784,544. Therefore, during the period under consideration no remittances were received towards the 2019 budget of the Court.

162. From the foregoing, remittances of budgetary contributions to the budget of the Court during the period under review has extremely underperformed and this has serious implications on the performance of the Court.

Decisions

163. Council approved that:

i) Commended Mauritius for remitting 2019 assessed contributions;

ii) Egypt, Ethiopia, Kenya, Rwanda, Seychelles and Zambia which had fully paid their contributions up to 2018 be commended and urged to clear their 2019 assessed contributions;
iii) Somali and Tunisia who joined the Membership of COMESA in 2018 and have only the 2019 assessed contributions outstanding, be urged to clear their 2019 assessed contributions;

iv) Eritrea, Eswatini, Malawi and Zimbabwe which paid their contributions up to 2017 be commended and urged to clear their arrears and the 2019 assessed contributions;

v) Uganda which paid her contributions up to 2016 be commended and urged to clear her arrears and 2019 assessed contributions;

vi) Sudan which effected payments in 2016 and cleared her arrears of several years up to 2013 and part of 2014 be commended and be urged to liquidate into cash transfers the balance of COM$272,899 which is still outstanding as credit advices on the account of the Court. Sudan be further urged to clear the remaining arrears and the 2019 assessed contributions;

vii) Madagascar be commended for proposing a repayment plan which was subsequently approved by the COMESA Authority in 2016 and for clearing her arrears up to 2017 and be urged to remit her 2018 arrears and 2019 assessed contribution;

viii) Libya which paid her contributions up to 2011, and whose current state is acknowledged, be urged to pay her arrears and the 2019 assessed contributions;

ix) Union of Comoros, which had arrears of several years be commended for paying part of her arrears and assessed contributions and be urged to pay her remaining arrears and the 2019 assessed contribution;

x) The Court should continue exploring new means and ways of following up on contributions payable by Member States;

xi) The Court, in consultation with Member States with arrears, should come up with proposals on how the concerned Member States could clear their arrears and current contributions; and

xii) The Court should continue its endeavor to mobilise resources especially for technical assistance and capacity building.
Part III: Africa Leather and Leather Institute

164. Council noted that the Report highlights the following issues:

(i) Status of remittance of assessed annual Member States contributions, as shown in Table 3 below:

Table 3: Status of remittance towards assessed annual Member States contributions (US$), as 11 March 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Balance at 31/12/2018 COM$</th>
<th>Assessment 2019 COM$</th>
<th>Balance as at 01/01/2019 COM$</th>
<th>Receipt the Year 2019 COM$</th>
<th>Balance as at 11th March 2019 COM$</th>
<th>Years in Arrears</th>
</tr>
</thead>
<tbody>
<tr>
<td>Djibouti</td>
<td>140,490.00</td>
<td>0</td>
<td>140,490.00</td>
<td>-</td>
<td>140,490.00</td>
<td>1993-2000</td>
</tr>
<tr>
<td>Burundi</td>
<td>105,996.64</td>
<td>30,388.00</td>
<td>136,384.64</td>
<td>-</td>
<td>136,385</td>
<td>2016-2019</td>
</tr>
<tr>
<td>Eritrea</td>
<td>458,86.04</td>
<td>61,932.00</td>
<td>107,818.04</td>
<td>0</td>
<td>107,818</td>
<td>2018-2019</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>24,922.43</td>
<td>330,306.00</td>
<td>355,228.43</td>
<td>0</td>
<td>355,228</td>
<td>2019</td>
</tr>
<tr>
<td>Kenya</td>
<td>-</td>
<td>330,306.00</td>
<td>330,306.00</td>
<td>-</td>
<td>330,306</td>
<td>2019</td>
</tr>
<tr>
<td>Malawi</td>
<td>-</td>
<td>48,390.00</td>
<td>48,391.00</td>
<td>0</td>
<td>48,390</td>
<td>2019</td>
</tr>
<tr>
<td>Rwanda</td>
<td>99,285.58</td>
<td>103,220.00</td>
<td>202,505.58</td>
<td>99,285.58</td>
<td>103,220</td>
<td>2019</td>
</tr>
<tr>
<td>Sudan</td>
<td>798,537.84</td>
<td>330,306.00</td>
<td>1,128,843.84</td>
<td>-</td>
<td>1,128,844</td>
<td>2015-2019</td>
</tr>
<tr>
<td>Uganda</td>
<td>196,951.4</td>
<td>94,467.00</td>
<td>291,418.40</td>
<td>-</td>
<td>291,418</td>
<td>2017 &amp; 2019</td>
</tr>
<tr>
<td>Zambia</td>
<td>(8,581.24)</td>
<td>138,398.00</td>
<td>129,816.76</td>
<td>-</td>
<td>129,817</td>
<td>2019</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>80,508.58</td>
<td>183,815.00</td>
<td>264,323.58</td>
<td>-</td>
<td>264,324</td>
<td>2018 &amp; 2019</td>
</tr>
<tr>
<td>Total</td>
<td><strong>1,483,997.27</strong></td>
<td><strong>1,651,528.00</strong></td>
<td><strong>3,135,525.27</strong></td>
<td><strong>99,285.58</strong></td>
<td><strong>3,036,240</strong></td>
<td></td>
</tr>
</tbody>
</table>

165. Council noted that in addition to the COMESA Treaty Article 174 (1 & 2) and Second and Fourth Summit of the COMESA Authority, the Institute's Charter ARTICLE 14(3) & (4) stated that:

“ARTICLE 14(3) & (4). The resource of the budget shall be derived from annual contributions of the ALLPI members and such other sources as may be determined by the Board of Directors. The contributions of the ALLPI members shall be based on the budget approved by the Board of Directors.”

“At least fifty per cent of the contributions due from each ALLPI member shall be paid within one month from the beginning of the financial year of the ALLPI.”

Discussions

166. Council noted the submission.
Decisions

167. **Council approved that:**

(i) Ethiopia, Kenya, Malawi, Rwanda and Zambia reminded to pay their current year 2019 Contribution before end of June 2019

(ii) Burundi, Eritrea, Uganda and Zimbabwe urged to pay their arrears and current year 2019 contribution before end of June 2019;

(iii) Sudan, who has paid only up to 2015 be encouraged to make repayment plan to settle her arrears on installment and updating the remaining balance with the current assessment.

(iv) Djibouti be urged to settle her arrears up to 2000.

Part IV: Non – compliance with Treaty Provisions and Decisions on Remittance of Assessed Contributions by Member States

168. The Secretariat discussed the challenges being faced by the non-remittance of assessed contributions by Member States, which included the following: -

(i) The continued dependence on Reserve Fund to finance COMESA programmes and activities;

(ii) The depletion of the Reserve Fund as arrears have built up;

(iii) Erosion of trust and confidence by Cooperating Partners, as non-remittance of contributions is translated as non-commitment of Member States to COMESA; and

(iv) If no contributions are received by 30 June 2019 the Reserve Fund will be depleted. Such a situation is not sustainable.

169. Council was informed that the total owed to the Secretariat amounted to COM$35,721,227, of which COM$18,093,874 related to financial years prior to 2019 and COM$17,489,545 related to the assessed contributions for 2019. Despite the Treaty provision requiring that 50% of these assessed contributions be paid by end of January 2019 and the balance to have been paid by 30 June 2019, only one Member State had paid COM$ 593,585.

170. Council was further informed that: -

(i) Six Member States (Burundi, Comoros, Democratic Republic of Congo, Djibouti, Libya and Uganda) have arrears which have been outstanding for more than two (2) years;
(ii) As per the Authority decisions on sanctions, the above Member States have fallen into the sanctions bracket; and

(iii) Sanctions should be applied consistently on all defaulting Member States with immediate effect;

**Decision**

171. **Council decided that:** -

(i) The Secretariat should consistently apply the sanctions, as approved by the Authority on all defaulting Member States with immediate effect;

(ii) The matter on non-remittance of assessed contributions should be escalated to the Bureau of the Authority; and

(iii) The draft report on resource mobilization strategy should be finalised. To this effect, Member States should submit their comments not later than 30 April 2019 as decided in November 2018.

**RE-APPOINTMENT OF TWO OFFICIALS TO THE BOARD OF COMMISSIONERS OF THE COMESA COMPETITION COMMISSION** *(Agenda Item 5)(e)*

172. Council considered the report, attached as Annex 5, on the Appointment of the Board of Commissioners for the COMESA Competition Commission (CCC).

173. Council noted that the current Board consisted of the maximum thirteen (13) Commissioners of whom eleven (11) were appointed for three-year terms effective from 15<sup>th</sup> July 2018 to 14<sup>th</sup> July 2021. Two (2) of the thirteen (13) Commissioners were appointed on 9<sup>th</sup> December 2015 and their first three year terms of office came to an end on 8<sup>th</sup> December 2018.

174. The two Commissioners whose terms of office ended on 8 December 2018 are eligible for reappointment for one more term of office in line with Article 14 of the Regulations which allow Commissioners to serve for a maximum of two terms.

175. At its 34<sup>th</sup> Meeting held in Addis Ababa, Ethiopia in March 2015, the COMESA Council of Ministers whilst appointing Commissioners to the Board of the Commission noted that the Commission had spent considerable human and financial resources in training and developing an internationally acceptable system on case determination and that it was not economical to re-commence the process of training new Commissioners when there were some who were eligible for reappointment.

176. As a result, the Council made a specific decision allowing the renewal of terms of office for those Commissioners who were eligible for reappointment on the Board as follows:
“i. All the members who have completed their tenure for the first time should have their term renewed for a further term of three years; ..........................................................”

177. Council noted that pursuant to the provisions of Article 14 of the Regulations and the above cited Council decision, the former Commissioners from DRC and Mauritius are eligible for reappointment as Commissioners on the Board of the Commission.

178. In order to facilitate the reappointment of the two Commissioners, the Secretary General of COMESA, received nominations from DRC and Mauritius for the two Commissioners’ to be reappointed by Council, as Commissioners on the Board of the Competition Commission.

Discussions

179. Council noted the submission.

Decision

180. Council approved the reappointment of two former Commissioners from DRC and Mauritius, who have served one term each.

181. The nominees listed in Table 4 below were therefore reappointed by the Council, as Commissioners on the Commission’s Board of Commissioners for a period of 3 years effective from 5 April 2019.

Table 4: Approved Reappointments to the Board of Commissioners

<table>
<thead>
<tr>
<th>Country</th>
<th>Nominee</th>
<th>Profession</th>
<th>Sex</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 DRC</td>
<td>Trudon Nzembela Kalala</td>
<td>Chemist Deputy Coordinator of the National Competition Authority of DRC</td>
<td>M</td>
<td>1st Term Expired</td>
</tr>
<tr>
<td>2 Mauritius</td>
<td>Deshmuk Kowlessur</td>
<td>Economist Executive Director, Competition Commission of Mauritius</td>
<td>M</td>
<td>1st Term Expired</td>
</tr>
</tbody>
</table>

BRIEF ON THE CONSTRUCTION OF THE NEW COMESA HEADQUARTERS (Agenda Item 5(f))

182. Council received a brief on the construction of COMESA Headquarters, attached as Annex 6.

183. Council recalled the following decisions of the Thirty Ninth Meeting of the Council of Ministers (Administrative and Budgetary Matters) held in Lusaka, Zambia on 25 November 2018: -
That Member States provide their feedback on documents which were directed by Council to be submitted to them, by end of February 2019; and

That based on the contributions received from Member States, the Secretariat convenes the Technical Committee established by Council to reconsider the project, its project costs and funding on the proposed headquarters by end of April 2019.

184. The Secretariat informed the Council that by the end of February 2019, only one Member State, namely, Mauritius had submitted its comments. The Secretariat accordingly called for the meeting of the Technical Committee from 21 to 22 March 2019. However due to lack of confirmations from the Members States the meeting could not be held.

185. Council recalled Authority decisions regarding the delivery of the COMESA Headquarters, as outlined below: -

July 2018 Authority decisions
(i) Commended the Republic of Zambia for the ten-acre land granted for the development of the new COMESA Headquarters and the continued support for its consideration

(ii) Expressed gratitude to the Republic of Zambia for providing the sovereign guarantee for the construction of the new COMESA Headquarters.

(iii) Directed the Technical Committee on the Construction of the New COMESA Headquarters to consider the financing documents and oversee the implementation of the project.

186. Council observed that: -

(i) COMESA Secretariat should benchmark its processes regarding coming up with COMESA headquarters with other comparable RECs, specifically EAC and SADC; and

(ii) COMESA should utilize the Technical Committee comprising of experts from Member States. These experts should then examine all other options of delivery of the project including commercialization. These processes should be completed by end of June 2019.

(iii) Member States provide their feedback on documents which were directed by Council to be submitted to them by end of June 2019; and

(iv) Based on the contributions received from Member States, the Secretariat convenes the Technical Committee established by Council to reconsider the project, its project costs and funding on the proposed headquarters.
(v) Delegated the COMESA Council of Ministers to consider the report of the Technical Committee on the New COMESA Headquarters and take appropriate decisions in relation to the construction of the new headquarters.

(vi) Further directed that the Technical Committee on the New COMESA Headquarters should be expanded to include all Member States.

(vii) Directed the Secretariat to provide Member States with all information.

Discussions

187. Council noted that in line with the Authority decision of July 2018 the composition of the Technical Committee originally made up of 7 Member States (D.R Congo, Egypt, Ethiopia, Madagascar, Sudan, Uganda and Zambia) was extended to the entire membership of COMESA.

188. Council further noted the challenge faced by the Secretariat to convene the Technical Committee Meeting of all Member States.

189. **Council decided that a Sub Committee of the expanded Technical Committee be constituted by D.R Congo, Egypt, Ethiopia, Madagascar, Sudan, Uganda and Zambia, who will submit their report to the full Technical Committee.**

190. **The Sub Committee to consider report as directed by the Authority and to submit their report to the Technical Committee.**

Decisions

191. **Council further decided that the Secretary General: -**

   (i) **Designate a focal point within the COMESA Secretariat to facilitate processes, including communications regarding implementation of decisions relating to the delivery of the COMESA HQ project; and**

   (ii) **fully optimize utilization of its resource mobilization capacity, including exploring how this capacity can assist in raising of funds towards the delivery of COMESA Headquarters.**

Any Other Business (Agenda item 6)

a) **COMESA Business Council**

192. The Meeting was informed that the Government of Kenya in conjunction with COMESA Secretariat and COMESA Business Council were organizing an event called
Source 21 Trade Fair on 17 – 20 July in Nairobi, Kenya. The event will combine both an exhibition and workshops. Member States and other stakeholders were invited to attend.

193. Council noted the information.

Decisions

194. Council urged Member States: -

(i) To participate in the Source 21 COMESA International Trade Fair and High-Level Business Summit on 17 - 20 July 2019; and

(ii) Ensure that their countries are represented at their national pavilions through participation by the relevant national Export Promotion Bodies and Private Sector.

b) COMESA Vision for the future

195. Mauritius noted that all other comparable RECs have vision for the future in line with AU Agenda 2063. Mauritius requested COMESA to explore a possibility of clarifying its vision.

196. Council concurred with Mauritius on the matter and noted that a future of COMESA is within the Tripartite Framework. Given this, there is an urgent need to work on COMESA structural weaknesses to take full advantage of opportunities afforded by the Tripartite Framework.

Decision

197. Council directed the COMESA Secretariat to facilitate consultations in COMESA leading to the preparation and approval of COMESA VISION, in line with the AU Agenda 2063.

c) Invasion of fall Army Worms

198. Mauritius informed Council that its maize cultivation has been hit by the emergence of fall army worms. As of to date, maize culture in 25 localities have been destroyed. Given the foregoing, it is feared that at the rate of current proliferation, the army worms may turn to the sugarcane cultivation.

199. Mauritius appealed to COMESA Secretariat and Member States, which have faced similar natural disaster of fall army worm attacks to provide technical assistance towards the containment of this scourge.
**Decision**

200. **Council urged COMESA Secretariat and Member States to support Mauritius in containing and addressing the invasion of fall army worms.**

    d) **Decolonization of Mauritius**

201. Mauritius informed the Council about the favourable advisory opinion tendered by the UN International Court of Justice in respect of the legal consequences of the separation of Chagos Archipelago from Mauritius prior to independence. This Advisory Opinion is a historic milestone in the long-standing struggle to complete the decolonization of not only Mauritius, but also Africa. It also constitutes a significant contribution to the promotion of human rights, self-determination and the international rule of law.

202. Mauritius appreciates support it has received from COMESA Member States on this important matter and requested for their continued support on the forthcoming resolution that will be submitted and considered to the UN.

203. The statement by the Head of Delegation of Mauritius on the advisory opinion tendered by the UN International Court of Justice is attached as Annex 7.

204. **Council extended its continued support to Mauritius in completing the decolonization of Africa.**

205. **Council commended Mauritius on achieving a favourable advisory opinion tendered by the UN International Court of Justice.**

    e) **2nd Edition of the Ministerial Conference on Maritime Security**

206. Mauritius informed the Council that it will be organising a Ministerial Meeting on Maritime Security on 18 – 19 June 2019, which will be followed by the 22nd Session of the International Contact Group on Piracy-off the Coast of Somalia (ICGPS) on 20 June 2019.

207. Mauritius extended an invitation to the Secretary General of COMESA and COMESA Member States to these important meetings.

    f) **Regional Multi-Disciplinary Centre of Excellence (RMCE)**

208. Mauritius informed the Council that the COMESA Secretariat is yet to advise of the replacement of former Secretary General of the Common Market, who was also a Member of Board of Directors of the RMCE.

209. Mauritius invited the Secretary General to effect a visit to RMCE on this matter, with a view to proposing a new Road Map for the Centre.
g) COMESA Strategic plan for its Island Member States

210. Mauritius noted that since the establishment of the Strategic Plan for its Island Member States, there has been no progress towards its implementation. Mauritius requested for an early meeting on the matter to come with an implementation Road Map and Strategies.

h) Blue Economy

211. Council noted appreciation from Seychelles on the inclusion of the Blue Economy as part of the COMESA Strategic Plan 2016-2020. The Seychelles Government wishes to propose key areas for action through the COMESA Secretariat and Member States, in an effort to further develop this concept into tangible outputs.

212. In this regard, Council welcomes the presentation made by Seychelles to COMESA Member States with a focus on the means through which Member States and the Secretariat can together support the sustainable development of COMESA's Blue Economy. On a more specific note, Seychelles would like to explore opportunities to work closely with the COMESA Secretariat to:

(i) devise concrete programmes and projects that relate to the Blue Economy; and

(ii) for the Secretariat to facilitate the organization of a blue economy workshop for COMESA Member States.

213. The announcement made by the Head of Delegation of Seychelles is attached as Annex 8.

i) COMESA Coordinating Ministry in Ethiopia

214. Ethiopia informed the Council that COMESA Coordinating Ministry has been moved from Ministry of Finance to the Ministry of Trade and Industry.

215. Ethiopia further informed the Council that it is enhancing small scale cross-border trade and requested support on COMESA Simplified Trade Regime, from both Member States and COMESA Secretariat.

j) World Conference on Gum Arabic

216. Sudan informed the Council that it is hosting a World Conference on Gum Arabic organized jointly with UNCTAD on 1-3 May 2019 and requested the COMESA Secretariat to widely publicize the event, which will enhance Regional Integration and Cooperation.
k) Farewell message from the out-going Chief Executive Officer of FEMCOM

217. The out-going CEO of FEMCOM, Mrs. Katherine Ichoya, made a statement to Council as this was her last meeting before retiring in June 2019. She informed Council that she has served COMESA since 1998, beginning at the level of P2 as a Gender Expert and rising to P5 as the FEMCOM CEO. In this regard, she thanked Council for the support to her and to FEMCOM as well as gender programmes in general. During her tenure, she contributed to the following achievements: COMESA Gender Policy, First Ladies Round Table, Regional and National Trade Fairs and establishment of FEMCOM. She paid a glowing tribute to the Secretariat and her staff for supporting her, to the Government of Malawi for providing FEMCOM with office space and 10 acres of land for construction of its headquarters. She appreciated the support given to her by the Secretaries General of COMESA particularly Ms. Chileshe Mpundu Kapwepwe as the first female Secretary General of COMESA and pledged to continue supporting her. Finally, she thanked the Zambian Government for the care to her all these years and for supporting Women in Business.

ADOPTION OF THE REPORT AND CLOSURE OF THE MEETING (Agenda Item 7)


219. The Chairperson thanked the Secretariat for organizing the meeting and the Government of Zambia for hosting.

220. The Chairperson also thanked all delegations for their participation and constructive engagement in the deliberations of the meeting and declared the meeting closed.

<table>
<thead>
<tr>
<th>Hon. Rakotomalala Lantosoa</th>
<th>His Excellency Hussein Awad</th>
<th>Mr Mussie Mindaye,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minister of Industry, Trade and Handicraft</td>
<td>Ambassador of Sudan to Zambia</td>
<td>Director General Ministry of Trade and Industry</td>
</tr>
<tr>
<td>Madagascar</td>
<td>Sudan</td>
<td>Ethiopia</td>
</tr>
<tr>
<td>Chairperson</td>
<td>Vice Chairperson</td>
<td>Rapporteur</td>
</tr>
</tbody>
</table>
List of Participants
Liste des participants

Burundi

Mr George Berahino, Charge d’Affairs, Embassy of Burundi, Lusaka, Zambia, Tel: +260 979773906, Email: ambabulskabi@gmail.com

DR Congo/ RD Congo

S. E Mme Chantal Konji Maloba, Ambassador, DR Congo Embassy in Zambia, B P 31287, Lusaka Tel: +260 955753783, Email: malobachancy@gmail.com

M. Christian Bhimanga wa Kazadi, 1er Conseiller d’ambassade en charge de COMESA, Ministère des Affaires Etrangères, Embassade de la République du Congo, Lusaka, Tel: +260 761836119, Email: christiantshimanga1968@gmail.com

Mlle. Bibiche Saidi Lubuya, Attache charge de COMESA et SADC, Ministère des Affaires Etrangères, Embassade de la République du Congo, Tel: +260 977882768, Email: bibichesaidi65@gmail.com

Egypt/ Egypte

Ambassador, Dr Magda Shahin, Senior Adviser to Minister of Trade and Industry, Latin America St, (7th Floor, Garden City, Cairo, Egypt, Cell: +201001111244, Email: magdashahin@aucegypt.edu

H.E. Mr. Ahmed Mostafa, Ambassador of Egypt to Zambia and Permanent Representative to COMESA, Embassy of Egypt, P.O. Box 32428, Lusaka, Zambia, Tel: +260 977 770301, Fax: +260 211 251536, Fax: +260(211) 254149 Email: ahmedmostafa.35@yahoo.com

Mr Tarek Kashwaa, Chief of the Minister’s Cabinet, Ministry of Trade and Industry, Email: tps-cabinet@mti.gov.eg

Ms Banan ElSalamony, Consul, Embassy of Arab Republic of Egypt, Lusaka, Zambia, Tel: +260 97502486, Cell: +260 975021480, Email: bana.salamony@gmail.com

Mr Ahmed Edieb, Head of Commercial Office, Lusaka, Ministry of Trade and Industry, Tel: +260962466484, Email: lusaka@ecs.gov.eg

Hosam Eldine Reda, Head of African Organisations Affairs, Ministry of Foreign Affairs, Egypt
Eswatini

Honourable Manqoba Khumalo, Minister of Commerce, Industry and Trade, Ministry of Commerce, Industry and Trade, P O Box 451, Mbabane, Tel: +268 24043201/2/34, Email: mangoba1971@gmail.com

Ms Portia Dlamini, Senior Trade Policy Analyst, Ministry of Commerce Industry and Trade, P O Box 451, Mbabane, Tel: +268 24043833, Email: portiakd@hotmail.com

Ethiopia

Mr Mussie Mindaye, Director General (on behalf of the Minister), Ministry of Trade and Industry, P O Box 704, Tel: +251 5528806, Email: mindaye.mussie@gmail.com

Mr Firku Tadesse, Director, Bilateral and Regional Trade Relations and Negotiation Directorate, Ministry of Trade and Industry, P O Box 704, Addis Ababa, Ethiopia, Tel: +251 222457, Email: firkutadesse@gmail.com

Kenya

H. E. Sophie Kombe, High Commissioner, Kenya High Commission, 5207 United Nations Avenue, Tel: +260 978842479, Email: skkombe03@gmail.com

Mr. Boniface M. Makau, Assistant Director, Ministry of Industry, Trade and Cooperatives, P.O. Box 30430-00100, Nairobi – Kenya, Tel: +254 721975156, Email: b_makau@yahoo.co.uk

Mrs. Helen N. O. Kenani, Assistant Director, State Department of Trade, P.O. Box 30430(00200) Nairobi, Tel: +254 724371341, Fax: +254 20 310983, Email: kenanihelen@gmail.com

Mrs. Siti Mohamed, Second Counsellor, Kenya High Commission, P. O. Box 5078, UN Avenue Lusaka, Tel: +260 973076123, Email: sitimbwadumia@gmail.com

Mrs. Jane Ndurumo, Second Counselor, Kenya High Commission, 5207 United Nations Avenue, Tel: +260 971169906, Email: jnwkario@gmail.com

Madagascar

Honourable Rakotomalala Lantosoa, Minister for Trade, Industry and Handicraft, Ministry of Trade, Industry and Handicraft, Ambohidaly, Antananarivo, Email: sp@mcc.mg

Mr Rarivojaona Andrainirina Njara, Director General De la Concurrence, Ministry du Commerce, Rue Wast Ravelonoria Tana Loy, Tel: +261340551303, Email: jgcc@mcc.gov.mg; andrianirina80@gmail.com
Malawi

Honourable Francis Kasaila, Minister of Industry, Trade and Tourism, P O Box 30366, Lilongwe 3, Tel: +265 991420172, Email: flkasaila@gmail.com

H. E. Warren Gunda, High Commissioner, Malawi High Commission, Pandit Nehru Road, P O Box 50425, Lusaka, Tel: +260 211 365268, Email: mhcomm@iwayafrica.com

Dr Joseph C. N. Mkandawire, Director of Administration and Finance, Ministry of Industry, Trade and Tourism, P O Box 30366, Lilongwe, Tel: +265 288546109, Email: mkandawiremsl@yahoo.com

Ms Ellen Lusinje, P O Box 50425, Lusaka, Tel: +260 970177521, Email: lusinjeellen@yahoo.com

Mr. Kelphas Mvula, Ministry of Industry, Trade and Tourism, P.O. Box 30366, Lilongwe 3, Tel: +265 999277024, Email: kelphas.m@gmail.com

Ms. Ellen Lusinje, Malawi High Commission, P.O. Box 50429, Lusaka – Zambia, Tel: +260 970177521, Email: lusinjeellen@yahoo.com

Mauritius/ Maurice

Mr Mooniswar Dev Phokeer, Director Cooperation, Ministry of Foreign Affairs Regional Integration and International Trade, 9th Newton Tower, Sir William Newton Street, Port Louis, Tel: +230 52596294, Email: mphokeer@govmu.org

H. E. Jean Pierre Jhumun, High Commissioner, Ministry of Foreign Affairs, Port Louis, Mauritius, Tel: +258 823 080 738, Email: jeanpierrejhumun@gmail.com

Rwanda

Honourable Ms Soraya Hakuziyarwemye, Minister, Ministry of Trade and Industry, P O Box 73, Kigali, Tel: +250 788308381, Email: shakuziyarwemye@gov.rw

Ambassador Monique Mukaruliza, Rwanda High Commissioner to Zambia, Plot 10818, Lake Roadd, Kabulonga, Lusaka, Tel: +260 962 457 556, Email: mmukaruliza@minaffet.gov.rw;

Ms Mukarugwiza Laurence, External Trade Policy Specialist, Ministry of Trade and Industry, Box 73 Kigali, Tel: +250788762846, Email: lmukarugwiza@minicom.gov.rw; laurence307@gmail.com

Seychelles

Mr Kenneth Racombo, Principal Secretary, Office of the Vice President, Ouaji Trade Centre, 3rd Floor, Victoria, Tel: +248 4326200, Email: kracombo@statehouse.gov.sc
Mr Marco Larsen, Second Secretary, Department of Foreign Affairs, Maison Queau de Quinssy Mont Fleuri, Tel: +2484283500, Email: mlarsen@mfa.gov.sc

Mr Terry Rose, Second Secretary, Seychelles High Commission – Pretoria, P.O. 169 Gaistrutein, Tel: +27123480270, Email: trose@seychelleshc.co.za

Mr. Gamini Herath, Auditor General, Block C, Clinty House, Tel: +248 2723083, Email: auditgen@oag.sc

Sudan/ Soudan

H. E. Hussein Awad Ali, Ambassador, Sudan Embassy, Lusaka, Tel: +260 955566077, Email: sudemblsk@gmail.com

Abdelhafiz F. B. Alabbas, Director, ERA Sudan, Email: abutina007@hotmail.com

Uganda / Ouganda

Honourable Amelia Anne Kyambadde, Minister, Ministry of Trade, Industry, Cooperatives, P O Box 7162, Kampala, Uganda, Tel: +256 700161214, Email: anne.kyambadde@gmail.com

Ambassador Richard Kabonero, Permanent Representative to COMESA, High Commissioner Plot 25 Msasani Road, Oysterbay, P.O. Box 6237, Dar-es-Salaam, Tanzania, Tel: +255699818181, Email: rkabonero@gmail.com

Mr. Silver Ojakol, Commissioner – External Trade, Ministry of Trade, Industry and Cooperatives, 6/8 Parliament Avenue, P.O. Box 7103, Kampala, Tel: +256 414 230916, Email: ojakols@hotmail.com

Mr Steven Kamukama, Principal Commercial Officer, Ministry of Trade Industry and Cooperatives, Box 7103, Kampala, Tel: +256772524846, Email: kamusteve@yahoo.co.uk

Mr. George Nyeko Latim, PA to Minister, Ministry of Trade Industry and Cooperatives, Box 7103, Kampala, Tel: +256 716666111, Email: nlatim@yahoo.com

Mr. Apaa Okello Jimmy, Deputy Director Econ/Research, bank of Uganda, P.O. Box 7120, Kampala, Tel: +256 702 758609, Email: japaa@bou.v.ug

Ms. Annet Mbabazi, State Attorney, Ministry of Justice & Constitutional Affairs, P.O. Box 7183, Kampala, + 256 772 659203, Email: b_taga@yahoo.com
Zambia/ Zambie

Honourable Christopher B. Yaluma, Minister of Commerce, Trade and Industry, P O Box 31968, Lusaka, Email:

Mrs Kayula Siame, Permanent Secretary, Ministry of Commerce, Trade and Industry, P O Box 31968, Tel: +260 211 223617, Email: kayula2013@gmail.com

Mrs Lilian Bwalya, Director – Foreign Trade, Ministry of Commerce, Trade and Industry, P O Box 31968, Tel: +260 211 224115, Email: lillian_sabe@yahoo.com

Mr Francis Mbewe, Director, Public Debt and Investments, Auditor General’s Office, P O Box 50071, Lusaka, Tel: +260 978622580, Email: mbewefj70@yahoo.com

Mr Reuben Kunda, Zambia Revenue Authority, P O Box 35710, Lusaka, Tel: +260 955453137, Email: kundar@zra.org.zm

Mr Titus Mumba, Senior Economist, Ministry of Foreign Affairs, P O Box 50069, Lusaka, Tel: +260 961699969, Email: mumbatitus@yahoo.com

Mrs Maluba S. Sinyambo, Trade and Investment Promotion Officer, Ministry of Commerce, Trade and Industry, P O Box 31968, Tel: +260 211 224115, Email: maluba.sikopo@mcti.gov.zm; malubasikopo@gmail.com

Mr Philip Soko, Economist, Ministry of Commerce, Trade and Industry, P O Box 31968, Tel: +260 950215481, Email: sokophilip47@gmail.com

Mr Titus Nxumalo, Trade Advisor, Ministry of Commerce, Trade and Industry, P O Box 31968, Tel: +260 97737476, Email: nxumaloti@hotmail.com

Mr Reuben B. Mubanga, Protocol Officer, Ministry of Commerce, Trade and Industry, P O Box 31968, Tel: +260 979309626, oria1970@yahoo.co.uk

Ms Tasha Chama, Public Relations Assistant, Ministry of Commerce, Trade and Industry, P O Box 31968, Tel: +260 972962436, Email: chamatasha@gmail.com

Ms Esther Phiri, Intern – Economist, Ministry of Commerce, Trade and Industry, Tel: +260 978212079, Email: esther.takondwa@mcti.gov.zm / asterphiri1993@gmail.com

Zimbabwe

Honourable Nqobizitha Ndlovu, Minister of Industry and Commerce, Ministry of Industry and Commerce, 13th Floor, Mukwati Building, Cnr Livingstone Avenue, 35th Street, Harare, Tel: +263 (0242) 796498, Email: ngostahh@gmail.com
Her Excellency Getrude R Takawira, Ambassador, Embassy of Zimbabwe and Permanent Representative to COMESA, P.O. Box 33491, Lusaka, Tel: +260 211 254006, Fax: +260 21 254046, E-mail: zimlusaka@zimfa.gov.zw, takawiragert@gmail.com

Mrs Rheah Kujinga, Deputy Auditor General, Auditor General’s Office, P O Box CY 143, Harare, Tel: +263 776069256, Email: kujingarheah@gmail.com

Mr. Kindon Gandanga, Deputy Director, Ministry of Foreign Affairs and International Trade, Tel: +263 772242940, Email: kgandanga@yahoo.com / kindgandaga@gmail.com

Ms. Kalolin Chituri, Chief Accountant, Ministry of Industry and Commerce, CY 7708, Harare, Tel: +263 4 255628/0712875789, Email: kchiturikem@gmail.com

Ms. Patricia Mangwanda, Counsellor, Embassy of Zimbabwe, 11058, Haile Selassie Road, P O Box 33491 Longacres, Lusaka, Tel: 260 971 627 303, Email: zimlusaka@zimfa.gov.zw; mangwanda@zimfa.gov.zw

Mr. Stephen Chiname, Principal Economist, Ministry of Foreign Affairs and Int’l Trade, Tel: 263 772957093, Email: stephenchiname@gmail.com

Mr Isheanesu Chituku, Economist, Ministry of Industry and Commerce, CY 7708, Harare, Tel: +263 775501520, Email: ichituku@gmail.com

Mr Raynold Mawerera, Personal Advisor to the Minister, Ministry of Industry and Commerce, Tel: +263 774508069, Email: ray.mawerera@gmail.com

Mrs. Patience Mhandu, Principal Administrative Officer, Ministry of Foreign Affairs and International Trade, Tel: +263 773223003, Email: sadczim@zimfa.gov.zw

COMESA Board of External Auditors (COBEA)

Ms Kiyago Generose, State Inspector General, B P 102, Bujumbura, Burundi, Tel: +257 69366824, Email: kiyagene@yahoo.fr

Mr Prosper Karorero, Senior State Inspector, State Inspection General, B P 102, Bunjumbura, Burundi, Tel: +257 68330709

COMESA Court of Justice

Honourable Justice Lombe Chibesakunda, Email: lpchibesakunda@yahoo.com

Ms Nyambura Mbatia, Registrar, P O Box 12222, Khartoum, Sudan, Tel: +249 993456056, Email: nmbatia@comesa.int

Mr Simukuka Kayama, Administration and Finance Officer, Email: skayama@comesa.int
FEMCOM

Mrs. Katherine N. Ichoya, CEO – FEMCOM, Federation of National Association of Women in Business in East & Southern Africa, Box 1499 Lilongwe – Malawi, Tel: +265 999449096, Email: kichoya@comesa.int / kichoya@gmail.com

Mr Chikakula Miti, Program Manager, Zimbabwe House, P.O. Box 1499, Email: cmiti@comesa.int

Mr Mackson Phiri, Zimbabwe House, P O Box 1499, Lilongwe, Tel: +265 999336093, Email: mphiri@comesa.int

COMESA COMPETITION COMMISSION (CCC)

Mr George Lipimile, Director and Chief Executive Officer, COMESA Competition Commission, P.O. Box 30742, Lilongwe 3, Malawi, Tel:+265 991 320088, Email: glipimile@comesa.int

Ms. Mary Gurure, Manager, Legal Services and Compliance, COMESA Competition Commission, P.O. Box 30742, Lilongwe 3, Malawi, Tel: +265 997 405 158, Email: mgurure@comesa.int

COOPERATING PARTNERS

Czech Republic

H. E. Radek Rubes, Email: lusaka@emabssy.mzu.cz

European Union

H. E. Mr. Alessandro Mariani, Ambassador and Head of EU Delegation, Delegation of the European Union to Zambia and to COMESA, Plot 4899, Los Angeles Boulevard, P O Box 34871, LUSAKA, Tel: +260 211 255583, Email: delegation-zambia@eeas.europa.eu

Ms. Betty Diana Vargyas, Economic Advisor, European Union, Plot 4899, Los Angeles Boulevard, P O Box 34871, LUSAKA,

Germany

H. E. Achim Burkart, Ambassador, Germany Embassy, Lusaka, Email: achim.burkart@diplo.de
France

H. E. Sylvain Berger, Ambassador & Special Representative to COMESA, Embassy of the Republic of France, P.O. Box 30062, LUSAKA, Tel: +260 211 251322 / 0977 771 533

Japan

H. E. Shingo Matai, Embassy of Japan, Lusaka, Tel: 0211 – 251555 / 097 8 750316, Email: shingo.matai@mofa.go.jp

Nigeria

Ambassador Mohammad Kabir Umar, Ambassador, Nigeria High Commission, LUSAKA, Zambia, Tel:096 2160992, Email: h_mohdkabir@yahoo.com; Kabirumarmicy@gmail.com

Turkey

Her Excellency Mrs. Sebnem Incesu, Ambassador of the Republic of Turkey to Zambia, Ministry of Foreign Affairs, 5208 United Nations Avenue, Longacres, Tel: +260 211 258341, Fax: +260 211 258345, Email: sincesu@mfa.gov.tr

Palestine

H.E. Dr. Walid Hasan, Ambassador, Embassy of the state of Palestine, D/10/377A Chitemwiko Close, Kabulonga, Lusaka, Zambia, Tel: 00 260 971404001, Email: walidh200@gmail.com

World Bank

Mr. Henry Sichembe, FCI – Consultant, World Bank Group, Tel: +260 211 373266, Email: hsichembe@worldbank.org
Njembezi Munga, Trade Specialist, World Bank Group, Tel: +260 964 298015

Saudi Arabia

H. E. Abdulaziz Alqahtani, Charge d’affairs, Tel 095 3311381, Email: AAAAlqahtani@mofa.gov.sa

Serbia

H. E. Mr Vladimir Odavic, Charge d’Affairs, Embassy of the Republic of Serbia, Independence Avenue 5216, P.O. Box 33379, LUSAKA, Tel: +260 211 250235, Email: serbianemb.lusaka@gmail.com; serbia.lusaka@iconnect.zm
Russia

H. E. Mr Konstantin Kozhanov, Ambassador and Special Representative to COMESA, Embassy of Russia, Plot 6407, Diplomatic Triangle, LUSAKA, Tel: +260 211 252120, Email: embrus@coppernet.zm.embrus@zamnet.zm

Igor Shvetsov, Executive Assistant to the Ambassador, Embassy of Russia, Plot 6407, Diplomatic Triangle, LUSAKA, Tel: +260 211 252120, Email: i.shvetsov@gmail.com

COMESA SECRETARIAT, BEN BELLA ROAD, P.O. BOX 30051, LUSAKA, ZAMBIA, TEL: +260 211 229725/32, FAX: +260 211 225107

Her Excellency Chileshe Mpundu Kapwepwe, Secretary General, Email: Ckapwepwe@comesa.int
Ambassador Dr. Kipyego Cheluget, Assistant Secretary General (P), Email: kcheluget@comesa.int
Dr. Dev Haman, Assistant Secretary General (Administration & Finance), Email: Dhaman@comesa.int
Dr. Francis Mangeni, Director, Trade and Customs, Email: FMangeni@comesa.int
Martha Elimu, Director of Human Resources and Administration, E-mail: melimu@comesa.int
Mr. Clement Kanyama, Director of Budget and Finance, E-mail: ckanyama@comesa.int
Ms. Lanka Dorby, Director Information and Networking, Email: LDorby@comesa.int
Mr. Jean B. Mutabazi, Director, Infrastructure and Logistics, Email: Bmutabazi@comesa.int
Mrs. Beatrice Hamusonde, Director, Gender and Social Affairs, Email: Bhamusonde@comesa.int
Ms. Haifa Mustafa, Chief Human Resources and Management Services, Email: HMustafa@comesa.int
Mrs. Auleria Olunga, Chief Internal Auditor, Email: aolunga@comesa.int
Dr. Alick Mhizha, Chief of Conferences, Email: AMhizha@comesa.int
Mr. Berhane Giday, Chief Program Officer, Email: BGiday@comesa.int
Ms. Sandra Uwera, Chief Executive Officer, Email: Suwera@comesa.int
Mr Walter Talma, USAID Coordinator, Email: wtalma@comesa.int
Dr. Seif Mohamedain Seif Elnasr, CEO, RAERESA, Email: SeifElnasr@comesa.int
Mr. Simal Amor, Chief Strategic PR Coordinator, Email: SAmor@comesa.int
Mr. Mwangi Gakunga, Head Corporate Communications, Email: MGakunga@comesa.int
Mr. Gabriel Masuku, Legal Affairs Officer, Email: Gmasuku@comesa.int
Ms. Joyce Kamau, Human Resource Officer, Email: jkamau@comesa.int
Mr. Benedict Musengele, Email: Bmusengele@comesa.int
Mr. Debebe Tamene, Email: Dtamane@comesa.int
Mr. Themba Munalula, Email: Tmunalula@comesa.int
Mr. Anthony Walakira, Small Scale Cross Border Trade Expert, Email: AWalakira@comesa.int
Mr. Willson Chizebuka, ADP Expert, Email: Wchizebuka@comesa.int
Mr. Mohamed Salama, Arabic Translator, Email: MSalama@comesa.int
Dr. Yoseph Mamo, Email: Ymamo@comesa.int
Mrs. Cissy Kirambaire, Email: Ckirambaire@comesa.int
Mr. Joshua Amolo, System Analyst, Jamolo@comesa.int
Mr. Mahmoud Mohammed, System Analyst, Mmohammed@comesa.int
Mr. Willis Osemo, Web Master, Email: Wosemo@comesa.int
Mr. Phakamile Keswa, Networks, Email: PKeswa@comesa.int
Mr. Paige Zulu, Systems and Network Engineer, Email: Pzulu@comesa.int
Mr. Arthur Zulu, IT Support, Email: AZulu@comesa.int
Mr. Deogratias Kamweya, Email: Dkamweya@yahoo.com
Ms. Mshuka Kamwela, EDF Programme Manager, Email: mkamwela@comesa.int
Dr John Mukuka, Seed Development Expert, ACTESA, Email: jomukuka@comesa.int
Mr Joel Okwir, Agricultural Economist, Email: jokwir@comesa.int
Ms. Martha Byanyima, SPS Expert, Email: MBbyanyima@comesa.int
Ms. Elizabeth Mutunga, Head GPS, Email: Emutunga@comesa.int
Ms. Kudzanai Nyagweta, Legal Officer, Email: Knyagweta@comesa.int
Ms Moreblessing Barker, Infrastructure Expert, Email: mbarker@comesa.int
Mrs. Mekia M Redi, Senior Gender Mainstreaming Officer, Email: mredi@comesa.int
Ms Kudzai Madzivanyika, Business Policy and Programs Manager, Email: kmadzivanyika@comesa.int
Mr. Gordon Jeranyama, Finance Officer, Email: gjeranyama@comesa.int
Mr. Xavier Bakunzi, Finance, Email: Xbakunzi@comesa.int
Mr. Simon Oswan, Monitoring and Evaluation Expert, Email: soswan@comesa.int
Mrs. Zoya Munshya Masocha, Head of Treasury, Email: Zmasocha@comesa.int
Mr. Kabungo M. Nzima, Finance Expert, Email: kmkasanga@comesa.int
Ms. Sandra Chola, General Services Officer, Email: Schola@comesa.int
Mrs. Nalishebo Sinyangwe, Senior Finance Assistant, Email: nsinyangwe@comesa.int
Ms. Katende Chelemu, Finance Expert, Email: kchelemu@comesa.int
Mr. Ahmed Yasin Salih, Customs Expert, Email: asalih@comesa.int
Mr. Julien Razafintsalama, Email: Jrafins@comesa.int
Mrs. Mekia Redi, Email: Mredi@comesa.int
Mrs. Andjouza Ahamada, Email: Ahamanda@comesa.int
Mrs. Hope Situmbeko, COMaid/RISM Coordinator, Hsitumbeko@comesa.int
Mr. Mwiinga Mwiinga Email: Mmwiinga@comesa.int
Mr. Innocent Makwiramiti, Imakwiramiti@comesa.int
Mr. Joseph Mpunga, Email: Jmpunga@comesa.int
Mr. Daniel Banda, Corporate Communications Assistant, Email: Dbanda@comesa.int
Mrs. Muzinge N. Chibomba, Corporate Communications Assistant, Email: mnambito@comesa.int
Mr. Phil Kambafwile, Corporate Communications Assistant
Ms. Ketamalala Andrianiaina, French Translator, Email: Kandrianiaina@comesa.int
Mr. Mohammed Salama, Arabic Translator, Email: Msalama@comesa.int
Mr. Yasser Amer Ahmed, Arabic Translator, Email: Yamer@comesa.int
Mr. Saul Sichalama, Human Resources Assistant, ssichalama@comesa.int
Mrs. Susan M Zulu, Senior Administrative Assistant: szulu@comesa.int
Ms Lydia Mulenga, Administrative Assistant, Email: lmulenga@comesa.int
Ms. Nengela Nalamo, Administrative Assistant, Nnalamo@comesa.int
Ms. Monde Ngenda, Administrative Assistant, Email: mvngenda@comesa.int
Ms. Ruth Limbambala, Administrative Assistant, Email: Rlimbambala@comesa.int
Mrs. Maha Ahmed, Arabic Secretary, MAhmed@comesa.int
Ms Eliya Mumba, Secretary, Email: elmumba@comesa.int
Mrs. Helen C. Musonda, Secretary, Email: Hmusonda@comesa.int
Mr Levy Mkandawire, Documentation, Email: Imkandawire@comesa.int
Mr. John Nkhata, Senior Documentation Assistant, Email: jnkhata@comesa.int
Mr Sepo Nalumino, Intern Legal, Email: snalumino@comesa.int
Mr. Lennon J Habbenzu, Intern Trade, Email: lennonhabeenzu@gmail.com
Ms. Idah Tembo, Intern Procurement, Email: itembo@comesa.int

Interpreters

Dr Gerald Chishiba, Bilingual Conference Interpreter, University of Zambia, P O Box 32379, Tel: +260 979671413, Email: geraldchishiba@yahoo.co.uk

Mr Fidel Kanika, Bilingual Conference Interpreter, (English/French), COMESA Secretariat, Tel: +260 974034823, Email: fkanika@gmail.com

Mr Tente KAshobwe, Interpreter (French – English), P O Box 36162, Lusaka, Tel: +260 977863410, Email: tentekashobwe@yahoo.fr

Mr Magdi Abdalla Adam, Freelance Interpreter, Tel: +249 912962870, Email: azrag74@yahoo.com

Dr. Hassan Ali Eissa, Trilingual Conference Interpreter, University of Khartoum, Sudan, Box 321, Tel: +249912352897, Email: hassntarjam@gmail.com

Mr Yussuf Ayami Phiri, Freelance Interpreter, P O Box 38039, Lusaka, +260 977873791, Email: jeffyussuf@gmail.com

Translator

Mr Valentine Chiluka, Translator, Freelance, P O Box 35803, Lusaka, Tel: +260 966859730, Email: chihiluka@yahoo.fr