

CS/ADM/SC/XXII//7.1A

October 2020

Dist.

**Limited**

 Original: **ENGLISH**

**COMMON MARKET FOR EASTERN**

#### **AND SOUTHERN AFRICA**

2020 Budget Policy Statement

For the Secretariat

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# **2020 BUDGET SUBMISSION**

1. Pursuant to **Article 166 (2)**, the Secretary General has the pleasure to submit the proposed 2020 Budget Estimates for the COMESA Secretariat for the consideration and approval by the Council. These are made up of: -
2. **Work programme detail**: indicating the planned outputs for 2020, which positively contribute to the achievement of objectives of the Common Market. These are derived from 2016-2020 Medium Term Strategic Plan objectives and focus on 2020 priorities; and
3. **Estimates of funding and expenditure**: prepared based on a budgeting framework, which reflects adherences to principles of sound public financial management.
4. In compliance with Article 166 (4) and 168 (3), the resources towards the 2020 Budget Expenditure Estimates have been derived from assessed annual contributions from COMESA Member States and Grant contributions from Cooperating Partners.
5. The assessed annual contributions from Member States are distributed among Member States, based on budget ratios, which are determined based approved on parameters.
6. The 2020 Budget Estimates, being submitted are as follows: -

**Funding:** Total resources in 2020 are projected to decrease to US$67,766,052 *(2019:US$70,045,968), a reduction 3%*.

1. Funding inflows from Member States, which are implemented by COMESA Secretariat; Competition Commission; Federation of National Associations of Women in Business in Eastern and Southern Africa; and Regional Investment Agency are projected to increase from a total of **US$17,882,443** in 2019 to **US$18,299,235 in 2020**, an increase of 2%, as shown in Table 1 below: -

 **Table 1: 2020 Member States funding (US$)**

 

1. Funding inflows from Cooperating Partners are projected to increase from US$52,163,525 in 2019 to US$41,214,943 in 2020, a reduction of 21% attributed to coming to an end of large grant contracts, which enabled COMESA to disburse cash to Member States. Table 2 below indicates projected grants funding in 2020: -

**Table 2: 2020 projected grants funding**



**COMESA Secretariat Expenditure:** Total expenditure in 2020 is projected to decrease to US$57,055,060 *(2019:US$69,493,144),* a reduction of 17%, which will be funded as follows: -

1. Assessed contribution from Member States: US$15,840,117
2. Grants contribution from Development partners: US$41,214,943
3. The 2020 Budget Estimates, as submitted are in line with: -
4. Treaty provisions: Incorporate activities, which are assigned to the COMESA Secretariat.
5. Budget policy, in terms of: -
6. Funding: 2020 increase on 2019 available funding is kept at 2%, which is below the 2019 projected COMESA average GDP growth of 3.5%, as well as below the policy cap of 5%;
7. Expenditure: Prioritisation of interventions have continued to enable an improved refocus on fewer outputs and activities of significant impact to COMESA.
8. Secretary General invites the Sub Committee on Audit and Budgetary Matters to: -
9. assist the Secretariat in refining the priorities to reflect outputs and activities of significant impact to COMESA Member States; and
10. not only focus on value for money on appropriations funded from Member States, but grant resources, which provide over 70% of resources towards COMESA programmes.

# **PART A: OVERVIEW OF THE 2020 WORK PROGRAMME**

## A1: Overview of the work programming process for 2020

1. COMESA strategic planning is guided by the Medium Term Strategic Plan (MTSP) which provides strategic objectives for a five-year period. RISDP and SIPO as well as pronouncements of governing structures. The MTS provides guidance and serves as a framework for preparation of annual work programmes.
2. The 2020 work programme is the fifth work programme under the current 2016 to 2020 Medium Term Strategic Plan.
3. The Secretariat annual work programme process is based on a results management framework. The distinguishing features of the process are focus areas and programme orientation, participatory approach and result based reporting.

## A2: Guiding principles – annual work programming

### 2016-2020 Medium Term Strategic Plan

1. The 2016-2020 Medium Term Strategic Plan sets the policy framework for annual work programme.
2. Priorities, interventions and outputs are proposed for 2020 work programme, based on their impact to the strategic objectives for the 2016-2020 Medium Term Strategic Plan.
3. The interim report pertaining to the on-going end of term evaluation of 2016-2020 Medium Term Strategic Plan, should give assurance of the relevance of the priorities, interventions and activities which shall continue to be implemented in 2020.

### Programme approach

1. Resources are provided by Member States and Cooperating Partners and these (resources) target the 2016-2020 Medium Term Strategic Plan. To ensure better allocation and impact of resources towards the MTSP priority areas, the COMESA Secretariat has adopted a programme approach in planning, work programming and budgeting and reporting.
2. Changes are being made across the COMESA Secretariat and its Agencies to align systems and processes with the programme approach. Given the above change, the 2020 work programme and budget shall link proposed resources to 2020 milestones/goals and 2016-2020 Medium Term Strategic Plan.

### Complementarity

1. With the adoption of programme approach in planning, programming, budgeting and reporting, measures have also been introduced to ensure complementarity in the use of Member States and Cooperating Partner funding.
2. Resources from Cooperating Partners should therefore compliment Member States’ commitments, thus ensuring strategic alignment. This will enhance ownership and sustainability of work COMESA programmes.
3. Cooperating Partner funding should not be applied on activities, where there are no Member States’ commitments. Existing instruments signed between COMESA Secretariat and Cooperating Partners should thus be reviewed and measures taken to align allocation of resources.

### Division of labour within COMESA

1. **Subsidiarity**: 2016-2020 Medium Term Strategic Plan calls for implementation based on principle of subsidiarity principle, as follows: -
2. **COMESA Secretariat:** to provide technical assistance and capacity building to Member States. COMESA Secretariat should also provide interface between COMESA and external stakeholders as well as to provide Member States with a platform relevant to achieve mutually acceptable formal cooperation. Such policy dialogue is key to shaping interventions. Further, the Secretariat will continue its role in resource mobilization, facilitating, coordinating and monitoring regional operations, with its capacity strengthened.
3. **COMESA Institutions**: implementation agencies with delegated mandate from policy organs through the Secretariat in line with specific provisions of the Treaty. Given their technical focus, institutions provide guidance, technical support and implement decisions of the Policy Organs. The COMESA institutions will also play a key role in implementing the MTSP.
4. **Co-operating Partners**: to provide financial and technical support for achievement of the strategic objectives, support aid effectiveness by promoting harmonization, coherence, rationalization, alignment and ownership of development partner assistance; and require mutual accountability in relation to the commitment, provision, utilization and reporting on all adjustment support and regional integration resources.
5. **Member States**: state and non-state actors with specific roles and responsibilities. The implementation of this plan calls for close collaboration and participation between these actors. State actors provide the political leadership necessary for the formulation and implementation of sound regional policies and programmes. Non-state actors bring with them increased financial discipline, capital injection, new management styles and a stronger commercial orientation. During implementation, there will be a need to align national, regional and global agendas, policies and plans to the Medium-Term Strategic Plan, model policies, laws and protocols.
6. Separation of roles between the Secretariat and Member States:
7. the Secretariat’s primary role relates to coordination, resource mobilisation, think tank, monitoring and evaluation of COMESA programmes: and
8. Member States and other Actors established under the concept of subsidiarity principle carry out actual implementation of COMESA programmes.
9. The roles and responsibilities that each of the above stakeholders have in the implementation of 2016-2020 Medium Term Strategic Plan are translated in their own Plans. Hence, a review of what each stakeholder has planned to carry out is necessary to have a holistic view of the status and adequacy of COMESA work programmes.
10. In compliance with subsidiarity principle, COMESA has operationalized instruments relating to: -
11. Provision of grants to support implementation of COMESA work programmes; and
12. Sub delegation of the implementation of COMESA work programmes

### Non-fungibility of funding under grant contracts

1. The rigidities that come with resources provided by Cooperating Partners translate into lack of flexibility. Resources availed on a grant contract cannot be switched, neither inter-changed with resources availed on another grant contract and or indeed with activities, which are not provided for within grant contract result areas and or grant contract budget lines.
2. COMESA engages its Cooperating Partners, at all levels to ensure continuous alignment of support from Cooperating Partners with COMESA’s Medium-Term Strategic Plan strategic objectives, priorities and interventions.

## A3: Overall Environment Scan for COMESA Region

1. The economic accomplishments of the region remain low with COMESA region’s average growth decelerating to 4.7% in 2018 from 7.5% in 2017 and is projected to decrease to 3.5% in 2019, which is as a result of the decrease in growth in a number of Member States. However, growth in some Member States namely; Djibouti, Egypt, Ethiopia, Kenya, Madagascar, Rwanda, and Uganda higher than 5% was supported mainly by increased public and private construction investment, improved conditions for doing business; improved global environment and growth in agricultural production in countries where weather conditions remained favourable. Despite improved growth in some member countries, current growth rates are not adequate to eradicate poverty or achieve the other SDGs in the region by 2030. Table 3 below shows the Real GDP Growth (*percent*), from 2013 to projections for 2019.

**Table 3: Real GDP Growth (*percent*)**

| **Country** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019(p)** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Burundi | 4.5 | 4.7 | -3.9 | -0.9 | 0 | 0.1 | 0.42 |
| Comoros | 3.5 | 2 | 1 | 2.2 | 2.5 | 2.8 | 2.8 |
| Congo, Dem. Rep. | 8.5 | 9.2 | 8.5 | 6.9 | 3.4 | 3.9 | 4.34 |
| Djibouti | 5 | 6 | 6.5 | 6.5 | 6.7 | 6.7 | 6.7 |
| Egypt, Arab Rep. | 2.1 | 2.2 | 4.4 | 4.3 | 4.2 | 5.3  | 5.5  |
| Eritrea | 3.1 | 5 | 4.8 | 3.7 | 5 | 4.2 | 3.77 |
| Ethiopia | 9.9 | 10.3 | 10.4 | 8 | 10.9 | 7.7 | 7.72 |
| Eswatini | 6.4 | 1.9 | 0.4 | 3.2 | 1.9 | 0.2 | -0.44 |
| Kenya | 5.7 | 5.3 | 5.7 | 5.9 | 4.9 | 6 | 5.84 |
| Libya | 4.3 | -53 | -10.3 | (7.39) | 64.01  | 17.88  | 4.27  |
| Madagascar | 2.3 | 3.3 | 3.1 | 4.2 | 4.3 | 5.2 | 5.19 |
| Malawi | 5.2 | 5.7 | 2.9 | 2.3 | 4 | 3.2 | 4 |
| Mauritius | 3.4 | 3.7 | 3.6 | 3.8 | 3.8 | 3.8 | 3.86 |
| Rwanda | 4.7 | 7.6 | 8.9 | 6 | 6.2 | 8.6 | 7.8 |
| Seychelles | 6 | 4.5 | 4.9 | 4.5 | 5.3 | 3.6 | 3.43 |
| Sudan | 3.9 | 3.3 | 4.9 | 2.94  | 1.66  | (2.13) | (2.28) |
| Uganda | 4.7 | 4.6 | 5.7 | 2.3 | 5 | 6.2 | 6.29 |
| Zambia | 5.1 | 4.7 | 2.9 | 3.8 | 3.4 | 3.5 | 3.09 |
| Zimbabwe | 2 | 2.4 | 1.8 | 0.7 | 4.7 | 3.4 | -5.25 |
| COMESA | 4.8  | 1.8  | 3.5  | 3.3  | 7.5  | 4.7  | 3.5  |

Source: IMF REO Sub Saharan Africa April 2019; IMF REO Update Middle East and Central Asia April 2019; Country Reports

###### Figure 1:

1. With respect to investment promotion in the region, the average overall investment as a percent of GDP in COMESA decreased marginally from 20.1 percent in 2017 to 19.2 percent in 2018 and projected to be 19.9 percent in 2019. However, a number of COMESA Member States recorded investment performance of less than 20% of GDP. The region requires high and inclusive growth to create enough jobs for its increasing labour force that requires adequate investment in both the private sector and in infrastructure.
2. Concerning the Monetary Policy and Exchange Rate developments of 2018, monetary policy stance varied depending on the extent to which Member States are exposed to domestic and external shock. Therefore, a significant depreciation of currencies was seen in a number of Member States which was a continuation of a trend in 2017, primarily owing to high public sector demand for foreign exchange to finance big public investment projects, a strong dollar and high demand for foreign exchange from the local corporate sector. The depreciation of currencies in member countries in 2018 had an adverse impact on debt repayment obligations and inflation as currency depreciations did not necessarily translate into strong price advantage in export markets.
3. Government debt remains a significant challenge in the COMESA region despite the region’s average Government debt as a share of GDP recorded as 64.4% in 2018 as compared to 64.8% in 2017 but significantly higher at 53.3% registered in 2015. The rise in debt resulted from higher borrowing by many member countries for financing the infrastructure development projects needed to boost economic growth and improve living standards. However, unless measures are implemented to curtail growth in debt, Member States could face an implosion in the stock of external debt and servicing costs which could result in a major source of macroeconomic instability.
4. Efforts have been directed in reducing inflation rates with the region wide average inflation rate recorded at 11.1% in 2018 as compared to 12.0% in 2017. Nevertheless, the inflation rate is projected to increase to 12.5% in 2019 due to a combination of the following factors; higher oil prices, currency depreciation, subsidy elimination, poor harvest, higher import prices etc. Inflationary pressures have raised the cost of living in affected countries while the cost of running government has also increased, expanding financing needs and widening fiscal deficits.
5. Based on the evidence analyzing the developments in key macro-economic performance indicators in the region in 2018, there is need for the COMESA region to focus on implementing deep structural reforms to diversify the economies by implementing the following corrective measures/recommendations among others;
6. Better macroeconomic management, and an improved business environment;
7. Policy interventions focusing on increasing the share of intermediate and capital goods in imports- This could help countries benefit from scale and scope economies and explore knowledge transfer from more advanced production process;
8. Emphasizing the reallocation of most productive resources towards export intensive areas that are well integrated into the global value chain. This is key to aggregate productivity growth.
9. Enhancing integration into global value chains by upholding technical and labour standards and reinforcing regional integration. This can enable countries to move up the ladder of speciation.
10. Reinvesting surplus from commodity price windfalls in resource rich countries towards sectors with higher productivity growth and more potential for integration into global value chain.
11. Ensure that fiscal policy does not undercut the growth promoting effects of public investments in health, poverty reduction; and education.
12. Ensure the closing of infrastructure gap in power, water, transport services etc. by creating a mutually profitable global pact to finance the region’s infrastructure, by targeting among others, infrastructure which supports competitive industries, and sectors in industrial parks and export processing zones linked to global market.
13. By attracting foreign investment and firms, even, the poorest country in the region can improve their trade logistics, increase the knowledge and skills of local entrepreneurs, gain the confidence of international buyers, and gradually make local firms competitive.
14. Combat tax evasion and illicit financial flows.
15. Deepening the financial system.
16. Design policies to lower the cost to transfer money and to improve platforms for diaspora investment;
17. Accelerating regional integration and enhancing the implementation of the Tripartite Free Trade Area arrangement, and Continental Free Trade Area to boost intra-regional trade.

## A4: Overview of the Performance of the 2019 Work Programme

1. Without repeating the detailed performance review, both narrative and financial, the Secretariat can give the following highlights: -

### Activities carried out in 2019

**Programme activities at the Secretariat**

1. Coordination of programme implementation is carried out through Divisions of Trade and Customs; Infrastructure and Logistics; Agriculture and Industry; Gender and Social Affairs; and Governance, Peace and Security. These Divisions, which have human capacity based on established Secretariat organogram: -
2. Implements actions, which are allocated Member States budgetary appropriations;
3. Provides manages over the implementation of grant contracts. As human capacity resourced by Member States is severely limited, additional experts are resourced on grant contracts.

**Programme support activities in Member States**

1. In line with its mandate, Secretariat facilitated transfer of funds from Cooperating Partners to Member States and other technical partners, within the context of COMESA programmes. Accompanying this mandate, is support that is availed by the Secretariat. Significant activities, including project management support were carried out by COM Aid; Climate Change; Cross-Border; Trade Facilitation; and Statistics.

**Institutional readiness and capacity strengthening**

1. Support services are available within the Secretariat, across legal and corporate affairs services; strategic planning; resources mobilisation and international cooperation; budget and financial management; human resources and administrative services; Information Technology and Network; and Corporate Communications.
2. European Union (EU) and United States Agency for International Development (USAID) have signed grant contracts to avail €7 million and US$350,000, to improve the capacity of Secretariat to deliver on its mandate. The support will be applied towards addressing identified gaps in institutional systems and processes.

### Projected budget outturn for 2019

1. An implementation review carried out
2. European Union (EU) and United States Agency for International Development (USAID) have signed grant contracts to avail €7 million and US$350,000, to improve the capacity of Secretariat to deliver on its mandate. The support will be applied towards addressing identified gaps in institutional systems and processes. Table 4 below shows 2019 projected budget outturn.

**Table 4: 2019 Projected budget outturn**



**Utilisation of Member States funds**

1. Assessment based on experience; consumption pattern; and need has resulted in management’s conclusion that the 2019 budgetary appropriations will be fully implemented. Table 5 below shows expected utilisation of Member States funds: -

**Table 5: 2019 Budget utilisation (Member States funding)**

| Budget line | 2017 | 2018 | 2019 | Cost efficiency  | Relevance  |
| --- | --- | --- | --- | --- | --- |
| Actual | Actual | Actual | Forecast | Total |
| Jan -Jun | Jul-Dec |
| Staff Emoluments |  7,577,245  |  7,788,643  |  3,886,186  |  5,513,491  |  9,399,677  |  Terms and conditions  | 1: This is the fixed cost, necessary to establish:* Programme implementation capacity
* Institutional controls across all support services.

2: This is the monetary cost **(cost on Member States)**, required to receive US$52.9 million **(benefits to Member States).**3: Without this investment, grant funding will be reduced. 4: Staff vacancies arising in the first half of 2019 will be filled up before December 2019.**Conclusion and prospects:** 1: Allocation expected to be fully utilized in the year.2: Each post is budgeted and funded |
| Staff Welfare & Insurance |  86,357  |  121,433  |  21,479  |  102,021  |  123,500  |  Terms and conditions  |
| Staff Training & Development |  103,057  |  180,841  |  12,389  |  150,099  |  162,488  |  Terms and conditions  |
| Staff Recruitment & Repatriation |  68,976  |  151,684  |  27,115  |  153,885  |  181,000  |  Terms and conditions  |
| Travel, Meetings & Workshops |  2,100,752  |  3,325,579  |  845,399  |  2,211,801  |  3,057,200  |  Acquisition cost-efficiencies  | 1: This is the variable cost, towards programme implementation, including: -* Technical meetings
* Technical support

2: Consistent with experience, the budget allocation will be fully utilized in the year. **Conclusion and prospects:** 1: Continuous management controls, which include authorisation controls and cost acquisition controls ensure value for money. In response to concerns regarding consultants, tighter controls have been introduced which ensures alignment and compliance with requirements. 2: To allow flexibility and management control, the allocations are assigned to the Secretariat and not to cost centers. This allows management to prioritize activities, which will provider greater benefits to COMESA. For this reason, these activities are:1: Reviewed by Assistant Secretary General (P):2: Budget certification by Assistant Secretary General (AF)3: Approved by Secretary General  |
| Consultancy |  971,948  |  737,216  |  127,189  |  391,823  |  519,012  |  Terms and conditions  |
| Election Monitoring |  83,486  |  103,149  |  91,198  |  (16,198) |  75,000  |  Acquisition cost-efficiencies  |
| Support to Member States |  -  |  -  |  -  |  30,000  |  30,000  |  Terms and conditions  |
| Grant Counterpart Funding |  60,133  |  538,648  |  134,530  |  (34,530) |  100,000  |  Terms and conditions  |
| Publication & Visibility |  119,299  |  221,573  |  90,877  |  109,123  |  200,000  |  Acquisition cost-efficiencies  | Like staff cost, this too is a fixed cost, necessary to establish:* Programme implementation capacity
* Institutional controls across all support services.

2: This is the monetary cost **(cost on Member States)**, required to receive US$52.9 million **(benefits to Member States).**3: Without this investment, grant funding will be reduced. **Conclusion and prospects:** 1: Continuous management controls, which include authorisation controls and cost acquisition controls ensure value for money. 2: To allow flexibility and management control, the allocations are assigned to the specific cost centers.  |
| IT Recurrent Costs |  226,962  |  342,393  |  194,707  |  196,793  |  391,500  |  Acquisition cost-efficiencies  |
| Administration & General Costs |  815,402  |  750,026  |  235,745  |  754,905  |  990,650  |  Acquisition cost-efficiencies  |
| Audit Costs |  134,381  |  344,065  |  -  |  120,000  |  120,000  |  Terms and conditions  |
| Finance Costs |  54,377  |  74,554  |  23,110  |  36,890  |  60,000  |  Acquisition cost-efficiencies  |
| Capital Budget  |  346,102  |  377,177  |  130,997  |  61,503  |  192,500  |  Acquisition cost-efficiencies  |
| Total  |  12,748,477  |  15,056,981  |  5,820,921  |  9,781,606  |  15,602,527  |   |   |

**Utilisation of Grants funding**

1. Measures are being taken to improve utilisation of funds appropriated under grants. Low implementation rates were recorded in first half of 2019. Improvements aimed at better planning and streamlining of implementation will result higher utilisation levels in the second half of 2019.
2. Notwithstanding the above, the Secretariat will circulate the revised Grant spending financial report for the nine (9) months period to September 2019.

## A5: 2020 Priorities and interventions

### Strategic objectives re-affirmed by on-going Medium-Term Strategic Plan review

1. In developing the 2020 Work Programme, the Secretariat has been guided by the Treaty, Summit and Council decisions, Vision and Mission and the Medium-Term Strategic Plan 2016 to 2020 of COMESA.
2. The Vision is to achieve a fully integrated, internationally competitive regional economic community within which there is economic prosperity and peace as evidenced by political and social stability and high standards of living for its people, while its mission is to achieve sustainable economic and social progress in all member States through increased co-operation and integration in all fields of development.
3. 2020 Work programme builds on the progress made in the period, 2016 to 2019. Accordingly, outputs are being pursued in the 2020 proposed work programme, developed from the following: -
4. Strategic Objective 1: Strengthen Market Integration
5. Strategic Objective 2: Attract Increased Investments
6. Strategic Objective 3: Strengthen the Blue / Ocean Economy
7. Strategic Objective 4: Harness the Benefits of Strategic Partnerships
8. Strategic Objective 5: Strengthen Development of Economic Infrastructure (Energy, Transport and ICTs)
9. Strategic Objective 6: Industrialization
10. Strategic Objective 7: Foster Gender Equality & Social Development
11. Strategic Objective 8: Ensure Regional and Secretariat Readiness
12. Strategic Objective 9: Strengthen Regional Knowledge and Skills Capacity

### 2020 Priorities refined

1. Within all the above strategic objectives, activities being implemented are line with the following priorities:
2. Leveraging on the digital age infrastructure and technology to advance intra-regional trade, innovation, social and economic opportunities.
3. Creating opportunities for citizens (natural and legal) and across all sectors in Member States, taking into account their level of development; geographical location; small, land locked and island Member States.
4. Compliance with internal control objectives, across all institutional processes to achieve better value for money, as well as institutional effectiveness and efficiency.
5. The above priorities were deliberated upon within the Secretariat. The deliberations drew on evidence of subject matter experts.
6. The Secretary General is emphasizing and challenging the COMESA Policy Organs of the need to deepen their dialogue and participation of citizens, natural and legal, whether state and or non-state sectors. COMESA is a vehicle that offers long-term development opportunities to all.

### Interventions

1. As reported in the on-going 2016-2020 Medium Term Strategic Plan review, COMESA has remained steadily focused on the 2016-2020 MTSP, with its long-term focus on the following interventions: -
2. **Strengthen Market Integration**: Sanitary and Phyto – Sanitary Measures (SPS/TBT); Simplified Trade Regime (STR); Cross Border Trade; Non-Tariff Barriers Regulations; Rules of Origin; Trade and Transit Facilitation Instruments; COMESA-EAC-SADC Tripartite Arrangement; Trade in Services; Customs Union; Free Trade Area; Border Management; Intellectual Property Policy; Capacity building; Research; Statistical Programme.
3. **Attract Increased Investments**: Creating an Enabling Business Environment; Investment Promotion Strategies; Cross Border Investment; Increasing Investment Awareness; Undertaking analytical work including data collection and analysis; Harmonizing Investment Policy – CCIA; Capacity building; Statistical Programme; Research.
4. **Strengthen the Blue / Ocean Economy**: Legal, fiscal and other institutional frameworks ; Fisheries, seafood and aquaculture; Deep ocean water applications; Establish and / or strengthen marine services; Seaport related activities; Ocean knowledge/Research; Climate finance; Environmental Safeguards and Climate Risks; Maritime security and safety and ocean economy development; Blue/Ocean Economy Strategies and National Plans; Marine spatial planning; Ocean management and governance; Disaster risk reduction policy; Monitoring protocol for the coastal and ocean region; Capacity building; Statistical Programme;
5. **Harness the Benefits of Strategic Partnerships**: Access and development of information systems (databases); Policy research, development and training; Capacity building; Statistical Programme
6. **Economic Infrastructure:** Energy; Transport; ICT; Infrastructure capacity building; Statistical Programme
7. **Industrialization**: Investment Promotion; Promoting Micro Small Medium Enterprises; Public Private Partnerships (PPPs) - Industrial development; Illicit Trade and Counterfeiting; Standardization and Quality Assurance; Climate Smart Agriculture; Women and Youth Entrepreneurship; Environmental Sustainability in Industrial Development; Research and Development for Innovation and Industrial Development; COMESA Industrial Policy - Implement and Align; Capacity building; Statistical Programme
8. **Foster Gender Equality & Social Development**: Research, gender audits and assessments; Information exchange and business linkages for women and youth in business; Trade related security and cross border trading issues affecting women traders; Youth empowerment; Access to basic health and reproductive services; COMESA Gender Policy, Social Charter and other mechanisms; COMESA Economic Empowerment Fund; Capacity building; Statistical Programme
9. **Peace and Security**: APSA; Elections monitoring; Maritime Security
10. **Ensure Regional and Secretariat Readiness**: Executive Management; Risk Management; Climate Change; Human Resources and Administration; Budget and Finance; Legal and Institutional Affairs; Information Technology; Internal Audit; Resource Mobilisation and International Cooperation; Strategic Planning; Corporate Communications; Brussels Liaison Office; Monitoring and Evaluation; Capacity building; Statistical Programme; Research;
11. Significant resources committed by Cooperating Partners in 2019 in particular the European Union (under 11th RIP/EDF) and USAID (under RDOAG) will ensure accelerated implementation of the 2016-2020 MTSP over the next two years. The implementation of MTSP has thus reached a mid-point.
12. Given the above, COMESA should remain optimistic of impact of 2016-2020 MTSP on its objectives, particularly contributing to the growth of the COMESA economy.

# **PART B: OVERVIEW OF THE 2020 BUDGET ESTIMATES**

## B1: 2020 Funding Framework

1. 2020 Funding framework is set based on indicative levels of funding to be availed by Member States through assessed annual contribution and Cooperating Partners through agreements.

### Assessed annual contribution from Member States

1. COMESA’s framework for determining assessed annual Member States contributions incorporates parameters, relating to gross national product, gross national income; population size; intra COMESA imports; and extra COMESA imports. These parameters enable the resultant assessed annual contribution to reflect capacity to pay. Adjustments;
2. being upper capping and floor capping, are made to ensure all Member States contribute towards the implementation of COMESA work programme.
3. Are also made to smoothen budgetary impact.
4. Based on the above, Appendix 2 highlights levels of Member States funding available for 2020 work programmes, including the distribution of the assessed annual Member States contributions.

### Contributions from Cooperating Partners

1. COMESA shall continue to rely on resources from Cooperating Partners to complement its own resources. It is important that resources from Cooperating Partners are applied on interventions of significant impact.
2. COMESA Policy Organs should thus require its Cooperating Partners to focus on interventions relating to: -
3. Market Integration and Industrial Development; and
4. Investment Facilitation and Promotion.
5. Interventions from the strategic objectives impacting on the above (i) and (ii).

1. New cooperation instruments and financing agreements should only be concluded based on assessed impact on the above focus intervention areas.

### Deliberate measure to come up with a sustainable financing mechanism

1. Ministers responsible Finance and Central Bank Governors are overseeing work, which is aimed at coming up with sustainable mechanism for financing COMESA programmes. At their meeting held in Washington, USA in October 2019 they adopted a Road Map to guide their work.
2. Current financing mechanism characterized by Member States not being remitting assessed annual Member States contributions in a predictable manner and over-dependence on grant funding.

## B2: 2020 Expenditure Framework

### De facto resource allocation framework

1. For 2020, COMESA Secretariat will continue with the allocation of resources as has been implemented from 2016, through to 2019.
2. Funding provided through assessed annual contributions are primarily intended to meet staff emoluments and institutional support activities. Cooperating Partners: -
3. Have gradually withdrawn direct support towards institutional staffing, as well as institutional support activities; and
4. In particular, the has agreed to provide cash contribution towards institutional capacity. It is thus important that this support is allocated to address significant Member States funding gaps, key of which are: -
5. Web Editor;
6. Staffing under Governance, peace and security;
7. Mandatory cash counter-part funding; and
8. Matching costs on EU projects.
9. The de facto resource allocation on Member States and Grants funding, is indicated in Appendix 3 to 5, as follows: -
10. Member States funding: largely paying for salaries; institutional support; limited programme activities; and critically establishing capacity to manage grant funds.
11. Grants’ funding: allocated to programme services, with a limited contribution towards human capacity and administrative support.

### Utilisation of contributions by Cooperating Partners towards institutional support

1. Cooperating Partners have moved away from including institutional support activities, as part of core activities to be funded under financing agreements.
2. EU has recognised the need for the COMESA Secretariat to continue focusing on strengthening its institutional systems and processes. Towards this, the EU provides a contribution based on spending, ranging from 5% to 7%. Based on internal analysis, the Secretariat has indicated how the contribution shall be applied. At this stage, the submission indicates proposed areas, when cash is earned, as outlined in Table 6 below:

**Table 6: Utilisation of contributions by Cooperating Partners towards institutional support**



### Review of resource allocation and concentration

1. COMESA needs to consider coming up with a resource allocation policy framework, which focuses its resources, both assessed annual contributions from Member States and Cooperating Partners on fewer and high impact interventions.
2. Sustained allocation and concentration of resources based on an approved policy framework is a prerequisite for the achievement of Medium-Term Strategic Plan.

### Review of current year spending against budget

1. As indicated in the review of the implementation of the work programme, the COMESA Secretariat is projecting that activities under Member States funding will be fully implemented by the end of the year. This is due to the fact that a significant proportion of funding from Member States is earmarked on emoluments, which are contractual.
2. Unspent funds provided by Cooperating Partners will be carried forward in line with agreements. The unspent budget is attributed to late receipt of disbursements from the Cooperating Partners.

### Standard rates for significant of the costs

1. Costs in the expenditure budget proposals reflect financial rules. Given the financial framework in place, the following costs reflect existing policies: -
2. Staff costs;
3. Consultant costs;
4. Conference costs; and
5. Travel costs: air fares and daily subsistence allowance.
6. The budget proposals reflect common rates for common services. Departure from these is on the basis of market information regarding different prevailing costs.

### Stringent expenditure management and institutional capacity reforms

1. The budget estimates reflect adherence to principles of public financial management, as follows: -
2. Economy: optimal price should be paid for inputs.
3. Efficiency: optimal input to output ratio.
4. Effectiveness: available resources should be not be widely fragmented over too many activities. Impact will be achieved if resources are concentrated on few areas, in a holistic manner.
5. Based on grant support, specifically EU and USAID, the Secretariat will continue to focus implementing institutional reforms aimed at strengthening organisational capacity and efficiency to deliver on its mandate. The reforms, among others, are: -

## B3: 2020 Expenditure Estimates

### 2020 Budgetary allocation

1. COMESA Secretariat expenditure in 2020 is projected to decrease to US$57,055,060 *(2019:US$69,493,144),* a reduction of 17%, which is outlined in Table 7 below: -

**Table 7: 2020 Budget Expenditure – Member States and Grants funding**



### Explanations – on going programme and recurrent activities

1. Right at the outset, the Secretariat hereby indicates that 2020 Budget expenditure estimates are extremely prudent and reflect tougher economic conditions that Member States are facing. It proposes an increase of Member States funding and related expenditure of only 2% over 2019 Budget, which is lower than the region’s average economic growth. This has been possible through an institutional-wide budget planning and development process and contributions from Cooperating Partners.
2. Explanations on the proposed 2020 Budgetary appropriations, are outlined below: -

 **Member states funding**

1. **Staff costs based on approved posts – Member States funded**

 Comprising of staff emoluments are presented per budget line **(Appendix 4A),** in line with requirements. Amounts reflect terms and conditions. Cost reduction of 3.1%, from US$9,399,677 in 2019 to US$9,110,193 in 2020, reflects reduced amounts in respect of dependents based on aligning budgetary appropriations to individual staff and related dependents.

 These are fixed costs, necessary to establish programme implementation capacity, as well as achieve required institutional controls.

Sub Committee on Audit and Budgetary matters is invited to consider

1. Staff costs, as a worthy investment required to access grants funding; and
2. **Benefits** to Member States (through grants funding of US$41.2 million to be accessed) based on staff **Cost** of US$9,110,193.
3. **Staff Welfare & Insurance:** An increase of 19.4%, from US$123,500 to US$147,500, reflects actual consumption based on Staff Rules and Regulations.
4. **Training and Subscription**: Subscriptions are only paid on behalf of staff required maintain membership of a professional body. This will reduce costs from US$162,488 to US$152,000 in 2020 by 6.5%;
5. **Staff Recruitment & Repatriation:** Posts to be filled in 2020 are expected to be lower than those recruited in 2019, resulting in a cost reduction from US$181,000 to US$167,250 by 7.5%;
6. **Travel, Meetings & Workshops:** Stricter controls despite rising costs, will contain costs at 0.6%, as 2020 costs have been allocated US$3,075,000 from US$3,057,200 in 2019.
7. **Consultancy:** Stricter controls will reduce costs by 0.6%, as 2020 costs have been allocated US$506,500 from US$519,012 in 2019.
8. **Support to Member States**, remain at 2019 level of US$30,000.
9. **Publication & Visibility:** An increase of 7.5%, from US$200,000 to US$215,000, reflects increased focus to better position COMESA.
10. **Grant counterpart -funding**, remain at 2019 level of US$100,000. Amounts paid from this item shall be reported to Council.
11. **Election monitoring** remain at 2019 level of US$100,000.
12. **IT Recurrent Costs,** costs shall be contained, by restricting increase at 0.8% from US$391,500 to US$394,500 in 2020. Cooperating Partners have identified use of digital age opportunities to better improve operational efficiencies. EU and USAID are expected to avail increases resources in 2020 towards automation.
13. **Administration & General Costs:** An increase of 1.6%, from US$990,650 to US$1,006,650. The marginal increase of US$16,000 is attributed to costs’ escalation.
14. **Audit costs** remain at 2019 level of US$120,000. Processes to fully address instruments required for the audit of COMESA Organs and other Institutions by Auditors General may push the overall cost.
15. **Finance Costs:** An increase of 0.25%, from US$60,000 to US$75,000, reflects actual consumption based on costs.
16. **Capital Budget:** In line with plan to replace assets, which cost more to maintain an increased allocation from US$192,500 to US$228,500 is made to replace motor vehicle and office equipment. This is an increase of 18.7%, where as there were fewer asset replacements in the last three (3) years.

 **Grants funding: Programme fees, travel, meetings; Equipment; Evaluation and Audits**

1. COMESA has entered into cooperating arrangements with a number of partners, with the aim supporting the implementation of COMESA programmes.
2. Resources, in form of financial and technical, are availed through grant contracts, which reflect Medium Term Strategic Plan strategic objectives, as well as priorities and interventions preferred by COMESA.
3. In 2020, US$41,214,943 is expected to be spend on a number of grant contracts **(Appendix 5),** in line with requirements of individual grant contracts. This is a reduction of 22.1% on amounts availed in 2019, which the Secretariat is projected to spend US$52.9 million.

### Explanations – on new items within existing budget framework and lines

**Member States funding**

1. Additional items proposed for Member States funding in 2020, are as follows: -

|  |  |  |
| --- | --- | --- |
| Item | US$ | Justification |
| IT Auditor | 87,024 | Approved by Council |
| Energy Forum | 80,000 | Recommended by Sector Ministers |
| Legal costs | 75,000 | Based on consumption |
| Technical meeting: 2021 - 2025 Medium Term Strategic Plan  | 65,000 | Per five (5) year cycle |
| Technical meeting: COMESA Finance Ministers & Governors  | 130,000 | Recommended by Sector Ministers |
| **Total** | **437,024** |  |

**Grants overheads’ contribution funding**

**Interim staffing - Governance, Peace and Security**

1. Additional Item proposed for grants funding in 2020, relates to interim staffing arrangements for Governance, Peace and Security, as outlined in **Appendix 7**. EU through the AU will continue to avail significant resources towards APSA, excluding allocations towards staffing arrangements. A condition for previous phases, was that each participating REC, shall build up staffing capacity to own and sustain implementation of APSA programmes.
2. COMESA is the only REC yet to adjust its organizational structure in line with APSA arrangements. Given that the APSA programmes are within the Medium-Term Strategic Plan, the Secretariat proposes that the review of the Secretariat organizational structure should take into account its responsibilities regarding APSA. Whilst this work is in progress, the Secretariat proposes that the Secretariat continues to pay for staff salaries of staff working under APSA. Assessment of benefits, limited to value of grant, vis-à-vis cost, limited to salaries is presented below. It shows the benefit that COMESA shall derive by maintaining the APSA staffing **(1 x Head of Governance Unit; 2 x Analysts; 1 x Finance Officer; 1 x Early Warning Unit; 1 x Mediation Officer; and 1x AU Liaison Officer).**



**Interim staffing – 1x M&E (at Head of Unit level: P4)**

1. To roll-out a robust M&E function the Secretariat has received funding from EU, based on the following: -

**Deliverable:** Improved Monitoring and Evaluation capacities for implementation of regional commitments and regional and at national level, including in terms of climate change and gender mainstreaming.

**Monitoring & Evaluation framework:** M&E has been recognised in the 2016 - 2020 Medium Term Strategic Plan as a critical function to ensure the main goal of Regional Economic Integration is attained. An M&E Policy Framework and an M&E Online System were developed as well as an Evaluation Policy Framework. In 2015 guidelines concerning information gathering, processing and sharing with stakeholders and cooperating partners were adopted. The objective is to link COMESA Organs, COMESA Institutions and Coordinating Member State Ministries with COMESA Authority, Council of Ministers, Inter-governmental Committees and Technical committees to implement the M&E Framework. The Secretariat has proposed to Member States to fund an M&E Unit to be able to effectively monitor domestication of regional integration commitments.

Lack of Monitoring and Evaluation human capacity has resulted in lack of compliance by COMESA with the M&E Policy Framework. This resulted in inability to monitor domestication of the implementation of COMESA commitments and programmes by Member States. The existing online monitoring and evaluation tool is not functional requiring additional resources to ensure its operationalisation. Integration with other systems, namely in the areas of strategic planning, financial management, audit and human resources is also required. Experts are attached to programmes funded by various cooperating partners and not operationalising the organisation’s wide needs for M&E. The organisation lacks a five-year operational plan to roll-out the MTSP which would enable it to effectively monitor the implementation of the activities ensuring their relevance and impact to Member States.

**Interim staffing – 1x Web Editor**

1. To continue providing services in respect of Web Editor, pending formal incorporation of the function into Secretariat’s organizational structure.

# **PART C: RISKS AND ASSUMPTIONS**

## C1: Risks and assumptions

1. COMESA work programme is owned by its Member States, whose full participation is required by the Treaty, as well as a number of programmes and instruments. The outputs provided for in the proposed 2020 Budget can only be achieved, based on this participation of Member States from all sectors. Measures should be adopted and implemented to urge full participation of Member States.
2. Notwithstanding existing high levels of dependence on grant funding, Member States are expected to meet their financial obligations. Whilst this is expected, a number of Member States have fallen behind in the remittance of assessed annual Member States contributions. Measures should be adopted and implemented to urge compliance by Member States of their financial obligations to COMESA.
3. It is expected that 2020 will see the finalization of instruments, which will strengthen assurances to the satisfaction of Member States and Cooperating Partners, alike. Any challenge in addressing this objective will immediately impact on flow of resources to COMESA.
4. The 2020-2023 prospects are increasingly looking positive, as EU and USAID have partnered with COMESA to implement measures aimed at strengthening capacity of Secretariat to deliver on its mandate. Focus of these measures is to ensure COMESA rules and procedures provide protection to resources comparable to what is required under relevant rules and procedures at the EU and USAID. Accordingly, interventions are planned in the following areas: -
* Output 1. Improved Monitoring and Evaluation capacities for implementation of regional commitments and regional and at national level, including in terms of climate change and gender mainstreaming.
* Output 2 Improved COMESA financial and audit processes in line with international standards and with the recommendations resulting from the 9-Pillar assessment.
* Output 3 Strengthened ability to produce and disseminate regional statistics in line with the COMESA Statistics Strategy ensuring harmonisation and gender responsiveness.
* Output 4. Strengthened partnership, dialogue and communication on COMESA regional integration policies with Member States, key public and private stakeholders as well as with the EU and its Member States.

# **PART D: RECOMMENDATIONS TO COMESA POLICY ORGANS**

1. ***Sub Committee on Audit and Budgetary matters is invited to recommend approval of 2020 Budget of COMESA Secretariat of US$57,055,060 (2019 Revised Budget: US$68,493,144) to be funded through: -***
2. ***Assessed annual Member States contributions of US$15,840,117 (2019: US$15,205,698), with amount due from Somalia to be pro-rated from the date instrument of ratification is deposited with the Secretariat.***
3. ***Grant contributions of US$41,214,943 (2019: US$52,890,617).***
4. ***Sub Committee on Audit and Budgetary matters is also invited to recommend the following distribution of assessed annual Member States contributions: -***

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1. ***Sub Committee on Audit and Budgetary matters is further invited to recommend the absorption of staffing under Governance, Peace and Security, pending finalization of COMESA Secretariat organizational structure, as follows: -***
2. ***1x Head of Governance Unit; 2x Analysts; 1x Finance Officer; and 1x AU Liaison Officer) to ensure COMESA’s access to APSA programmes, within the context of AU-COMESA cooperation.***
3. ***1x Head of M&E Unit (P4) to coordinate and control all M&E functions.***
4. ***1x Web Editor to coordinate and control all M&E functions.***
5. ***Annual re-current staff cost (of US$600,472) to be met as follows: -***
6. ***2020: Overheads contributions received from EU programmes; and***
7. ***2021 and 2022: Incorporation into Regular Staff costs budget lines.***

### Appendix 1 2020 Budget Estimates (Member States and Grants) – funding and expenditure

### Appendix 2 2020 Distribution of assessed contribution among Member States

### Appendix 3 2020 Budget expenditure estimate - budget line (member states funding)

### Appendix 4 2020 Budget expenditure estimate - cost center (member states funding)

### Appendix 5 2020 Budget expenditure estimate - project (grants funding)

### Appendix 6 Cash transfer from COMESA to Member State (2010 - 2019)

### Appendix 7 Staffing arrangement for Governance, Peace and Security