COMESA

Common Market for Eastern and Southern Africa

COMESA ANNUAL REPORT 2009

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

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

For information and feedback please send your inputs to the Public Relations Officer on the above fax number or on email: pr@comesa.int

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The Vision of COMESA

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

The Mission of COMESA

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

Letter of Transmittal from the Secretary General

His Excellency Robert Gabriel Mugabe
President of the Republic of Zimbabwe and Chairman of the COMESA Authority
State House
Harare
Zimbabwe

Your Excellency,

In accordance with the provisions of Article 17, Paragraph 8 of the COMESA Treaty, I have the honour and privilege to submit to you, Your Excellency, the COMESA Annual Report for the year ending 31st December, 2009.

The Report covers the highlight achievements of COMESA in the year 2009, world trade development in relation to Africa in general and COMESA in particular and how they relate to, and influence our regional integration agenda. It also covers the activities of the COMESA Organs, including the launch by the Authority of the COMESA Customs Union in June 2009. The report also covers the COMESA-EAC and SADC Tripartite arrangements whose objectives is to integrate the region even more, with the ultimate objectives of creating the African Economic Community.

You will note, your Excellency, that member States have continued to implement the COMESA Integration agenda with the support of COMESA Institutions whose reports are also summarised in this report. Your Secretariat continues to receive support from member States and development partners. This shows the unflagging commitment of the member States to COMESA and the continued confidence of our co-operating partners in the institution.

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

Sindiso Ngwenya
SECRETARY GENERAL

Message from the Chairman of the Authority

On behalf of the COMESA Authority and indeed on my own behalf, I am privileged to introduce the COMESA Annual Report for the year 2009. In many ways, the last year was another historical one in terms of COMESA regional integration and the milestones which were achieved in that direction. The much anticipated Customs Union was launched in Victoria Falls on 7th June 2009.

I am delighted to report that Zimbabwe successfully hosted the Thirteenth Summit in 2009. By launching the Customs Union, we got another feather in our cap, in that our region showed the world that the spirit of integration runs through all our countries as demonstrated by the common purpose and drive towards that goal. In addition to launching the Customs Union, the region launched the Regional Payments and Settlement System (REPSS), adopted the Regulations on Trade in Services and the Guidelines for the Negotiation of Services. Realizing the continuous work of building the Customs Union, the region established the Committee on the Customs Union whose function is to review and monitor the implementation of the Union. We have given ourselves a transition period of three years for the full implementation of the COMESA Customs Union.

Following the historic October 2008 Tripartite Summit of COMESA-SADC-EAC Heads of State and Government, work escalated during the year 2009 to the level where the draft Tripartite Free Trade Area (FTA) Agreement and its Annexes were prepared and submitted to the individual countries. Another tripartite Summit is scheduled to be held in 2010 to approve the indicative road map and dates for the launch of the tripartite Free Trade Area. The COMESA-EAC and SADC Tripartite Free Trade Area, when launched, will constitute the largest free trade area in Africa with a combined population and GDP of 527 million people and US$624 billion respectively, thus realizing a major leap in the dream of our founding fathers for continental integration. Within the spirit of the Tripartite Free Trade Area, in April 2009, our region held a highly successful North-South Corridor Donor Conference at which resources worth US$2 billion were pledged for funding infrastructure projects, a prerequisite for greater intra-regional trade.

The negotiations on the Economic Partnership Agreements (EPAs) moved to a new level where four of the eleven Eastern and Southern African (ESA) countries signed the Interim EPA Agreement in August 2009 in Mauritius. Let me thank my colleague, His Excellency President Mwai Kibaki, President of the Republic of Kenya, who chaired the COMESA Authority from May 2007 through to June 2009. It was during his Chairmanship that the critical groundwork for the launch of the Customs Union was prepared with agreement on the structure of the COMESA Common External Tariff and the architecture of the Customs Union being some of the outstanding achievements.

As we closed the year, another historical milestone was reached on 5th December 2009, under the auspices of the COMESA-EAC-SADC Tripartite arrangement with the launching of the first One-Stop-Border Post (OSBP), the first of its kind in Africa, at Chirundu, on the Zambia/ Zimbabwe Border. Chirundu became the first multi¬user and fully symmetrical OSBP. The Chirundu OSBP was set up after a bilateral agreement between our two countries on the suitability of Chirundu as an OSBP. The distinguishing feature of the OSBP is that Zambia and Zimbabwe have enacted legislation which enables customs authorities and other border agencies to operate outside their territories. The Chirundu OSBP will be used as a model to be replicated in border posts in the COMESA region.

The global financial crisis which started in 2007 had a negative impact on most of our economies either through a decline in commodity prices, reduction in remittances from abroad or reduced lines of credit and of course subdued world demand for goods produced in our region. This external shock which was not of our making, but nonetheless seriously affected our economies, should draw our countries closer to each other in regional integration so that in the event of external shocks they can be more resistant. During the crisis, our institutions, such as the PTA Bank, ZEP-RE and ATIA continued to provide their valued services to Member States. Signs that the worst of the global financial crisis may be over offer renewed hope for the growth of all our economies.

The other milestone recorded within the year was the conclusion of the institutional architecture of the COMESA Infrastructure Fund hosted by Mauritius, and the operationalisation of the COMESA Adjustment Facility. Regarding the COMESA Adjustment Facility, the year 2009 saw the Fund disburse Euro 4,4 million and Euro 10,3 million to Burundi and Rwanda respectively. The disbursed funds sought to compensate the two Member States who are already members of the COMESA FTA for revenue losses incurred upon their joining the EAC Customs Union. Consequently, fears about revenue losses should not arise because the COMESA Fund Adjustment Facility will compensate Member States for losses that may arise from alignment to the COMESA Common External Tariff.

In 2009, Africa achieved another historic feat when it went to the Copenhagen Conference on Climate Change with one voice. Although the signals that emerged from the key global players indicate that there is still no universal agreement or binding commitments and targets on cutting Green House Gas Emissions, there was at least consensus on the need to act. This will pave the way for possible advancement in the search for a legally binding agreement in Mexico in 2010 by the Fifteenth Conference of Parties (COP15).

I would like to thank our cooperating partners for their all weather financial support to our integration programmes.

Last but not least, as we end the year, I would like to sincerely thank the Secretariat for the diligent technical services that it accords in the discharge of our work.

His Excellency Robert Gabriel Mugabe
President of the Republic of Zimbabwe and
Chairman, COMESA Authority

PART I: OVERVIEW OF KEY ACHIEVEMENTS IN 2009

The year 2009 will go down in history as the moment when COMESA took key decisions in all the major areas of trade and investment integration. Progress was made in a number of areas: Intra – COMESA trade volumes US$14.3 billion in value terms increased five-fold in under 10 years to reach the Customs Union was launched; mechanisms for liberalization of trade in services were agreed upon; regulation on sanitary and phytosanitary measures were adopted; and a regional policy on intellectual property rights was elaborated. In addition, other measures such as draft instruments for establishing the Tripartite Free Trade Area covering 26 of the 54 countries of Africa were completed and transmitted to member states for consideration; a conference in which over US $ 2 billion in pledges and commitments were made for the North - South corridor as a pilot project for all other major corridors in the region; key programmes and initiatives such as food security and gender mainstreaming were also launched. It is a year when COMESA undertook a bold step towards achieving its vision of becoming a fully integrated and competitive region, with improved living standards for its ordinary people and a region which is fully part of the continental and global integration process.

Launch of Customs Union

2009 was a defining year for COMESA when the long awaited Customs Union was launched by the Thirteenth Summit of Heads of State and Government, held at Victoria Falls, Zimbabwe on 7th, June in the same year. The Summit set a transition period of three years to enable the Member States to make the necessary adjustments to the requirements of the Customs Union, and to align their national tariffs to the common external tariff (CET). Once the Customs Union is fully implemented, the COMESA region will have reached a higher level of deepening the process of regional economic integration. In other words, the bulk of policy reforms that entail trade liberalization in the marketing of goods will have been completed. Goods entering the COMESA Market will move freely, with the elimination of tariff barriers. And with a total population of about 420 million, the COMESA Customs Union will be an attractive investment market.

The Consolidation of the Free Trade Area

The Customs Union came into effect nine years after the launch of the COMESA Free Trade Area (FTA) on 31st, October 2000 in Lusaka, Zambia. The number of Member states in the FTA has increased and so is the number of actual tradable goods. By the end of 2009, 14 out of 19 the Member States became full members of the FTA, namely: Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Zambia, Swaziland and Zimbabwe. Only Eritrea, Ethiopia, DR Congo, Uganda and Swaziland are not members. But Uganda and DR Congo are practically within the FTA since they have reduced tariffs by 80% for the goods originating within COMESA and are in the process of implementing the remaining 20%..

Even though DR Congo is not yet in the FTA, the fact that most of its exports and imports come from the COMESA FTA member states underscores the urgent need for the country to become a member of FTA. In 2008, for example, copper ores and concentrates worth over USD 380 million were exported from DR Congo to Zambia. In addition, Eastern DR Congo has significant trade with Burundi and Rwanda which are both members of the COMESA FTA. This should be a catalyst for DR Congo to join the FTA. Only two countries namely: Ethiopia and Swaziland have yet to make decisive move to join the FTA.

This notwithstanding, COMESA is undertaking a number of measures to consolidate the COMESA FTA. These include: harmonisation of SPS regulations; implementation of the COMESA Common Tariff Nomenclature to harmonise the commodity coding and description systems of the Member States; operationalization of the COMESA Competition Authority; and capacity building in the area of statistics.

Intra-COMESA Trade/FTA growth

The FTA has given impetus to the growth of intra-COMESA trade which is estimated to have increased from a level of USD 3.1 billion in the year 2000 to over USD 14.3 billion in 2008.

The most traded products in intra-COMESA trade are VCA, copper ore and concentrates, refined copper products in the various forms including cathodes. Like in the previous years, tea was the leading product followed by copper ores and concentrates as well as refined copper. The other products were cement and tobacco that ranked fourth and fifth in intra-COMESA trade for 2008. For example, over USD 210 million worth of tea was exported from Kenya to Egypt and close to USD 120 million of tea from Rwanda to Kenya. Egypt exported to Libya over USD 50 million worth of refined copper in form of plates, sheets, strips and winding wire for electrical purposes. Both the coaxial cables and coaxial electric conductors were mainly exported by Egypt to Libya, rising from the ranking position of 122 in 2007 to 11th spot in 2008.

The Cement is another product that has been doing well within intra-COMESA trade regime. In 2008, the cement export from Kenya to Uganda was worth more than USD 85 million and from Egypt to Sudan was worth over USD 60 million while a significant amount of the intra-COMESA trade in tobacco in 2008 accounted for over 60% which amounted to USD 105 million, this trade mainly consisted of tobacco exports from Malawi to Egypt, Zimbabwe and Swaziland.

The strong performance of intra-COMESA trade has been underpinned by rising intra-COMESA cross-border trade and investment. The private sector in the FTA countries has welcomed the FTA, and the Customs Union, for providing a larger market for their investment and exports. At meeting of stakeholders held in April 2009 in Lusaka, Zambia, a representative of the private sector stated that "we have made money in COMESA" and called for the expeditious establishment of the Customs Union.

Launch of Regional Payment and Settlement System (REPSS).

The Regional Payment and Settlement System (REPSS) was launched on 7 June 2009 in Victoria Falls, Zimbabwe at the Thirteenth Summit of the Authority, was yet another landmark. Prior to the 13th Summit of the Authority, the Sixth Meeting of the COMESA Ministers of Finance held in Nairobi, Kenya in November 2003, agreed on a number of issues for the promotion of monetary integration, which is a critical infrastructure for regional integration in general and intra-regional trade in particular. Among the important decisions reached at this meeting were the approval of the design and the establishment of a new Regional Payment and Settlement System, to replace the old clearing and payment regime under the clearing house, which operated from 1984 to 1997. The new payments system enables the Member States to use national currencies in intra-regional trade.

Launch of One-Stop-Border Post (OSBP)

The launch of the first OSBP on 5 December, 2009 marked yet another milestone in COMESA's efforts to accelerate the pace of intra-regional trade. The OSBP established at Chirundu, Zambia/Zimbabwe Border is the first of its kind in Africa. Chirundu is the first multi-user and fully symmetrical OSBP. The OSBP will reduce delays otherwise caused by lengthy customs procedures carried out twice, on either side of the border. This one stop customs procedure for crossing from one country to another will only reduce delays and cut down costs of doing business, but will also improve competitiveness.

The Chirundu OSBP was set up after a bilateral agreement between the two countries designating Chirundu as an OSBP had been agreed upon, by adopting legislation that enables customs authorities to operate outside their own territories. The workings of other OSBPs in Africa, for example, at the Malaba border post between Kenya and Uganda, though fairly advanced, has yet produced a fully functioning one-stop-border post along the lines of the Chirundu one.

The Chirundu OSBP was launched under the auspices of the COMESA-EAC-SADC Tripartite Arrangement within the broader programme of the North-South Corridor Initiative is to be replicated in other border posts on the North-South Corridor and the rest of the Corridors in the COMESA-EAC and SADC region by 2010.

COMESA Fund

The other achievements for the year 2009 were the

On top: *Zimbabwean President Robert Mugabe opening the Chirundu One Stop Border Post on the Zambian side.*
Below: *Zambian President Rupiah Banda opening the Zimbabwean side 5 December 2009*

hosting of: the COMESA Infrastructure Fund by Mauritius, and the COMESA Adjustment Fund Facility at COMESA Secretariat headquarter. A key priority in 2010 will be to fully operationalise the COMESA Infrastructure Fund and the COMESA Fund Adjustment Facility. The COMESA Secretary General Mr. Sindiso Ngwenya disbursed funds to the first two countries that had qualified for compensation, namely: Burundi and Rwanda and were successful in accessing Euro 4.4 million and Euro 10.3 million respectively from the COMESA Fund Adjustment Facility. These two countries had since joined the EAC Customs Union in July 2009. But the implementation of the Customs Union should therefore not cause a real concern as revenue losses arising from the application of the COMESA Common External Tariff (CET) by the member states will be compensated through the COMESA Fund Adjustment Facility.

COMESA, EAC and SADC Tripartite Arrangement

During the year under review, the coordination and harmonization of policies by COMESA, EAC and SADC were continued. The Tripartite Task Force for these three regional communities (RECs) completed work on the proposed roadmap, and draft legal and institutional instruments for establishing the Tripartite Free Trade Area with a membership of 26 African countries, which encompass half of the membership of African Union. Within the context of this framework, the three RECs have thus, undertaken significant steps in: the harmonization of the rules of origin; the simplification of customs procedures and documentation; the rationalization of customs bond guarantee schemes; the development of customs training and capacity building programmes; the development of harmonized standards; the coordination of competition policies and institutional frameworks; and the identification, and elaboration of mechanisms for addressing non- tariff barriers. These were landmark achievements.

The achievements of the Tripartite FTA in our view are no longer in doubt, since COMESA, EAC and SADC have already established an operational Free Trade Area. What is therefore required is to identify areas of convergence and divergence in terms of policy. However, a study addressing the issues was completed by the secretariats of the three institutions in November 2009. The COMESA-EAC-SADC study demonstrated greater degree of convergence except on some elements of the similar Rules of Origin both COMESA and EAC, which were found to be different from some aspects of the SADC Rules of Origin. But given the 'can-do' political mindset to establish the Tripartite Free Trade Area, the prospects for achieving the programme harmonization and policy convergence look quite good.

By November 2009, the draft FTA Agreement had been circulated to the 26 Member/Partner States by the three Secretariats for consideration. The study proposed a clear roadmap that envisages the establishment of the COMESA-EAC-SADC Tripartite FTA by 1 January 2012.

Trade in Services

Since Trade in services accounts for approximately sixty percent of the value of traded commodities within COMESA, it should be given prominence as trade in other goods. Accordingly, in June 2009 the COMESA Council of Ministers adopted the Regulations on Trade in Services and endorsed in December the same year, the Negotiating Guidelines for liberalising regional trade in services. In addition, the Council established the COMESA Committee on Trade in Services, to provide the forum for the negotiation of the liberalisation and development of trade in services to oversee the entire programme during the same year. It is expected that Member States will continue to submit their priority areas for trade liberalisation in services so that significant progress can be made during 2010.

Climate Change and Development in Africa

On Climate Change, the year 2009 was once again a historic one, when Africa participated at the Copenhagen Conference with one voice. Although, the signals that emerged from the key global players indicated that there is still no universal agreement or binding commitments and targets on cutting Green House Gas Emissions, there was at least consensus on the need to act. This will pave the way for possible advancement in the search for a legally binding agreement in Mexico in 2010 by the Fifteenth Conference of Parties (CPO15).

COMESA contributed significantly to the elaboration of the African Common Position on Climate Change for the Copenhagen United Nations Conference. The Copenhagen Conference established few new bodies: a Mechanism on REDDS-plus (enhanced reduction of emissions from deforestation and forest degradation); a High Level Panel under the Conference of Parties (COP) to study the implementation of provisions; the Copenhagen Green Climate Fund; and a Technology mechanism. In line with Africa's commitment to the implementation of the Kyoto Protocol, which will come into force in 2013 will address areas relating to Agriculture, Forestry, and Sustainable Land Use (AFOLU). COMESA will help the farmers of its Members States during 2010 and beyond, to lock-up carbon by tilling less land, while increasing productivity and food production through organic farming and crop waste reduction. It should not be overemphasized that proper farm management will significantly reduce carbon emission since the soil holds three times more carbon than all the worlds' plants.

In 2009, COMESA launched a Conservation Farming programme through the funding of the Government of Norway. In addition, the COMESA Secretariat, in collaboration with the UN Global Mechanism, completed a study for establishing the COMESA Carbon Fund. Consequently, the COMESA Bureau of Ministers of Agriculture, National Resources and Environment mandated the Secretariat to involve development partners in the mobilisation of resources for the COMESA Carbon Fund.

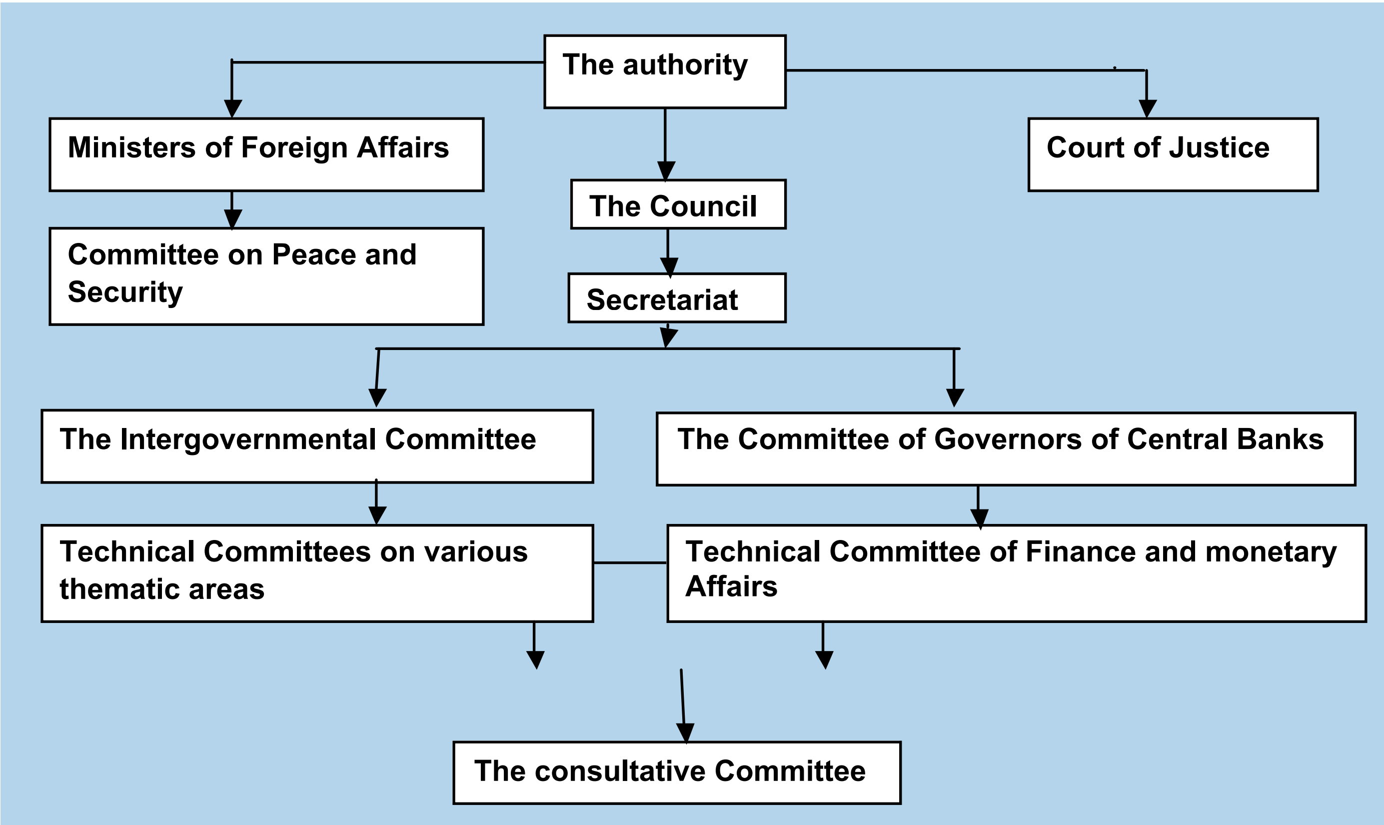
COMESA in 2010 and beyond

The establishment of the COMESA FTA will boost intra COMESA trade in terms of volumes, values and State participation. Member States will implement the three-year transition period for the Customs Union. The year 2010 will witness the full realisation of the COMESA REPSS, and the hosting of the 2nd Summit of the Tripartite Heads of State and Government to establish the Tripartite FTA. The year should be one of decision making in the operation of the Tripartite Trust Fund, to meet the infrastructural demands of COMESA, EAC and SADC.

PART 2: DECISION MAKING PROCESS OF COMESA

The Common Market for Eastern and Southern Africa aims at ensuring accountability, transparency and equity in the implementation of its programmes. The decision making structure is divided into two; one on matters of trade and the other one on matters of peace and security. The overall decision-making structure as provided for under Article 7 of the Treaty is illustrated below in the organigram below, and functions within the limits of powers conferred upon them by or under the Treaty.

Diagram 1: The Organigram



The COMESA's active involvement in the resolution of the conflicts in the region which dates back to 1999 is due to their widespread persistent and devastating impacts on the COMESA integration projects and programmes. The Fourth Summit of the COMESA Authority, which was held in Nairobi, Kenya in May 1999 therefore took a decision under Article 3(d) of the COMESA Treaty to establish structures and modalities and to formalise, COMESA's involvement in the issues of peace and security, and mandated the COMESA Ministers of Foreign Affairs to meet at least once every year to discuss modalities for addressing peace and security as well as to monitor and advice the Authority on the issues of promoting peace, security and stability. The Authority further directed that the activities of the programme be carried out within the framework of the African Union, the Regional Peace and Security Architecture. The Authority also further directed that the three tier systems be established to enable faster intervention.

13th Summit of the COMESA Authority - Victoria Falls, Zimbabwe 7-8 June 2009

The Authority

The Authority is the supreme Policy Organ of the Common Market and is composed of the Heads of States and Governments of all the 19 Member States. It is responsible for the overall policy, direction and control of the performance of the executive functions of the Common Market. It is also responsible for the achievement of the aims and objectives of the Common Market and has such other powers vested to it under the Treaty.

Subject to the provisions of the Treaty, the directives and decisions of the Authority, are undertaken or given in pursuant to the provisions of the Treaty, are binding on the Member States and on all the other organs of the Common Market, other than the Court of Justice in the exercise of its jurisdiction, and on those to whom they may be addressed to under the Treaty. The policies and decisions of the Authority are notified to those to whom they are addressed and take effect upon the receipt of such notification or on such date as may be specified in the directives or the decisions.

The 27th meeting of the Council of Ministers, December 2009

The Council

The Council is composed of Ministers from the Coordinating Ministries of all the Member States. In terms of the Treaty, all regulations, directives and decisions of the Council are binding on the Member States; all subordinate organs of the Common Market other than the Court, in the exercise of its jurisdiction, and on those to whom they may, under the Treaty, be addressed.

The Council meets twice a year. However, the extraordinary meetings of the Council may be held at the request of a Member State provided that such a request is supported by at least one-third of the Member States.

The decisions of the Council are taken by consensus, failing which it is by two-thirds of the members of the Council

The Committee of Governors of Central Banks

The functions of the Committee of Governors of Central Banks are governed by Article 13(b) of the Treaty. The committee is mandated to develop, monitor and review the implementation of programmes in the field of finance and monetary cooperation. Concomitantly, the Committee also has the power to request the Secretary General to undertake specific investigations in terms of Article 13 (2) (c) of the Treaty.

The Intergovernmental Committee

The Intergovernmental Committee is governed by Article 14 of the Treaty. The Committee carries out the responsibility of developing programmes and action plans in all sectors of cooperation, except in the finance and monetary sectors. The Committee is also required to monitor, and to constantly review and to ensure the proper functioning and development of the Common Market and to oversee the implementation of the programmes in accordance with the provisions of the Treaty. In exercising this power, the Committee may request a technical committee to investigate any particular issue or the Secretary-General to undertake specific investigations.

The Committees

It is important to note that all Committees are subject to the powers of the Authority and the Council except for the Committee on Peace and Security.

The Technical Committee is governed by Articles 15 and 16 of the Treaty. The Technical Committee is responsible for the preparation of a comprehensive implementation programme and timetable which serve to prioritise the programmes with respect to each sector. In addition, the Technical Committee monitors and reviews the implementation of the programmes on cooperation and may request the Secretary General to undertake specific investigations. The Technical Committee shall submit reports and recommendations to the Intergovernmental Committee, either on its own initiative or upon request by the Council, in connection with the implementation of the provisions of the Treaty.

The Consultative Committee

The main purpose of the Consultative Committee is to provide a link and facilitate dialogue between the business community and other interest groups as well as the other organs of the Common Market. However, the Consultative Committee is also responsible for monitoring the implementation of the provisions of Chapters Twenty Three and Twenty Four of the Treaty and to make recommendations to the Intergovernmental Committee. In the exercise of its functions, the Consultative Committee takes part in the meetings of the Technical Committees when the need arises.

The Secretariat

The Secretariat is headed by the Secretary General of the Common Market who is appointed by the Authority. The Secretary-General is the Chief Executive Officer of the Common Market and represents the Common Market in the exercise of its legal personality. The Council has the power to determine any other members of staff apart from the Assistant Secretary Generals who will be appointed by the Authority. In performing their duties, the Secretary General, Assistant Secretaries General and the staff of the Secretariat are not to receive any instructions from any Member State or from any other authority external to the Common Market. In the exercise of his or her powers, the Secretary General is required to service and assist the organs of the Common Market in the performance of their functions as well as to submit reports in consultation with the Intergovernmental Committee on the activities of the Common Market to the Council and the Authority amongst other things.

Peace and Security

The second existing decision-making structure is that of the COMESA Programme on Peace and Security. The COMESA Member States have established a committee comprising of senior officials in the Ministries of Foreign Affairs called the "Committee on Peace and Security". This Committee sits at least once every year to discuss the modalities of peace and security in the region and its recommendations are further discussed by the Ministers of Foreign Affairs. The Committee and the Ministers meetings focus on peace and security situation in the region and serve to enhance greater accountability and promote good governance. The meeting of the Ministers of Foreign Affairs agrees, at a policy level, on issues facing the existing conflicts and how best COMESA can address these issues. The Ministers also discuss issues around post-conflict reconstruction within the lenses of structural conflict prevention. The COMESA Authority considers its recommendations and takes decisions.

In recognition of the complexity of the conflicts in the region, the Authority further directed the COMESA Secretariat on the need for collaborative and consultative relationship between a wide range of stakeholders that include civil society, business community and the parliamentarians. In response, COMESA established the structures to engage other non-state actors including the formation of a network of civil society and private sector organizations through a process of accreditation to the COMESA Programme on Peace and Security; and the establishment of a COMESA Inter-Parliamentary Forum.

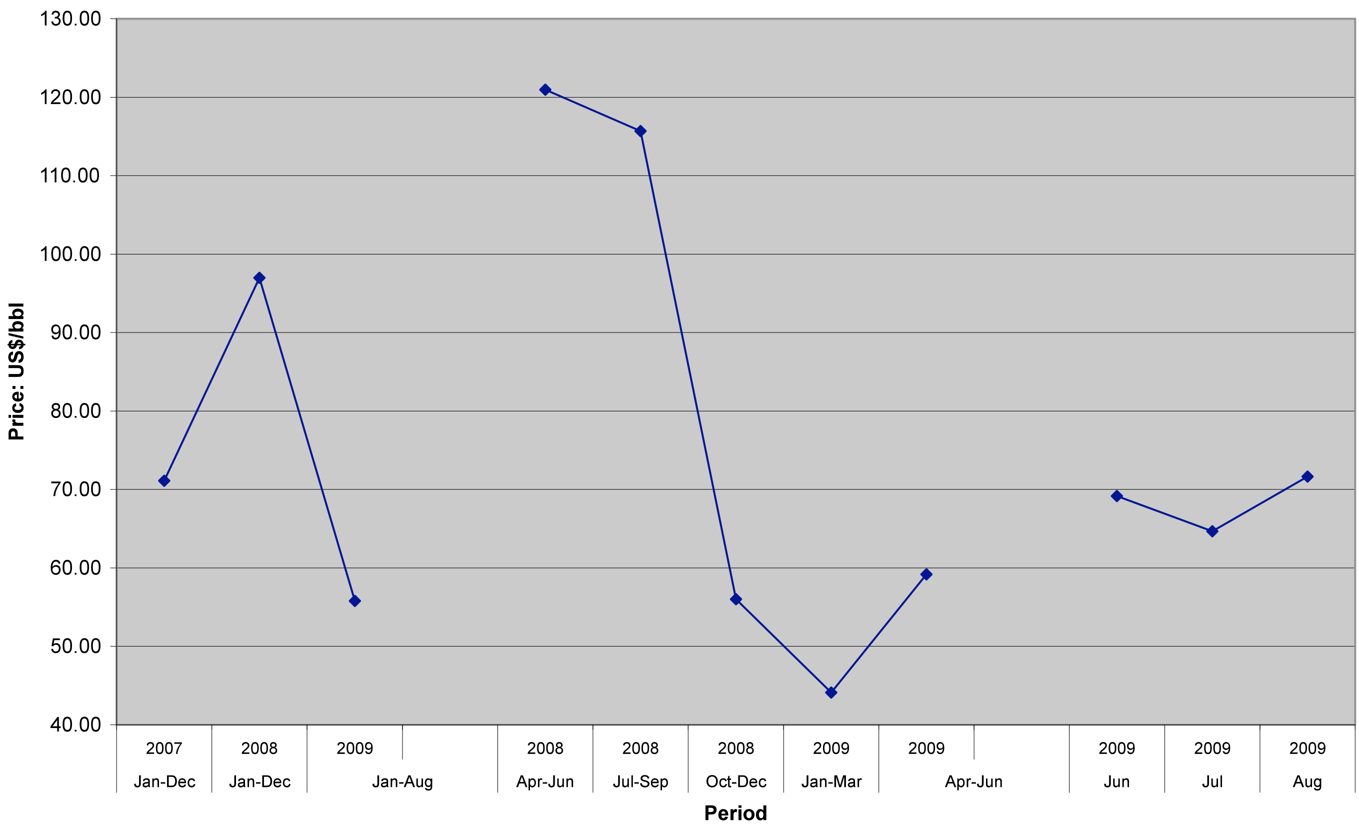
PART 3: TRADE DEVELOPMENTS

3.1 International Commodity Prices

The price movements in 2008/2009 for major commodities in the selected sectors of energy, metals and minerals, beverages and selected grains reflected the following patterns:

Oil and petroleum: the quarterly average prices for crude oil continued to decrease and registering a 64% decline in the first quarter (Q1) of 2009 over levels of Q2 in 2008 to reach a rock-bottom price of US$44/barrel before raising to a level of US$ 60/bbl in Q2 of 2009. By August 2009, the average prices of crude oil had reached US$ 72/bbl. Libya, Egypt and Sudan are the key exporting countries of petroleum product in the COMESA region, hence, the most affected by these price fluctuations. In 2008, Libya alone exported petroleum products including light and medium oil worth over US$ 90 billion mainly to the EU, while Egypt exported petroleum products including liquefied natural gas worth over US$ 11 billion. Sudan's exports of petroleum product and light oil in 2008 amounted close to US$ 9 billion and were mainly destined to China. Figure 1 below depicts the performance of oil prices over the last three years and are presented on annual, quarterly, and monthly averages.

Fig 1: Average Annual, Quarterly and Monthly Oil Prices

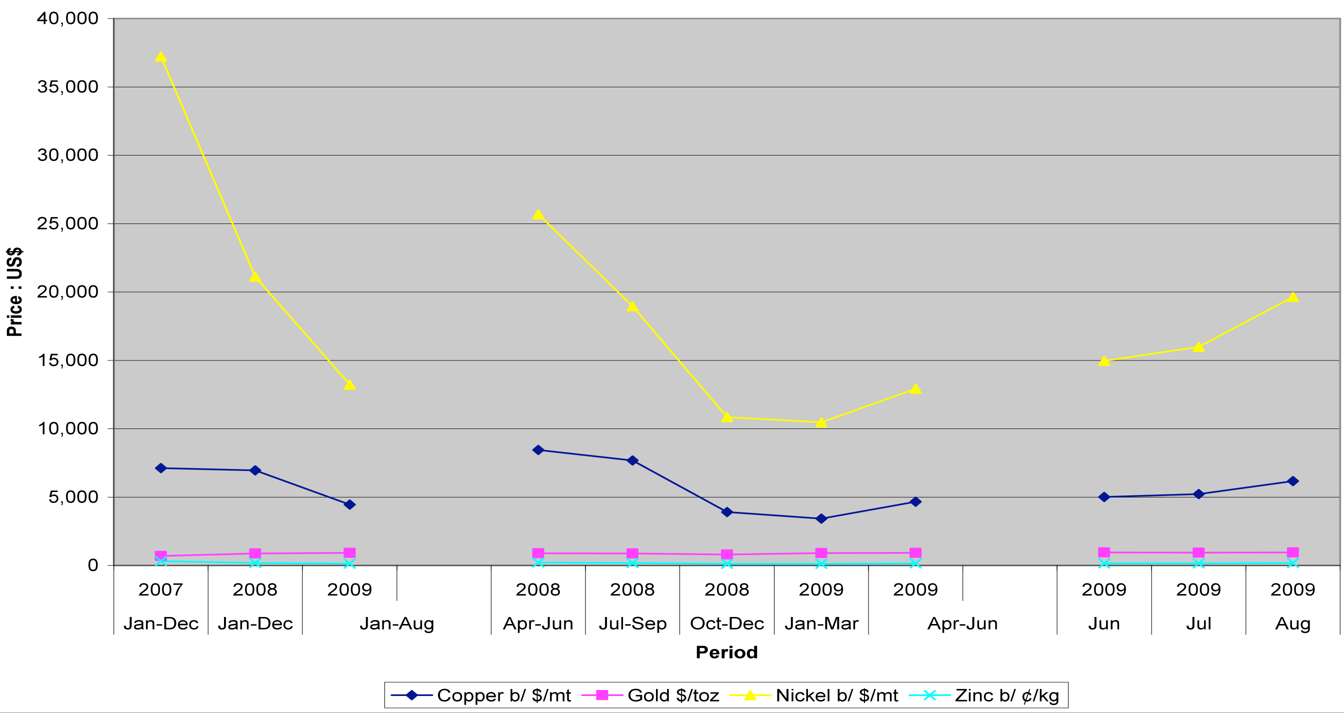


Source: World Bank 2009

Minerals and Metals: The average quarterly prices for copper and nickel in the minerals and metals group also depicted similar trends during the period under review, and both declined by 60% in Q1-2009 as compared to the Q2-2008 price levels, by amounts of US$ 3,400/mt and USD 10,400/mt for copper and nickel respectively. The average prices for zinc declined by 45% during the same period while that of gold remained rather stable at US$ 900/troy as portrayed in Figure 2 below. At the end of August 2009, the average prices had risen by 32%, 52% and 24% for copper, nickel and zinc respectively from the average levels of the Q2-2009.

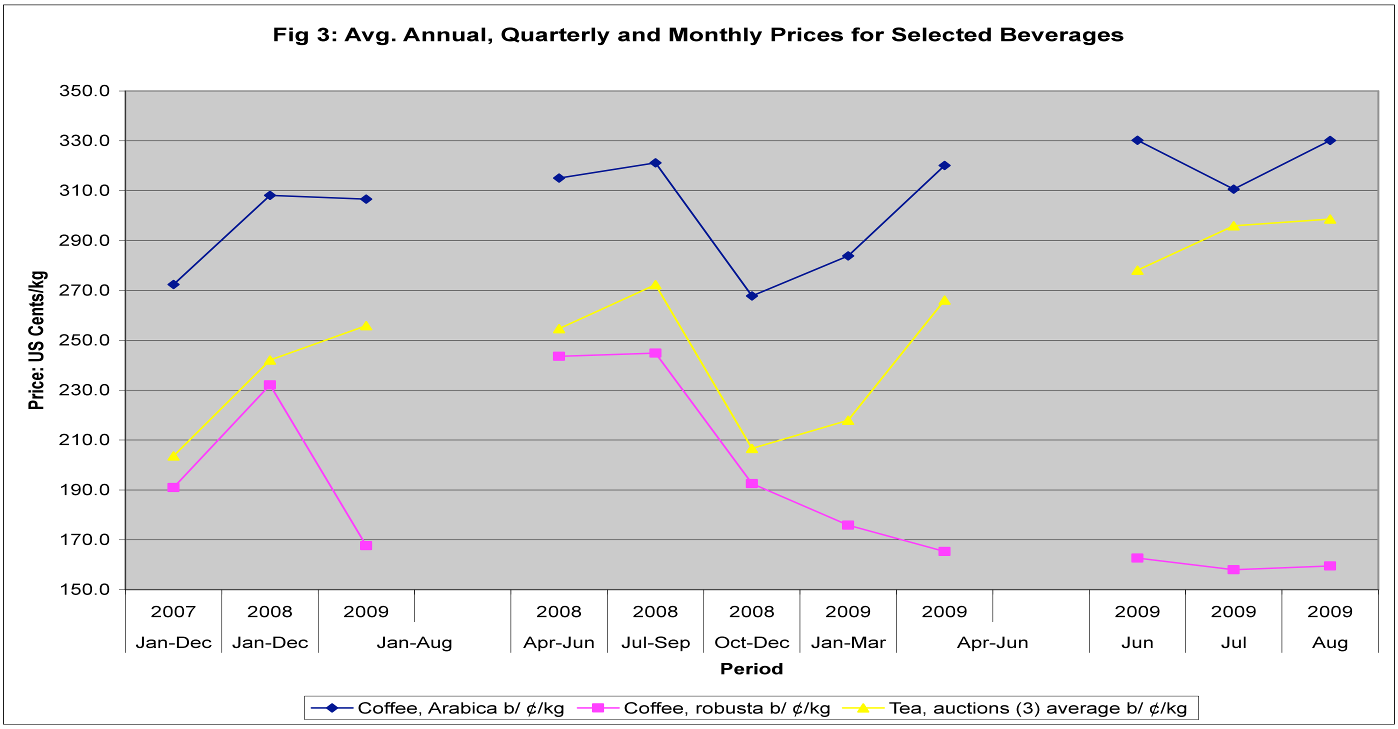
The countries within the COMESA region that are exporters of these minerals and metals are: Zambia, the Democratic Republic of Congo (copper), Libya, Ethiopia and Burundi (gold), and Zimbabwe (nickel). In 2008, Zambia exported copper worth USD 3.9 billion, mainly to Switzerland, while Libya, exported gold worth USD 244 million, mainly to the United Arab Emirates. Ethiopia and Burundi each exported gold worth USD 80 million and USD 61 million respectively during the period under review. Zimbabwe on the other hand, exported nickel worth USD 322 million mainly to South Africa and witzerland.

Fig 2: Avg. Annual, Quarterly and Monthly Prices for Selected Metals



Source: World Bank

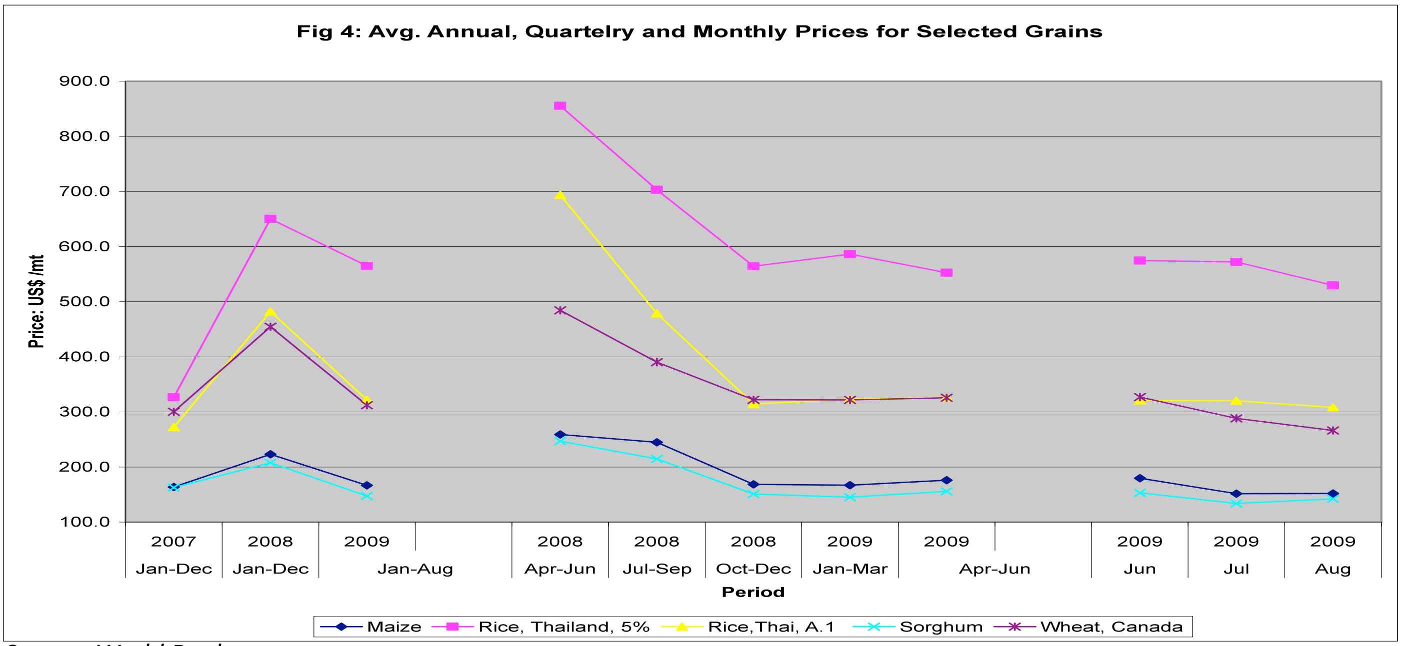
Beverages: The products under beverages such as coffee and tea, registered price average increases of 13% and 22% for Arabica coffee and tea respectively during the second quarter of 2009 above the levels of the first quarter, while the average quarterly prices for Robusta coffee declined by 6% during the same period. Ethiopia, Uganda and Burundi are the major exporters of coffee in the region while tea is mainly exported by Kenya, Malawi, and Uganda. In 2008, Ethiopia exported coffee valued at over US$ 500 million, to Germany, Saudi Arabia and the USA. Uganda exported coffee worth over US$ 360 million, mainly to Switzerland and Germany. Kenya's tea exports valued at over US$ 900 million in 2008 went mainly to Egypt, Pakistan and the United Kingdom, while Malawi and Rwanda respectively exported tea worth US$ 100 million and US$ 118 million. Figure 3 below shows trends in the average prices for these commodities during the period under review.



Source: World Bank

Cereal products: The main registered cereal products such as maize, rice, wheat and sorghum prices decreased by 35%, 44%, 34% and 38% respectively for Q4-2008 over the Q2-2008 (See Figure 4 below). In 2008, Egypt imported maize worth over US$ 1 billion mainly from the USA and Argentina, while Zimbabwe imported maize worth USD 169 million mainly from South Africa. Furthermore, Egypt exported rice worth US$ 178 million mainly to Syria, Libya and Turkey. This was however a decline of 55% over the 2007 rice exports. On the import side, Djibouti imported rice valued at over USD 230 million from the USA in 2008. Other importers of rice in the region were Libya (USD 130 million), Kenya (USD 85 million) and Mauritius (USD 65 million). Durum wheat worth over USD 3 billion was imported into the region in 2008, mainly by Egypt at (over USD 2 billion) from Russia, the USA and Ukraine, Sudan at (USD 490 million) and Ethiopia at (USD 340 million). Ethiopia on the other hand, imported sorghum valued at over USD 80 million from the USA and Italy in 2008.

Figure 4 below shows the price movements for these commodities over the past months and quarters of 2008/2009.



Source: World Bank

3.2 Intra COMESA Trade

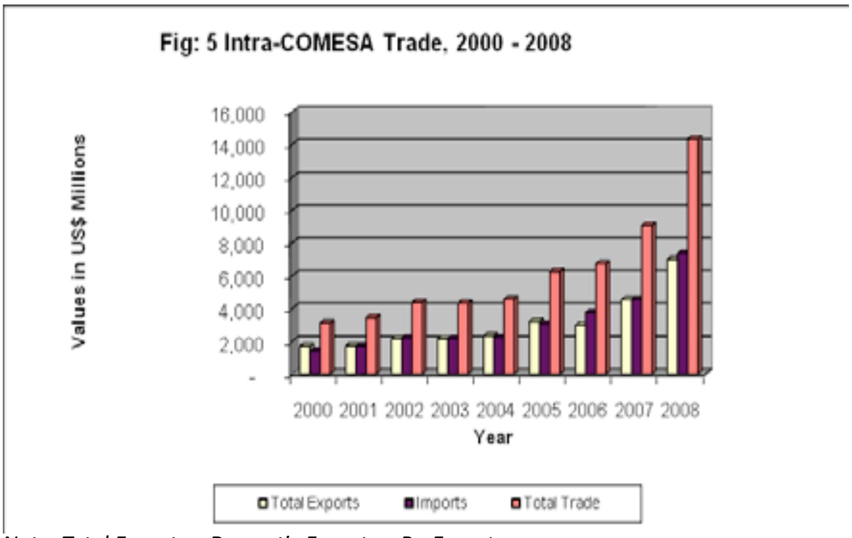
The intra-COMESA trade reached a value of US$ 14.3 billion level in 2008[1] . Part of the growth of intra-COMESA trade in 2008 was due to increased demand of each member countries products, as evidenced by intra - import growth. For example, countries such as Malawi registered (326% intra-import growth); Libya (234% intra-import growth); Sudan (102%); and Zambia (100% intra-import growth). In 2008, Malawi imported tobacco worth almost US$ 150 million from Zambia and cement clinkers worth USD 34 million from Zimbabwe. Libya's major imports from COMESA come primarily from Egypt and consist of various products. Sudan's main imports come from Kenya and consist of aircraft spare parts. In 2008, Zimbabwe and Egypt accounted for over 40% of intra - COMESA imports. Zambia's imports were mainly the traditional products such as copper ores and concentrates from the DR Congo and worth over US$ 500 million. In the same year, Egypt imported copper from Zambia and tea from Kenya worth US$ 630 million and US$ 200 million respectively.

In 2008, major increases in intra-COMESA exports were registered in Rwanda (310%) and Sudan (330%). Rwanda's major export to Kenya was tea valued at (US$ 125 million). It also exported beer, water and fresh beans to Congo DR, worth over US$ 35 million. Sudan's major exports to the COMESA region were sesame seed, cotton and live animals valued at over US$ 110 million which were mainly directed to Egypt which accounted for 97% of the country's intra-exports in 2008. In the same year, Egypt's intra-COMESA exports consisted of various products with Libya accounting for almost 50% of her intra-COMESA exports. Zambia's exports of copper to Egypt during the same period were valued over US$ 380 million.

Table 2: Intra-COMESA Trade, 2000 - 2008, Values in US$ Millions

Flow	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports	1,497	1,319	1,882	1,670	1,804	2,583	2,702	3,950	6,386
Re-Exports	200	400	267	475	531	625	268	570	599
Total Exports	1,697	1,719	2,149	2,145	2,335	3,208	2,970	4,520	6,986
Imports	1,419	1,718	2,218	2,173	2,223	3,046	3,757	4,554	7,344
Total Trade	**3,116**	**3,437**	**4,368**	**4,318**	**4,558**	**6,254**	**6,728**	**9,074**	**14,329**

Source: COMSTAT Database



Note: Total Exports = Domestic Exports + Re-Exports
Source: COMSTAT Database.

1 In part this due to the change in compilation methodology by Egypt In 2007/2008. Egypt started compiling and reporting its trade statistics according to the General Trade System (GTS) as recommended by the United Nations, a phenomenon that saw both her intra COMESA imports and exports grow by over US$ 2 billion in 2008, implying an average percentage increase of about 250 percent. Previously, Egypt was reporting her trade statistics according to the Special Trade System (STS)

Table 3: Intra-COMESA Trade by Country, 2007-2008, Values in US$ Millions

Year	2007			2008			Percentage Change (2008)		
Country	**Exports**	**Re-Exports**	**Imports**	**Exports**	**Re-Exports**	**Imports**	**Exports**	**Re-Exports**	**Imports**
Burundi	36.6	32.6	175.4	17.0	7.4	75.0	(53.6)	(77.3)	(57.3)
Comoros	0.2		2.8	0.0		14.1	(81.0)		405.2
Congo DR	188.1		665.8	511.3		718.7	171.9		8.0
Djibouti	31.7		108.0	2.1		44.6	(93.3)		(58.8)
Egypt	494.3		312.2	1,669.9		1,164.1	*		*
Eritrea	6.3		4.9	4.3		4.5	(32.3)		(7.5)
Ethiopia	123.8	0.9	213.7	152.4	0.1	324.0	23.1	(89.0)	51.6
Kenya	1,114.3	189.2	428.3	1,427.6	229.0	410.9	28.1	21.0	(4.1)
Libya	153.5		278.5	233.2		932.5	51.9		234.8
Madagascar	31.7	23.7	122.8	12.9	0.3	68.7	(59.2)	(98.6)	(44.1)
Malawi	183.7	0.0	140.0	283.9	0.1	596.6	54.5	601.4	326.1
Mauritius	75.4	69.1	120.8	82.0	84.4	140.8	8.8	22.2	16.6
Rwanda	50.7	5.6	264.9	207.9	8.2	408.2	309.8	46.8	54.1
Seychelles	0.7	0.4	26.0	1.9	0.2	48.5	167.3	(32.6)	86.8
Sudan	29.7	36.9	441.5	128.4	6.0	892.7	332.3	(83.7)	102.2
Swaziland	191.1		25.5	168.0		51.1	(12.1)		100.3
Uganda	367.2	89.1	515.9	532.9	135.6	570.6	45.1	52.2	10.6
Zambia	612.2	55.5	394.6	778.5	76.7	780.5	27.2	38.3	97.8
Zimbabwe	258.6	67.5	312.2	171.9	51.4	97.6	(33.5)	(23.8)	(68.7)
Total	**3,949.9**	**570.4**	**4,553.8**	**6,386.3**	**599.4**	**7,343.7**			

Source: COMSTAT Database[2]

As can be seen in Table 3, Egypt registered the largest market share (26%) of intra-COMESA exports in 2008, replacing Kenya that had dominated (8%) the intra - COMESA export market share in previous years. Egypt was followed by Kenya (22%), Zambia (12%) and Uganda (8%) as shown in Table 4 below. Kenya's major intra-export products were tea to Egypt and Sudan (over US$ 250 million) and cement, beer, salts and processed petroleum products to Uganda worth over US$ 150 million. Uganda's intra - COMESA exports in 2008 were mainly coffee, tobacco, cement, tea and beer mainly to Sudan, Kenya, Rwanda and Burundi accounting for almost US$ 200 million.

The share of intra – COMESA imports were as follows: Egypt (16%), Sudan (13%), and Libya (12%), Zambia (11%), DR Congo (10%), Uganda (8%) and Kenya (7.8%).

2 Egypt's percentage change for exports and imports was omitted in this table owing to the change in methodology mentioned as it would be misleading

Table 4: Intra-COMESA Trade 2008, Values in US$ Millions and % Share

Rank	Exporter	Value	% Share		Importer	Value	% Share
1	Egypt	1,669.9	26.1		Egypt	1,164.1	15.9
2	Kenya	1,427.6	22.4		Sudan	932.5	12.7
3	Zambia	778.5	12.2		Libya	892.7	12.2
4	Uganda	532.9	8.3		Zambia	780.5	10.6
5	Congo DR	511.3	8.0		Congo DR	718.7	9.8
6	Zimbabwe	283.9	4.4		Uganda	596.6	8.1
7	Libya	233.2	3.7		Kenya	570.6	7.8
8	Rwanda	207.9	3.3		Rwanda	410.9	5.6
9	Ethiopia	171.9	2.7		Ethiopia	408.2	5.6
10	Swaziland	168.0	2.6		Malawi	324.0	4.4
11	Sudan	152.4	2.4		Mauritius	140.8	1.9
12	Malawi	128.4	2.0		Madagascar	97.6	1.3
13	Mauritius	82.0	1.3		Zimbabwe	75.0	1.0
14	Madagascar	17.0	0.3		Burundi	68.7	0.9
15	Burundi	12.9	0.2		Seychelles	51.1	0.7
16	Eritrea	4.3	0.1		Djibouti	48.5	0.7
17	Djibouti	2.1	0.0		Swaziland	44.6	0.6
18	Seychelles	1.9	0.0		Comoros	14.1	0.2
19	Comoros	0.0	0.0		Eritrea	4.5	0.1
	Total	**6,386.3**	**100.0**		**Total**	**7,343.7**	**100.0**

Source: COMSTAT Database

Overall, tea remained the most traded product in intra-COMESA trade in 2008 just like in the previous years (see Table 5 below.) The second most traded products were copper ores, concentrates and refined copper in the form of cathodes. The other important products traded during the period under review were Portland cement and tobacco which ranked fourth and fifth respectively. The performance of tea as number one product is due to the fact that Kenya exports over US$ 210 million to Egypt and imports close to US$ 120 million from Rwanda at the same time. DR Congo exported Copper ores and concentrates to Zambia (worth over USD 380 million) primarily for refinement, while Zambia exported refined copper in the form of cathodes, plates, sheets and strips mainly to Egypt. Egypt also exported a considerable amount of refined copper in the form of plates, sheets, strips and winding wire for electrical purposes to Libya valued at over US$ 50 million.

Cement was mainly exported from Kenya to Uganda in the amount of US$ 85 million and from Egypt to Sudan valued at over US$ 60 million, while Malawi exported a significant amount of tobacco estimated at over 60%, (US$ 105 million) to Egypt, Zimbabwe and Swaziland.

Table 5: Intra-COMESA Top Export Products and Rankings, 2008, Values in US$

Rank	HS	Product Description	2008	08	07	06	05	04
1	090240	Black fermented tea and partly fermented tea,	409,592,298	1	1	1	1	1
2	260300	Copper ores and concentrates	382,027,798	2	5	17	34	40
3	740311	Copper, refined, in the form of cathodes	330,286,961	3	6	99	2	118
4	252329	Portland cement (excl. white,	264,403,472	4	2	2	3	4
5	240110	Tobacco, unstemmed / unstrapped	166,664,091	5	12	6	6	6
6	740919	Plates, sheets and strip, of refined copper,	138,239,684	6	3	2489	1484	
7	170111	Raw cane sugar (excl. added flavouring or colouring)	114,339,348	7	9	3	9	3
8	240220	Cigarettes, containing tobacco	86,937,626	8	11	10	19	17
9	330210	Mixtures of odoriferous substances and mixtures,	79,486,899	9	13	12	13	2
10	240120	Tobacco, partly or wholly stemmed/stripped,	78,214,210	10	16	4	17	5
11	854420	Coaxial cable and other coaxial electric conductors,	76,843,653	11	122	173	212	193
12	090111	Coffee (excl. roasted and decaffeinated)	76,703,566	12	15	9	8	9
13	120740	Sesame seeds, whether or not broken	71,845,693	13	66	8	25	18
14	220300	Beer made from malt	68,495,328	14	18	23	76	104
15	290122	Propane “propylene”	66,737,461	15	65	155	61	75
16	732690	Articles of iron or steel, n.e.s.	56,769,200	16	84	45	49	66
17	100590	Maize (excl. seed)	55,043,502	17	4	57	46	16
18	740911	Plates, sheets and strip, of refined copper, in coils,	54,202,117	18		3261	2718	969
19	300490	Medicaments consisting of mixed or unmixed products	50,395,055	19	22	15	22	32
20	170199	Cane or beet sugar and chemically pure sucrose,	50,097,917	20	10	28	78	30

Source: COMSTAT Database

In 2008, the eight countries within the COMESA region that registered favourable terms of trade (TOT) with other COMESA countries were: Kenya (4.0), Libya (3.6), Swaziland (3.3), Zimbabwe (2.3), Egypt (1.4), Uganda, and Mauritius (1.2) and Zambia (1.1), while the rest of the COMESA Member States had their TOT ratios below 1.0.

3.3 Intra-COMESA 2009 Outlook

The intra-COMESA trade figures for 2009 indicate that out of the nineteen Member States, 9 countries had no data on exports, re-exports, and imports. This made it difficult to make conclusions/or to predict the trends of trade in the COMESA region.

Table 5a: Intra-COMESA Trade 2008 and 2009 Value US$

		2008			2009			
No.	**Country**	**Exports**	**Re-Exports**	**Imports**	**Exports**	**Re-Exports**	**Imports**	**Period**
1	Burundi	4,589,671	2,791,377	14,999,362	8,126,453	2,124,901	22,456,955	Jan-Mar
2	Comoros	22,471		9,941,613	289,493		3,941,782	Jan-Jul
3	Congo DR*							
4	Djibouti*							
5	Egypt	561,053,848		453,164,149	495,619,074		188,061,813	Jan-Apr
6	Eritrea*							
7	Ethiopia*							
8	Kenya*							
9	Libya*							
10	Madagascar*							
11	Malawi	36,278,566		96,870,010	87,381,432	15,999	85,294,044	Jan-Jul
12	Mauritius	18,772,367	15,812,647	41,098,476	16,332,903	12,717,388	23,219,451	Jan-Mar
13	Rwanda	92,155,944	4,965,373	173,429,418	60,341,549	1,457,169	241,129,160	Jan-Jun
14	Seychelles*							
15	Sudan	46,111,407	1,088,514	413,562,509	43,344,494	1,256,886	210,187,600	Jan-Apr
16	Swaziland*							
17	Uganda	207,313,198	59,278,478	247,500,974	187,942,857	87,808,639	245,933,189	Jan-May
18	Zambia	476,832,675	41,448,633	462,068,617	251,085,096	52,101,749	257,509,153	Jan-Jul
19	Zimbabwe	83,810,998	3,976,395	55,868,593	65,714,018	3,587,529	40,035,654	Jan-Jul

* Countries have not submitted trade for 2009.

3.4 Total COMESA Trade

Total intra-COMESA trade continued its upward trends as imports and exports increased from US$ 203 to US$ 307 billion in 2008,an increase of 51%. The 14% growth rate nearly tripled in 2008 when the total exports reached US$ 157 billion which was an increase of about 47%, while imports totalled US$ 150 billion, equivalent to an increase of 57% as shown in Table 6 below.

Table 6: Total COMESA Trade, 2000 - 2008, Values in US$ Millions

IMPEXP	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports	13,964	12,977	34,659	46,185	57,004	75,355	99,023	105,044	154,510
Re-Exports	650	876	702	1,152	1,436	2,093	1,816	2,100	2,545
Total Exports	14,613	13,853	35,361	47,337	58,440	77,448	100,839	107,144	157,054
Imports	29,881	28,704	45,650	43,906	49,599	67,891	77,677	95,962	150,602
Total Trade	**44,494**	**42,557**	**81,011**	**91,243**	**108,039**	**145,339**	**178,516**	**203,105**	**307,657**

Source: COMSTAT Database and UN COMTRADE Database

Percentage of intra-COMESA trade to total COMESA trade has remained low at an average of 4% for the last four years but increased to 5% in 2008. See Table 7 below.

Table 7: Intra-COMESA Trade as a percentage of Total COMESA Trade, 1998 - 2008

IMPEXP	2001	2002	2003	2004	2005	2006	2007	2008
Exports	10	5	4	3	3	3	4	4
Re-Exports	46	38	41	37	30	15	27	24
Total Exports	12	6	5	4	4	3	4	4
Imports	6	5	5	4	4	5	5	5
Total Trade	8	5	5	4	4	4	4	5

At country level, Malawi's total imports increased by a staggering 460% in 2008, that is, from US$ 1.3 billion in 2007 to US$ 7.5 billion in 2008, which was almost eight times the regional average of 57% in 2008. The total imports to Egypt grew by over 100%, while Rwanda's imports went up by 70%. The annual percentage changes to the total imports for Ethiopia, Libya and Sudan were around that of the regional average, while those of Swaziland, Burundi, Djibouti, Madagascar and Zimbabwe were below the regional average (Table 8 below).

On the export side, Sudan and Malawi recorded remarkable increases in their total exports by 607% and 256% respectively. The other notable increases were recorded in Rwanda (148%) and DR Congo (58%), while Eritrea, Burundi, Zimbabwe, Djibouti, Swaziland, Seychelles and Madagascar registered negative growth in the value of their total exports in 2008 compared to 2007.

Table 8: Total COMESA Trade by Country, 2005 - 2008, Values in US$ Millions

Country	2005			2006			2007			2008		
	Export	Re-Export	Import	Export	Re-Export	Import	Export	Re-Export	Import	Export	Re-Export	Import
Burundi	110	4	282	139	98	445	252	68	604	124	17	313
Comoros	42	0	206	68		187	2		86	45		235
Congo DR	2,072		2,175	2,059		2,906	2,662		3,758	4,218		5,094
Djibouti	88		1,741	91		1,034	177		1,890	100		1,293
Egypt	10,607		19,758	15,961		22,411	16,145		26,966	26,491		54,714
Eritrea	29		423	20		315	72		249	28		293
Ethiopia	842	72	4,006	1,014	18	5,105	1,269	8	5,787	1,595	7	8,694
Kenya	2,656	912	5,924	3,164	316	7,237	4,205	729	10,331	4,672	1,060	12,780
Libya	48,130		12,543	60,878		13,530	65,252		17,216	92,820		25,720
Madagascar	593	73	1,485	891	70	1,636	1,131	140	2,344	1,003	77	1,840
Malawi	497	4	1,145	658	3	1,285	868	0	1,348	3,086	1	7,555
Mauritius	1,400	590	3,097	1,487	674	3,054	1,402	463	3,824	1,453	587	4,689
Rwanda	108	39	415	123	15	651	148	13	689	348	52	1,173
Seychelles	197	117	643	217	164	748	159	138	717	151	95	912
Sudan	3,317	8	6,888	5,428	139	8,880	1,283	61	8,460	9,468	33	12,756
Swaziland	1,210	75	1,649	1,046	58	896	1,233	26	1,164	921		279
Uganda	699	114	2,053	813	106	2,558	1,023	204	3,280	1,496	313	4,367
Zambia	1,855	30	2,566	3,682	131	3,070	4,582	128	3,840	4,909	189	5,060
Zimbabwe	901	57	894	1,283	25	1,729	3,178	123	3,408	1,581	113	2,835
Total	**75,355**	**2,093**	**67,891**	**99,023**	**1,816**	**77,677**	**105,044**	**2,100**	**95,962**	**154,510**	**2,545**	**150,602**

Source: COMSTAT Database and UN COMTRADE Database

3.5 COMESA Trade with Key Markets

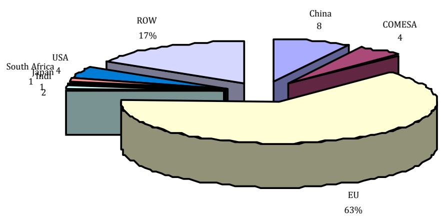
The share of intra-COMESA exports to total COMESA exports indicates that COMESA's exports were directed to third countries, mainly the EU, the rest of the world (ROW) and China as shown in Table 9 and Figure 6 below, with EU accounting for 63%, ROW 16% and China 8%. A look at the Table indicates that Libya's exports to the EU were about 86% consisting of petroleum products. About 80% of Sudan's petroleum products export was destined to China, while 59% of Zambia's total copper exports were directed to the rest of the world, especially to Switzerland. Burundi, on the other hand exported approximately 70% of its products to the rest of the world, namely: gold to the United emirates, and copper to Switzerland. 42% of Zimbabwe's exports were to South Africa. The only country whose exports to COMESA region were above 50% was Rwanda, while Uganda's exports to COMESA accounted for about 37%.

Table 9: Key Export Markets for COMESA Countries, 2008 (%)

Exporter	China	COMESA	EU	India	Japan	South Africa	USA	ROW	Total
Burundi	1.5	17.3	11.6	-	0.1	0.1	0.7	68.8	100.0
Comoros	0.0	0.1	66.5	1.2	0.1	0.5	1.9	29.7	100.0
Congo DR	33.7	12.1	44.3	2.4	0.5	0.1	5.8	1.0	100.0
Djibouti	0.1	2.1	59.8	0.1	0.1	0.0	0.6	37.2	100.0
Egypt	1.3	6.3	35.3	6.3	3.2	0.2	5.1	42.3	100.0
Eritrea	8.0	15.5	39.8	20.9	0.2	0.6	0.4	14.7	100.0
Ethiopia	5.3	9.5	35.0	1.0	3.9	0.4	7.2	37.8	100.0
Kenya	0.5	28.9	31.4	1.7	0.6	1.5	5.7	29.7	100.0
Libya	2.5	0.3	86.1	0.7	0.0	0.0	4.1	6.3	100.0
Madagascar	2.5	1.2	63.0	0.2	0.4	0.6	23.6	8.4	100.0
Malawi	2.6	9.2	46.2	0.3	0.0	8.8	5.7	27.1	100.0
Mauritius	0.7	8.2	58.2	1.2	0.5	3.8	6.9	20.5	100.0
Rwanda	1.5	54.0	23.3	3.3	0.0	3.1	1.2	13.6	100.0
Seychelles	0.0	0.9	57.1	0.0	0.0	0.3	0.8	40.8	100.0
Sudan	79.5	1.4	0.8	0.8	7.3	0.0	0.0	10.2	100.0
Swaziland	1.1	18.2	39.9	3.5	0.6	0.0	13.8	22.9	100.0
Uganda	0.7	36.9	32.0	1.0	0.4	0.7	0.8	27.4	100.0
Zambia	5.6	16.8	6.4	0.6	0.8	10.4	0.5	58.9	100.0
Zimbabwe	2.0	13.2	21.0	0.1	0.4	41.7	1.3	20.2	100.0
Total	**7.8**	**4.4**	**62.9**	**1.8**	**1.1**	**1.1**	**4.2**	**16.6**	

Source: COMSTAT Database and UN COMTRADE Database

Fig 6: Key Export Market Shares,



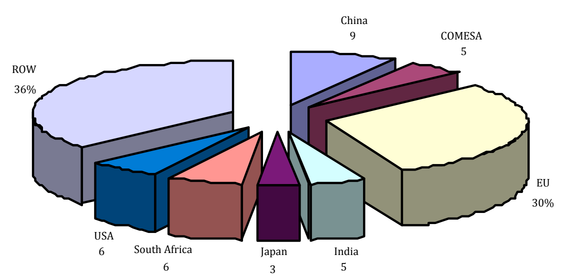
A number of COMESA countries' imports came from the EU, with the regional imports accounting for 30% of the total imports, while the imports from the rest of the world accounted for 36%.

Table 10: Key Import Markets for COMESA Countries, 2008 (%)

Importer	China	COMESA	EU	India	Japan	South Africa	USA	ROW	Total
Burundi	7.4	24.0	40.6	5.0	4.8	3.2	0.9	14.1	100.0
Comoros	11.9	6.0	55.7	6.0	0.4	3.1	0.2	16.8	100.0
Congo DR	5.0	14.1	44.8	0.1	0.8	24.3	2.6	8.3	100.0
Djibouti	2.5	3.4	22.8	2.8	5.1	3.9	23.4	36.0	100.0
Egypt	8.5	2.1	26.3	3.3	3.6	0.3	10.8	45.0	100.0
Eritrea	10.9	1.5	53.8	7.9	1.2	2.5	5.3	16.9	100.0
Ethiopia	20.1	3.7	18.7	7.3	4.4	0.7	4.6	40.4	100.0
Kenya	7.3	3.2	27.7	10.3	5.1	5.3	3.2	37.9	100.0
Libya	6.9	3.6	66.5	0.4	1.5	0.1	3.0	17.9	100.0
Madagascar	21.0	3.7	30.0	1.9	3.7	5.8	3.3	30.6	100.0
Malawi	3.5	7.9	10.4	4.9	1.4	27.5	1.8	42.8	100.0
Mauritius	11.4	3.0	21.6	24.1	4.1	8.0	2.4	25.4	100.0
Rwanda	8.2	34.8	22.6	3.4	1.4	6.5	3.3	19.9	100.0
Seychelles	2.0	5.3	31.3	2.9	1.4	5.9	1.5	49.8	100.0
Sudan	10.2	7.0	13.5	4.6	5.0	0.2	0.3	59.2	100.0
Swaziland	7.9	18.3	30.2	5.8	1.6	0.0	4.1	32.2	100.0
Uganda	7.7	13.1	19.1	10.2	5.6	6.5	3.4	34.3	100.0
Zambia	4.5	15.4	10.1	3.8	1.7	42.6	1.4	20.5	100.0
Zimbabwe	4.9	3.4	7.7	1.2	0.7	62.0	4.0	16.0	100.0
Total	**8.5**	**4.9**	**30.5**	**4.6**	**3.2**	**6.1**	**5.8**	**36.5**	

Source: COMSTAT Database and UN COMTRADE Database

Fig 7: Key Import Market Shares,



The same trend continued in the imports market, and the ROW provided 37% of COMESA's imports EU (31%), China (9%) and USA (6%). On individual country basis, EU provided 67% of Libya's imports, 56% of Comoros', 54% of Eritrea's and 45% of DR Congo's. The ROW import market accounted for 59% of Sudan's imports, 50% for Seychelles, 45% for Egypt, 43% for Malawi, and 40% for Ethiopia. Rwanda's imports of about 35% come from the COMESA region and consist mainly of petroleum, oils, and cement that are exported from Kenya and Uganda respectively. All these figures are captured in Table 10 and Figure 7.

3.6 The World Economy in 2009 and its Implications

As the world economy emerges from the last decade of economic crisis, said to be the worst Global Recession since World War II.

The recession which started as a result of the housing bubble in the (USA) in 2006 translated into a broader economic malaise which affected most regions. The crash in the housing market resulted in home foreclosures and financial meltdown leading to hundreds of billions of dollars by the nation's leading banks and resulting in severe credit crunch. Due to the integrated nature of the world economy, the recession in the US quickly spread to the rest of the world including the COMESA countries.

The world economy has been recorded to have declined by 2.2% in 2009. Despite the significant decline in the global trade and capital flows, the world economy started to show signs of economic recovery towards the end of the fourth quarter of 2009 supported by swift government intervention, Central Banks and international financial institutions. Although the economy is still fragile and is yet to attain its pre-crisis level, most analysts argue that the world economy will begin to stabilise in 2011.

In Africa and particularly in the COMESA region, the prevailing assumption was that the region would not be adversely affected due to its weak integration into the global financial market and as such would be partially insulated from the global financial meltdown. However, as the crisis worsened, developing countries suffered as remittances fell and capital inflows diminished, and were reversed in certain cases.

The COMESA region was therefore not left unscathed by the global recession due to the liberalisation of the capital and financial market. This crisis forced a large number of trans-national corporations in the developing economies to cut back and to repatriate capital in order to avoid further risks. The mining sector was the hardest hit. For example, the Zambian mining which is the most vibrant sector of the economy was adversely affected by the collapse in the demand for copper, particularly by the industries in China and India. As the global demand for some of the major African export commodities fell, their prices also plummeted in the world market. Thus, major mines were forced to scale down the work force leading to loss of hundreds of jobs.

The crisis therefore underpins the urgent need for COMESA to create capacity to implement its vision: *"to create a fully integrated, internationally competitive regional economic community within which there is economic prosperity as evidenced by high standards of living for people, political and social stability and peace and a community within which goods, services, capital and labour are free to move across national borders",* in order to enable its Member States to face challenges by:

- Reducing dependence on primary commodities (value addition and diversification of production and exports structures;
- Product management of natural resources and use of export revenues; and
- Making use of AFDB's liquidity support.

3.6.1 Performance of the Developed and Emerging Economies

The leading industrialised countries: USA, Germany and Japan have started to show signs of recovery towards the end of 2009. However, a number of developed economies in Europe, such as UK and Spain were still trying to get out of the recession. One of the major consequences of the recession was the destabilization of the labour market and increased unemployment in developed economies. Indeed, without a strong recovery in consumption, it will be difficult to accelerate the pace of economic recovery.

In the USA, despite huge financial support and measures undertaken by the US Treasury and the Federal Reserve, economic growth contracted by 2.5 percent in 2009. However, the US economy is projected to grow by 2.1 percent in 2010, since consumption started to recover as a result of the declining oil and food prices and more relaxed credit conditions (Economic Report for Africa 2010).

The United States Labour Department reported that towards the end of 2009, the labour market had improved, with the unemployment rate falling slightly back to 10% and the job losses shrinking to the lowest levels in nearly two years. Economists predict that due to the slow recovery, the situation is only likely to stabilise in 2011. The improvements in the labour market provided a positive stimulus to the recovery of stock prices which provide a barometer of economic health of a country. In the last month of 2009, U.S. stocks posted strong gains, while U.S. Treasury bonds fell sharply, resulting in higher yields in the financial markets.

The developed economies in the Euro-zone however experienced a decline in trade flows, particularly between January-May 2009. The EU's trade flows with all of its major partners fell, with the largest decrease being recorded in the exports to Russia, which declined by 39% as compared with the same period in 2008. Among all EU Member States, Germany recorded the largest trade surplus during the first five months of 2009 which was equivalent to Euro 46.3 billion, while the United Kingdom registered the largest deficit estimated at Euro 38.0 billion. As was the case in the USA, the developed countries of Europe experienced high rates of unemployment of about 9.8% which was said to be the highest in 11 years. In Spain, for example, a high level of unemployment of 20% was recorded, with the construction sector being the hardest hit by the economic crisis.

Emerging economies of East Asia and the Pacific region were less affected by the global recession due to its robust fiscal policy and strong domestic demand. However, China's growth in 2009 was about 3 to 4 percent below the 8.4 percent recorded in 2008. The growth rate is expected to pick up in 2010. The improved capital flows to the region and the local financial market developments contributed to the increased GDP growth rate of 6.8%.

Economic growth especially in China and India is expected to stimulate faster growth in Africa as a result of increased demand for Africa's commodities, and increase in capital inflows into Africa.

3.6.2 Performance of African Economies

The assumption is that the African economies would be insulated from the global financial meltdown as the Africa's GDP growth decelerated from 4.9% in 2008 to 1.6% in 2009, as demand for African exports, financial inflows and remittances to Africa diminished. As economic activities petered out, the unemployment situation among the youth and other vulnerable groups worsened. The overall impact of the economic crisis threatened the achievement of the Millennium Development Goals (MDGs), especially those aimed at reducing poverty.

During the first quarter of 2009, majority of the region's economies reported negative growth rates. The volume of exports declined by 30.2% whilst the value by 17.6%. In addition, the decline in fixed investment growth fell from 8.5% in 2008 to an estimated 1.3% in 2009, as the industrial production declined by 12.9% during the same period. Indeed as the prices of Africa's primary commodities declined sharply on the global market due to the fall in the demand for these commodities in North America and Europe, the national incomes of the African economies declined, budget deficits increased, and the GDP growth rate declined to 1.2% level in the year 2009 (Global Economic Prospects, WTO, January 2010)

Despite the slow process of economic recovery during 2009, Africa's GDP growth is projected to recover in 2010 and to grow at 4.3% (ECA Annual Report, 2010). But that Africa's growth in 2010 would vary between a range of 3.6 percent and 5 percent, East African region recording the fastest growth of (5.3 percent), and Southern Africa (4.1 percent). The prevailing high rates of unemployment, however, remains a challenge for the region's economies, as the majority of the population are still unable to break out of the poverty trap.

Part 4: MACROECONOMIC CONVERGENCE

The COMESA monetary co-operation programme aims at establishing a common monetary area to enhance greater monetary stability with a view to facilitating the economic integration efforts and sustained economic development of the region. The ultimate objective is to establish a monetary union in 2018

In order to achieve this objective, Member States will have to undertake a number of measures: First, is to undertake monetary harmonization with a view to achieving macro-economic convergence, second, is the formulation of convergence criteria so as to assess the progress being made in achieving the objective of monetary union, and lastly is the evaluation of the progress being made by the Member States in the implementation of the programme.

The poor fiscal performance of most African countries is due to the non-existence of deep financial markets to finance large budget deficits. The fiscal criterion was not met by ten of the19 COMESA Member States due to inflationary pressure arising from high food and energy prices as well as the depreciation of rates of exchange. Developments in the overall fiscal stability (excluding grants) for most COMESA Member States in 2008 reflect the challenges and opportunities that arose as a result of changes in the world economy. The poor fiscal performance in the majority of countries can also be attributed to the relatively weak integration of their sectors into the global market and the inadequacy of revenue to finance the large budget deficits, as has already been pointed out.

In 2008, the average level of reserves in COMESA Member States was only sufficient for almost 4.0 months of imports of goods and services. This was due to the higher levels of capital flows in the form of official development assistance and debt relief.

While all the countries use indirect monetary policy instruments, however, in most of the countries, monetary policy focuses on controlling the money supply in order to reduce core (non-food) inflation. However, weak financial markets imply that member countries lack indirect effective monetary tools, which are characterised by relatively poor coordination between fiscal and monetary policies despite the fact that the two are intimately related.

Indeed while all the countries have liberalised interest rates, some of the COMESA Member States still have exceptionally high real lending rates and wide margins between lending and deposit rates. This underlines to the relative inefficiency of their banking system. High nominal rates, even if inflation is also high, impose exceptional risks to borrowers, and are likely to undermine economic productivity.

Most of the COMESA Member States have however, made significant progress in moving towards market determined exchange rates that would reduce the overvaluation of their currencies that characterised the 1980s and early 1990s periods.

The average real growth in the COMESA Region in the year 2008 was 9.2% as compared to a growth rate of 11.3% percent in 2007. The improved growth rates for a number of COMESA member countries, despite the global economic and financial crisis was driven mainly by the continued consolidation of macroeconomic stability and management, and the implementation of debt relief. The decline in political conflicts and wars in the region also resulted in positive economic growth. Many COMESA Member States have as a result implemented macroeconomic as well as microeconomic reforms that have improved the business environment and investment climate. The other factors that have stimulated economic growth include: increased government investment in the infrastructure; the implementation of policies that encourage private sector development; investment in manufacturing; promotion of foreign direct investment (FDI); and tourism.

The saving rate in most of the COMESA countries is still less than 10%, which is well below the 24% average for the developing countries as a group, but which is also insufficient to finance the necessary investments for rapid and sustained economic development. The low level of savings reflects low levels of disposable income, weak domestic and regional financial markets, and the lack of capacity to use the revenues derived from commodity price increases to boost domestic investment. In addition, the need to harness domestic resources should not be overemphasized. However, the COMESA countries need to mobilise more non-debt external resources to increase domestic investment

The overall average investment as a percent of GDP in COMESA decreased from 19.4% of GDP in 2007 to 18.9% in 2008. Since investment as a percentage of GDP remain at less than 20%, which is far below the level required for a country to move into a virtuous circle, it therefore becomes difficult for the COMESA region to achieve higher investment and economic growth. This is the challenge that the policy makers face.

The downward in trends in economic growth during the second half of 2008, which emanated mainly from the high energy and food prices, resulted in raising current account deficits in most of the COMESA member countries. The data clearly show the mounting threats to the current account sustainability in most countries. This coupled with internal imbalances and inflationary pressures posed severe risks to the macroeconomic stability and growth prospects in the coming years. In addition to the rationalization of the energy consumption, these countries should adopt strategies to diversify exports, promote tourism, and attract overseas remittances. In the meantime, the COMESA Member States need more aid to effectively manage their external balances.

The average external debt to GDP ratio of the COMESA region decreased from 17.4% in 2007 to 14.5% percent in 2008. The fall in the external debt burden, was realised when a number of COMESA member states reached the HIPC completion level point and qualified for debt relief which reduced reliance on external debt resources. Despite these encouraging trends, the MDGs remain underfinanced and most of the countries are far from achieving most of the MDGs goals. The official debt of many countries in the region declined, while the debt owed to the banks and other private creditors by some countries increased. While new creditors to African countries have emerged (China and India), it is hoped that their activities will not undermine the sustainability of debt in the COMESA countries. It should equally be noted that ODA is below the level required to achieve the MDGs.

The assessment of the performance of COMESA with respect to compliance with the secondary criteria on: the use of indirect monetary instruments; move towards market determined exchange rates; adherence to the 25 Core Principles of Bank Supervision; and adherence to the Core principles for Systematically Import Payment Systems shows that the countries were moving in the right direction. The above issues are summarised in Table 11 below.

Table 11: COMESA Major Economic Indicators

Major Indicators	Years		
	2006	2007	2008
Real GDP Growth (%)	10.6	11.3	9.2
Inflation (%)	11.4	11.4	14.3
Total investment (% GDP)	17.9	19.4	18.9
Domestic Savings (% GDP)	23.3	22.5	23.0
External Current Acc. Exl. Grant as % of GDP	-2.9	-0.3	-0.5
External debt to official creditors in % of GDP	22.3	17.4	14.5

Source: IMF, African Department Database, 31 March 2008 and World Economic Outlook (WEO) database, 31 March 2008.

PART 5: THE COMESA CUSTOMS UNION

Among the most notable achievements in 2009 was the launch of the COMESA Customs Union, at the Thirteenth Summit of the COMESA Heads of State and Government held on 7 June, 2009 at Victoria Falls in Zimbabwe. The launch was the culmination of COMESA's efforts in deepening the process of economic integration and the eventual establishment of the Common Market by 2015. The launch was also accompanied by the Council of Ministers' adoption of the Regulations: on the Customs Union; the Common market Customs Management regulations; and the establishment of the committee whose main function is to review and monitor the implementation of the Customs Union.

Launch of the COMESA Customs Union in 8 June 2009

The Committee on the Customs Union held its inaugural meeting on 8-10 September 2009 at Victoria Falls in Zimbabwe. During the meeting the Committee adopted its Rules of Procedure and drew up work programme for the transition period from 2009 to 2012, for the full implementation of the Customs Union in 2012. The three-year transition period was agreed upon by the Council to provide time for countries to adjust to the requirements of the Customs Union and to implement programmes that will ensure the full operation of the Customs Union. The programmes include: the alignment of the national tariffs to the Common External Tariffs (CET) on sensitive products; revenue collection and distribution; and the common market levy among others. The CET has the following tariff bands: 0% for raw materials and capital goods; 10% for intermediate goods; and 25% for finished products.

In 2009, the identification of sensitive products was undertaken, and twelve countries submitted their lists of sensitive products. In order to implement tariff alignment, the countries agreed to apply a simple formula in the adjustment of the national tariffs to that of the COMESA CET. The formula involves three tranches of increases, namely: by (50%, 25% and 25%) in the case where adjustment requires an increase of the national tariff rates, and another three tranches of reductions by (25%, 25% and 50%) where the adjustment requires the reduction of the national tariffs the level of CET.

The architecture of the Customs Union provide for adequate policy space and flexibility that allow Member States to address national issues arising as a result of the implementation of the CET, and the operation of the Customs Union. The COMESA Member States also took into account other obligations such as membership of the WTO, and the on-going negotiations to be members of the world trade body. It is therefore our expectation that the Member States will utilise the three-year transition period to undertake measure for the full implementation of the Customs Union.

5.1 Simplified Procedures For Cross Border Trade

Intra-COMESA informal trade is estimated to amount to US$ 19 billion, an amount which exceeded the formal trade figure estimated at US$ 14.3 billion in 2008. The inclusion of the intra-COMESA informal trade in the total of intra – COMESA trade would raise trade volumes to USD 34 billion. Informal cross-border trade is therefore significant and factoring it into the planning and priorities of COMESA is of imperative necessity. COMESA believes that if these small traders organise themselves, they can participate effectively in the deepening of regional integration within the framework of the COMESA Free Trade Area. For example, in 2007, Uganda formally exported non-traditional food worth US$ 192 million and an additional US$ 760 informally during the same period. That is, 80% of food exports were carried out through informal cross border traders. In other countries, this kind of trade is estimated to be between 30 and 40% of the formalised or recorded trade.

In other words, the formalisation of the informal trade would greatly boost trade investment and improve the living standards and the realisation of the COMESA vision of facilitating the increase in trade and reduce the cost of doing business especially for the small scale cross border traders. In order to promote this type of trade, the COMESA secretariat has established the Simplified Trade Procedures, namely: a simplified customs declaration document; a simplified certificate of origin; and agreed lists of products that would benefit from the simplified procedures. The three documents provide for the Simplified Trade Regime.

Ten countries have already agreed to pilot the Simplified Trade Regime (STR) 3. Meetings at ministerial levels were held to agree on the list of products that can be traded between the neighbouring countries and to develop a time table for implementation as set out in Table 12 below.

Table 12: Implementation of Simplified Procedures For cross border Trade.

Bi-lateral	Date of Launch
Zambia - Malawi	November 2009
Zambia - Zimbabwe	November 2009
Burundi – DR Congo	November 2009
Rwanda – DR Congo	January 2010*
Uganda – DR Congo	January 2010*
Kenya - Uganda	Under Implementation
Sudan - Uganda	No date
Rwanda - Uganda	Under implementation
Kenya - Sudan	March 2010*
Rwanda - Burundi	No date
Zambia – DR Congo	Require further talks

**Scheduled*

3 Malawi, Zambia, Zimbabwe, Uganda, Kenya, Rwanda, Burundi, Ethiopia, Sudan, and DR Congo.

Despite the commitments, some member states have not been able to adhere to the timetable. A major problem that was encountered was the timely gazetting of the STR instruments.

The current priority activities concerning the STR include: provision for required budgetary support to the ten pilot countries to ensure the successful launch and implementation of the STR, and to hasten collaboration with EAC on the harmonisation of procedure in accordance with the 27th Council of Ministers decisions.

5.2 Cross Border Traders Association (CBTA)

The Secretariat has set up a Cross Border Trade (CBT) Desk. The Desk is to facilitate and coordinate the implementation of the STR and to build the capacity of the informal cross border traders. The CBT desk is one of the four components of the EU funded Regional Food Security and Risk Management (REFORM) Programme under the leadership of IGAD within the IRCC framework. The COMESA's aspect of the REFORM programme seeks to improve food security through trade liberalisation in food products to enhance free flow of food across borders from surplus areas to deficit ones.

Box 1: Cross Border Traders Association (CBTA)

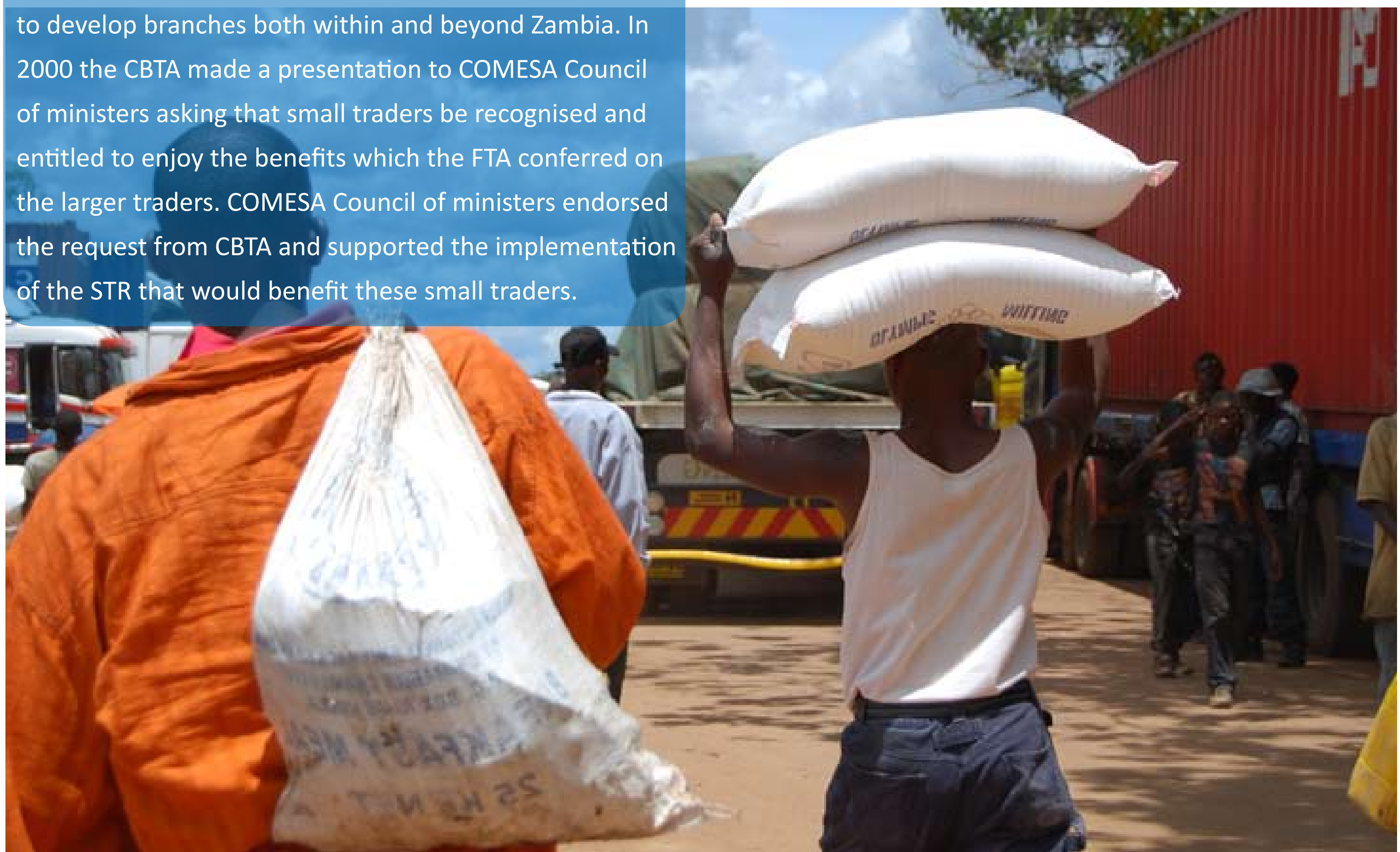
Small informal traders constitute a huge resource in trade. Their status is often seen as the consignments they carry are usually too small to use the normal 'trade' channels and documentation. The lack of proper documentation often leads to harassment. The formation of an Association of small cross border traders is to help these small traders improve their image and give them a collective voice.

The first CBTA was established in Lusaka as a regional association of small traders representing traders in the COMESA and SADC region. It initially drew its membership from local and foreign traders in Lusaka. Its intention was to develop branches both within and beyond Zambia. In 2000 the CBTA made a presentation to COMESA Council of ministers asking that small traders be recognised and entitled to enjoy the benefits which the FTA conferred on the larger traders. COMESA Council of ministers endorsed the request from CBTA and supported the implementation of the STR that would benefit these small traders.

The COMESA's aim is to strengthen the existing (CBTAs) and to assist the development of new national ones, and to make them self-reliant institutions providing services to their members and to be effective advocacy tools in trade forums.

An assessment of the three existing4 CBTAs resulted in the development of a model for forming new associations in the rest of the COMESA member states. The Zambian CBTA is undergoing a restructuring process in order to overcome its weaknesses and to bring it to implement its core functions of promoting the interests of ordinary people who conduct cross border trade. This has involved holding a strategic planning workshop, developing a new constitution and structure, and providing guidelines for operation.

The formation of CBTAs in Uganda, Kenya, Burundi, DRC and Rwanda has necessitated these countries to undertake Capacity Training Needs Assessments (CTNA) in order to assess what support COMESA's REFORM project can provide to them. But when the national CBTAs are sufficiently, strong, they will be brought together to form a regional CBTA and to formulate a common policy for negotiations at regional forums. In addition these CTNAs will also assess the government requirements to facilitate the implementation of the STR regime for Zambia, CBTA; Zimbabwe CBTA; and Malawi CBTA



5.3 Non Tariff Barriers

Progress report on the elimination of NTBs

In implementing the Council decisions on the elimination of NTBs, the Secretariat is working with Member States which have imposed measures that contravene Article 49 of the Treaty to find out how these can be removed so as not impede the free flow of regional trade. Some of the NTBs which have been successfully resolved are shown in the box 2 below.

Box 2: Eliminated NTBs

NTBs Description	Category	Sector	Action taken by Secretariat
Government ban by Kenya on importation of Chicks, Milk and Milk Products from Uganda.	Health, safety, Environment: SPS	Agriculture	Convening Bilateral consultations between the countries involved in the dispute
Government ban by Burundi on sugar imports from Swaziland	Administrative: Non Recognition of the COMESA Certificate of Origin	Agriculture	Providing clarification on the status of participation of Swaziland in COMESA and access to preferential market access.
Government ban on importation into Sudan of Galvanized sheets from Kenya	Administrative: Non recognition of COMESA Certificate of Origin	Industry	Provision of additional information by Kenya on cost of inputs as well as Bilateral consultations between the countries involved in the dispute.
Utilization of 1994 tariff levels by Uganda as base years for calculating COMESA tariff preferences	Administrative:	All	Provision of technical opinion leading to remedial action
Authorization fees for endorsement of COMESA Certificate of Origin	Administrative	All	Circulation of notification by Egypt of withdrawal of requirement
Pre shipment inspection requirements by Malalwi	Administrative	All	Provision of technical opinion leading to remedial action
Government ban by Zambia of semi trailers from Malawi	Administrative: Non recognition of COMESA Certificate of Origin	Industrial	Provision of technical opinion leading to remedial action
Government of Uganda's requirement that all transit trucks be closed	Administrative:	All	Provision of technical opinion leading to remedial action
Government of Zambia's ban on wheat flour from Malawi.	Administrative: Non recognition of COMESA Certificate of Origin	Agriculture	Provision of technical opinion leading to remedial action
Government of Kenya imposed restrictions on wheat flour imports from COMESA due to safeguards	Administrative	Industrial	Expiry of safeguard arrangements

The removal of these NTBs has boosted trade of these products and facilitated the utilisation of the COMESA regional market. The focus is now on resolving the following outstanding NTBs as shown in the Box 3 below.

Box 3: Outstanding NTBs

NTBs Description	Category	Sector	Action taken by Secretariat
Government ban by a COMESA Member State on milk imports from some COMESA Countries	Health, safety, Environment: SPS/ Standards	Agriculture	Provision of technical opinion. Consultations between affected member states
Government ban by a COMESA Country on soap imports from another COMESA Country.	Administrative; Non Recognition of the COMESA Certificate of Origin	Industry	Provision of technical opinion. Consultations between affected member states
Government ban by a COMESA Member State on milk imports from some COMESA Countries	Trade Policy: Import permits	Agriculture	Provision of technical opinion. Consultations between affected member states
Imposition of Pre verification of compliance requirements(PVOC)	Administrative	All	Provision of technical opinion. Consultations with the member state imposing the requirement
Use of Parallel exchange rate	Administrative	All	Convening consultations between the relevant countries.
Government imposition of excise duties on imports of cooking oils and laundry soaps from a COMESA Country	Administrative	Industry	Secretariat engaging the country imposing the excise duties for purposes of withdrawal of the duty.

The secretariat has circulated the electronic specimen signatures to Member States to speed up the process of releasing of goods under preferential treatment. In addition, the immediate processing of issues relating to specimen signatures has minimized the application of NTBs that are usually associated with the rules of origin, resulting in increased intra-regional trade.

The COMESA Council of Ministers has since resolved that all the COMESA Countries should establish National Enquiry Points (NEPs) and National Monitoring Committee (NMCs) to implement the national and regional plans to eliminate the NTBs. Most of the COMESA Countries have now established these institutions.

In 2009, a NTBs Impact Study was conducted to provide an opportunity for dialogue between the business community and public authorities on the necessary improvements on trade regulations and procedures. The study provided baseline data to be used in the future for monitoring whether conditions of doing business both at the national and regional levels are improving or deteriorating.

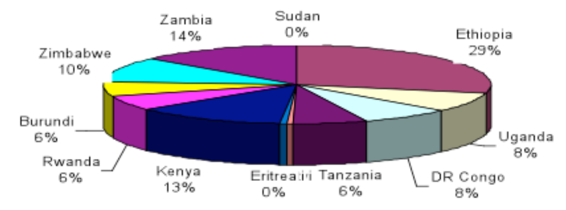
In the process of implementing the Council Decision on the penalty system in COMESA with a view to facilitate the expeditious resolution of NTBs as well as to discourage impunity, the Secretariat with the support of UNECA, commissioned a study on the penalty system, which will be considered by the Trade and Customs Committee.

But with regards to the rationalisation and harmonization of NTBs strategies between COMESA, EAC and SADC, the technical officials of the three RECs held two meetings in 2009 to implement the Council and the tripartite decisions on harmonization of the NTB programmes. Each of the three RECs has been assigned a specific area and to take lead in development of a draft of the harmonized programme for consideration and adoption at the next meeting of the technical officials in 2010.

5.4 The Yellow Card Scheme

The Regional Third Party Motor Vehicle Insurance Scheme, popularly known as the Yellow Card (Annex II of the COMESA Treaty) was introduced in 1987. Before its introduction, the inter-state motorists were required to buy the local insurance cover at each and every border post using local currency. This made the cost of third party motor insurance very expensive and caused delays at border posts. In addition, the motorists involved in accidents were arrested, and their vehicles and cargos were confiscated, while the road accident victims were left without compensations. These hindered the movement of vehicles and constituted barriers to trade and transportation among Member States.

The use of Yellow Card which is a regional instrument and is valid in all Member States participating in the scheme was instituted in order to ensure that the accident victims and/or their families are paid compensation for injuries, death or property damages caused by the motor vehicle drivers, in compliance with the country's law. It also provides additional insurance cover for emergency medical expenses to the motor vehicle drivers and passengers. The Scheme is now operational in thirteen countries, namely: Burundi, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The Yellow Card is also widely used by non–COMESA vehicle motorists particularly those from SADC countries. Currently over 170 insurance companies in the region are involved in the operations of the scheme. During the year 2009, those insurance companies issued over 90,000 Cards, collected over US$ 5.2 million premium incomes and processed over 428 claims compensation for the road accident victims. In addition, the Scheme has a Re-insurance Pool facility designed to enhance efficiency and profitability. The Re-insurance Pool facility which was introduced in 1998 has been operating successfully and its total assets amounted to US$6.2 million by the end of 2009. The percentage share in the issuance of Yellow Card by insurance companies in Member States in 2009 was as shown in the figure below.



5.5 Transit Procedures – The RCTG Scheme

The other scheme being used in the COMESA region also includes: The Regional Customs Transit Guarantee (RCTG) Scheme which is an instrument that has been developed under the auspices of the Protocol on Transit Trade and Transit Facilities (Annex I of the COMESA Treaty). The RCTG is a customs transit regime designed to facilitate the movement of goods in transit under the Customs seals by providing adequate security of guarantee to the transit countries to recover their duties and taxes should the goods in transit be illegally used within the transit countries. However, the current nationally executed bond system is causing additional expenses, delays and interferes with the regional transport and trade.
In order to deal with the problems that the: transport operators, freight forwarders, clearing agents and customs administrations face, the RCTG Agreement was signed in 1990 to ease the problems, but the development of the modalities for the operations of scheme was delayed and only started in 2002.

The RCTG scheme also only came into force in 2005 when the Agreement was ratified by ten Member States who established a regional chain of surety called the Council of Surety in 2006. The ten countries that ratified the RCTG Agreement are: Burundi, Djibouti, Ethiopia, Kenya, Madagascar, Malawi, Rwanda, Uganda, Sudan and Zimbabwe. In order to validate and verify the modalities of operation of the RCTG scheme together with its instruments including the RCTG-MIS and procedures, a pilot test of the scheme was conducted in

2008 in the Northern Corridor countries, namely: Kenya, Uganda, Rwanda and Burundi. During the pilot test, the effectiveness of the scheme in achieving its objectives, namely: reducing costs of guarantees/bond; quicker clearance of transit goods and decrease vehicle turn around time; lower transit costs; release collateral tied up in insurance companies and banks; and provide reliable security to customs, were widely confirmed. Since the pilot test started in 2008, the few stakeholders selected for the pilot test issued over 500 RCTG CARNETS and have continued to issue Carnets for goods in transit to and from along the corridor. The challenges encountered during the pilot test have provided useful lessons for the operations of the scheme. In addition, the concerns and observations made by the stakeholders during the pilot phase have been taken into consideration in the fine tuning of the scheme's instruments and procedures in order to ensure a smooth implementation.

Following the successful outcome of the pilot test and pursuant to the decision of the 25th Meeting of the Council of Ministers, held on 4th and 5th of December 2008, in Lusaka, Zambia; and the recommendation of the Council of Surety meeting on 18th and 20th of August 2009, held in Harare, Zimbabwe, the RCTG scheme has since been rolled-out in the Northern Corridor Countries of Kenya, Uganda, Rwanda and Burundi with effect from 15th September 2009. Preparations are also underway to start operations in the North-South corridor comprising DR Congo, Malawi, Tanzania, Zambia and Zimbabwe as well as in the Horn of Africa corridor comprising Djibouti, Ethiopia and Sudan by mid-2010.

The implementation of the RCTG CARNET will have positive impacts on Member States, particularly the landlocked countries, by reducing the transport and transit costs arising from insurance bonds; bank guarantees; cost reduction; releasing of collaterals tied up with financial institutions; and reducing delays at border posts; and long transit periods. It will in addition, minimize documentation, shorten processes and reduce customs revenue leakages. In other words, the implementation of the RCTG CARNET is expected to reduce the total cost of doing business by between 15% and 20% for all those involved in intra-COMESA trade.

5.6 Building Productive and Trade Capacities – Pact II

The underlying argument is that the benefits to be derived from the opportunities created by the enlargement of the regional market and trade liberalization would be further enhanced through the creation of Free Trade Areas and Customs Union. The COMESA FTA and Customs Union have instituted comprehensive programmes to promote industrial competitiveness and capacity to produce and to trade in the region. It is in this connection that COMESA has identified and prioritises programmes that would equip all the stakeholders irrespective of their status, with the production and marketing skills in the knowledge-based competitive world.

One such programme is the Programme for Building African Capacity for Trade, PACT II which is a Pan African programme covering three RECs, namely: COMESA, ECCAS, and ECOWAS. The programme is funded by the Canadian International Development Agency (CIDA) and is being implemented by International Trade Centre (ITC) in partnership with the respective RECs.

PACT II is aimed at regional trade development and trade promotion (TDP) within the framework of African economic integration. Its prime objective is to strengthen the capacity of selected RECs and associated African institutions to take the lead in trade development and promotion efforts, build up enterprise competitiveness, and facilitate market linkages. The programme places special emphasis on South-South cooperation, by targeting regional and emerging markets as well as promoting inter-institutional South-South linkages. The implementation of the Leather and leather products was integrated into the LLPI and ESALIA work plans were accomplished in 2009. As a result, the following activities were completed:

a. The fact finding missions by the East and Southern African Leather Industries Association (ESALIA) and the ITC to India and to the Italian partner institutions, namely: the Council for leather Exports (CLE) and Unione Nazionale

Industria Cucio (UNIC) were undertaken.

b. Two studies on the Trade Opportunities were subsequently conducted in the Indian and Italian Markets to assess the actual business potential and market conditions, and the draft reports have been circulated for comments;

c. A twenty – day training of the eleven informal women micro-producers was carried out in Jinja, Uganda in December 2009.

d. A South – South Trade Development and ITC's Business Generation methodology will be conducted during the first quarter of 2010. Market Analysis Training for a pool of Market Analysts from the key institutions including the higher education institutions in the region was carried out in 2009. The trainees will use the market analysis tools to identify the potential sectors and the markets for increasing intra/extra COMESA exports.

e. The result Based Management (RBM) training for the Secretariat and its related Institutions was carried out, ensure that henceforth, the COMESA programmes will be result oriented .

f. The ACCESS component of PACT II programme for Women in Business has started and the first training of Trainers (ToT) will be conducted during the second quarter of 2010.

g. The COMESA Business Council secretariat has been established and the Coordinator has been recruited and has started to work.

h. In an effort to strengthen Inter-REC relationships, the ECOWAS delegation Commission visited COMESA with a view to enhancing collaboration between the two institutions and to share experiences in the area of private sector development. An MoU had since been concluded and was signed on 29th January, 2010 between the two secretariats.

The main objective of PACT II is to link the small and medium enterprises (SMEs) to the regional and Global Value Chains. At the enterprise level, and under the component of enterprise competitiveness, the SMEs in leather and leather products sector will benefit the SMEs in general including the most disadvantaged communities namely: the youth, women, and the disabled whose capacities will be built in the areas of production and trade so as to also be able to access the key markets under the Ethical Fashion Initiative.

The photographs below show a group of blind people who are undergoing training in Kenya.

5.7 Standardization and Quality Assurance

The implementation of the COMESA Customs Union requires the free movement of goods and services among the Member States. However, it is also recognised that unfair application of standards, conformity assessment schemes, and technical regulations on goods and services cannot only hinder, but effectively prevent their movement as a result of quality and safety concerns. It is for this reason that COMESA has a programme to address issues relating to Standardization, Accreditation, Metrology and Conformity Assessment as well as technical regulations.

In order to ensure the effective implementation of Standardization and Quality Assurance activities in the region, Member States have adopted a Policy on Regional Standardization and Quality Assurance. The policy, which covers Standardization, Accreditation, Metrology and Conformity Assessment issues, is expected to form part of the COMESA Regional Trade Policy.

As far as the development of Harmonised Standards is concerned, one of the fundamental is the application of the Regional Trade Policy by the Member States in order to facilitate the faster application of Regional Framework for Development and Implementation of COMESA harmonised Standards which was adopted by the Council of Ministers. The Guidelines will enable their adoption as national standards and eventually to be internationalised and implemented. During the year, the Secretariat prepared 60 draft Standards on Petroleum Products. The standards aim at promoting the production and trade in high quality petroleum products which would enhance an efficient regional transportation system.

One of the legal instruments that member States use to protect their citizens from consuming substandard and dangerous products is to make use of the technical regulations. However, when technical regulations are not fairly applied in a transparent manner, they can negatively affect trade among the member States. To address this concern, the Council of Ministers established a Sub-Committee on Technical regulations to review the proposed Regional Technical Regulatory Framework for the implementation of Technical Regulations.

While it is recognised that access to medicines and drugs is essential for combating diseases in the region, one area of the concern is the existence of divergent regulations governing registration and sale of drugs and medicines in member States. The National Medicines and Drugs Regulatory Authorities have agreed on 15 Guidelines for the harmonization of Pharmaceutical Regulations. These will form the basis for the harmonization of Medicines and Drugs Regulations among the Member States and, thus, facilitate trade in drugs and medicines in the region. This will in turn make the basic medicines and drugs readily accessible to those who need them.

In the last two years, COMESA, EAC and SADC have expressed the need to increase cooperation in Standardization and Quality Assurance in order to accelerate development and to avoid costly duplication. In this connection, in 2009, the three RECs signed a tripartite MoU would between them. This MoU from now on be annexed to the Tripartite FTA Agreement.

The cooperation between COMESA and the other organizations in the area of Standardization and Quality Assurance would ensure that standards and quality assurance schemes used in the region are comparable to those acceptable globally. One of the key organisations with which COMESA has cooperated is the African Organization for Standardization (ARSO). In 2009 COMESA and ARSO signed a revised MoU. This ushered a new relationship between COMESA and ARSO which will strength cooperation between the two organizations in the development of regional standards and capacity building in the area of Standardization and Quality Assurance.

PART 6: SERVICES

In the global context, the world imports of commercial services over the last ten years, 1997 to 2007, rose by 141% from US$1.28 trillion to US$3.1 trillion, while the world exports of commercial services rose by 152% from US$1.3 trillion to US$3.29 trillion. During the same period, the merchandise imports grew by 148% that is from US$5.7 trillion to US$14.2 trillion, and merchandise exports also grew by 148% from US$5.59 trillion to US$14 trillion over the same period.[3]

The USA was the top exporter of services, accounting for US$456.4 billion, or 14%, of the global cross-border commercial services exports in 2007. The other exporting countries included: the United Kingdom (8%) and Germany (6%). Although most of the world's top 10 services exporters in 2007 were developed countries, China and India ranked seventh and ninth respectively among the top 10. The top 10 exporting countries accounted for 53% of the services exports in 2007.
The COMESA region exported US$12.8 billion worth of services in 1997, which rose to US$26.1 billion in 2007, representing an increase of 104%. In terms of the world share, the COMESA's exports of services accounted for 0.99% in 1997 and 0.80% in 2007.

With regard to the imports of services, the USA still topped the list as the world's largest importer of services in 2007, with US$335.9 billion, or 11% of global commercial services imports. In that same year, Germany and the United Kingdom accounted for 8% and 6% respectively of such imports, while the top 10 importing countries accounted for 51% of global commercial services imports. China, which was the fifth-largest importer of commercial services in 2007, was the only developing country that ranked among the top 10 global importers.
Among the world's top 10 exporters and importers of commercial services, the United States recorded the largest services trade surplus (US$120.5 billion) in 2007, followed by the United Kingdom (US$78.9 billion).
Germany and Japan recorded the largest services trade deficits, with imports exceeding exports by USD44.7 billion and USD21.6 billion, respectively. The COMESA region on the other hand registered an increase in the imports of services 121% from US$11.4 billion in 1997 to US$25.3 billion in 2007. In terms of the share of world imports of services, COMESA's share was 0.89% in 1997 and fell slightly to 0.82% in 2007.
Trade in services is an increasingly important part of the global trade for almost all the world economies. In the developing countries, the services sector accounts for an increasing substantial share of the domestic output, of around 50-60% of GDP on average in COMESA. It is a truism no economy can function without efficient and well developed infrastructures such as transportation, communications, financial services, health services, and education services. Services such as financial, telecommunication and transport are essential inputs in the manufacturing and agriculture which are critical to economic growth and development. So, the suppliers of services and the producers of goods directly depend on the quality of services inputs for their competitiveness.
In the COMESA region, tourism and transport remain the leading export services sectors. Hence, the efficiency of the sector remains crucial in the overall economy.

The importance of services in the economic development of countries is the main reason why COMESA is promoting the programmes on trade in services. COMESA has embraced the view that, while liberalization of trade in goods has progressed well, a similar progress should also be achieved in the liberalisation of trade in services. This is logical, given that services such as insurance, transport, and communications have a direct bearing on the cost of producing products. Therefore, the inefficient supply of such services places the competitiveness of goods and other services at greater risk.

In 2009 COMESA reached a consensus on the Regulations on Trade in Services in order to promote the liberalization of services as adopted by the Council of Ministers.
The main objectives of the Regulations are: to attain sustainable growth and development of the Member States by eliminating the barriers to trade in services; to strength cooperation in services among the Member States; to liberalise trade in services among the Member States, and to diversify export portfolios. The Regulations,

3 *Ideally world imports should equal world exports as the whole world is a closed economy but issues of recording and bases of recording are responsible for the differences.*

inter alia, provide for the elaboration of negotiating guidelines to be used in the negotiations of the schedules of specific commitments. Furthermore, the Regulations provide for the elaboration of Mutual Recognition Agreements to give credence to the educational qualifications, experience and competence gained within the COMESA Region. The Regulations also provide for the establishment of the Technical Committee on Trade in Services to monitor and to review the implementation of the Regulations on Trade in Services as well as to consider proposals and recommendations made by Member States for the improvement of the Regulations.

The first meeting of the Committee on Trade in services which was held from 1 to 4 September, 2009 at Victoria Falls, Zimbabwe, adopted its Rules of Procedure which provide for the composition of the Committee, the conduct of meetings of the Committee and other related matters. In addition the meeting adopted guidelines for the negotiation of trade in services to help countries in the preparation of schedules on specific commitments and on the operationalisation of the Regulations on Trade in Services. Furthermore, the meeting agreed on an indicative list of the services sectors to which each Member State is to make commitments. These indicative sectors will be confirmed once the Member States complete their national consultations on sectors that should be given priority. The indicative sectors which have been identified due to their critical infrastructural functions and their role in generating competitiveness of the economies are: financial, communications, business, transport, tourism, energy, construction, and the related engineering services. A roadmap was also adopted according to which, the Committee on Trade in Services would be convened during the first half of 2010 to begin on the negotiations of services after countries have prepared their requests and offers.Highlights of Achievements in the area of trade have been captured by the Box 4 given below.

Box 4: Customs Union

- The COMESA Customs union was launched on 7 June 2009 after an intensive period of preparations, which culminated in the adoption of the key instruments for formation of the Customs Union particularly the Customs Union Regulations and the Customs Management Regulations.
- Following the launch of the Customs Union, the process of drawing up a roadmap for implementation of the three-year transition period was completed.
- The Committee on the Customs Union held its inaugural meeting in September 2009, adopted its rules of procedure and a comprehensive three-year work program for the transition period (June 2009 to June 2012). The Trade and Customs Committee meeting of 2-4 November recommended that the Council endorse the work program.
- A key issue was the alignment of national tariffs to the COMESA CET. Twelve Member States have submitted their lists of sensitive products but more work is required for each Member State to develop a concrete action plan for implementing the CET. In this regard, Council has adopted a simple formula to streamline and expedite the alignment process. Using the formula, the Secretariat has generated tariff alignment schedules and transmitted them to the Member States for consideration
- Stakeholders in the private sector and civil society have been engaged through brainstorming meetings and their recommendations have been presented for consideration.
- The Secretariat undertook a mission to Kenya to assess implementation of the Sugar Safeguard provisions which were granted eight years ago. The secretariat produced a comprehensive report on the issue which found that the Government of Kenya is implementing the recommendations in line with the terms and conditions of the safeguard decision
- The Secretariat responded to numerous enquiries about trade and investment opportunities in the COMESA market; as well as to enquiries about the requirements and procedures for doing business in the COMESA FTA.
- Intra-COMESA trade reached an estimated USD 14.3 billion in 2008, up from USD 3.1 billion in 2000 when the FTA was launched.
- Further studies were undertaken on Non-Tariff Barriers (NTBs) to assess their reoccurrence and impact on trade in the region, and appropriate recommendations were adopted by Council. Currently, a study on the enforcement of elimination of the barriers is at an advanced stage, and once completed, will be considered by the Policy Organs.
- Existing Non-tariff trade barriers were reported to the last meeting of Trade and Customs Committee for consideration by the relevant Member States. This peer review mechanism has been effective in resolving many of the barriers.
- Ministerial meetings on the Simplified Trade Procedures of participating countries were held and reached agreement on the product lists to which the Procedures will apply as well as the product-value threshold and the timetable for gazetting the required instruments.

Box 5: External Trade Policy

- The Secretariat has established strong collaboration with the WTO Secretariat, and in September 2009 jointly organised an important seminar to brief Member States on the implications of the WTO Agreement, on the formation of the COMESA Customs Union.
- The WTO Secretariat has assisted in installing a WTO Reference Centre at COMESA Secretariat, an important resource for the Secretariat and staff of the Member State Missions based in Lusaka, Zambia.
- Regarding WTO negotiations, the Secretariat produced a draft proposal on Article 24 of GATT in order to improve the WTO rules on trade arrangements between developing and developed countries, such as the EPA. One of the Member States, Egypt, has since submitted to the Chair of the WTO Trade Negotiations Committee for negotiation.
- Regarding the EPA, the key achievement in 2009 was the resolution of some of basket 1 contentious issues on market access (namely on modification of tariffs, standstill, infant industries and QR provisions) and locking in these achievements enabled the signing of the interim EPA in Mauritius on 29 August 2009 by four Member States. The major challenge however is the impact of EPA on regional integration due to EC continued refusal to provide flexibility for ESA LDC on substantially-all-trade threshold and longer transition time frames for trade liberalization. The other major issue is EC's refusal to provide additional development resources for the implementation of EPA. Further, protracted negotiations have had negative impacts on ESA resources both technical and financial.
- The Secretariat supported the efforts of the ESA Council Chairman in undertaking consultations on the way forward for Member States that have not signed the interim EPA and for the continuation of the negotiations.
- The Secretariat successfully participated in the Eighth AGOA Forum hosted by Kenya in August 2009, making presentations and engaging key development partners for better collaboration on key priorities.
- Following this, the Secretariat hosted the TIFA meeting in September 2009 in Lusaka, and engaged the US on key priorities.

Box 6: Trade in Services

- The process of negotiating a regional framework for services was concluded, with the resolution of all outstanding issues and the adoption by Council on 4, June, 2009 of the Regulations on Trade in Services.
- The Committee on Trade in Services, established under the Regulations, adopted its Rules of Procedure and the Negotiating Guidelines for the negotiation of services sectors to be opened up to service providers from other COMESA Member States.
- The Guidelines already provide for an early action in seven priority sectors, which are important for competitiveness and strengthening of regional infrastructure.
- Member States agreed to update the GATS templates that were prepared for most countries in 2006 by December 2009.
- A roadmap was adopted by the Committee for the commencement of negotiation of trade in services and in the rest of the services sectors.
- Eleven Member States have submitted their lists of services priority sectors

Box 7: Priority Services Sectors for Liberalization in COMESA

	Country	Business	Communications	Construction/ Engineering	Distribution	Education	Environment	Finance	Health	Tourism	Recreation/ Culture/ Sport	Transport	Energy	TOTAL
1.	Burundi													
2.	Comoros	√	√	√	√	√	√	√	√	√		√		10
3.	Djibouti	√	√	√	√	√	√	√		√		√	√	10
4.	DRC	√	√	√	√	√		√	√	√	√	√		10
5.	Egypt		√	√				√		√		√		5
6.	Eritrea													
7.	Ethiopia													
8.	Kenya	√	√			√		√		√		√	√	7
9.	Libya													
10.	Madagascar	√	√							√		√	√	5
11.	Malawi		√	√				√		√		√	√	6
12.	Mauritius	√	√	√		√		√		√		√	√	8
13.	Rwanda													
14.	Seychelles	√	√					√		√				4
15.	Sudan													
16.	Swaziland		√	√				√		√		√	√	6
17.	Uganda	√	√			√		√		√		√	√	7
18.	Zambia		√	√				√		√		√	√	6
19.	Zimbabwe		√	√				√		√		√	√	6
	TOTAL	**8**	**13**	**9**	**3**	**6**	**2**	**12**	**2**	**13**	**1**	**12**	**9**	

Box 8: Monetary Union

- The Regional Payment and Settlement System (REPSS) was launched and the process of operationalisation is underway.
- The COMESA Fund Adjustment Facility is operational, and two Member States have already benefited from it (Burundi and Rwanda). A call for further proposals has been issued.
- The issue of hosting the COMESA Monetary Institute was finalized (the Institute will be hosted by Kenya), and the process of operationalising the institute, such as preparation of the constitutive instruments, is underway.
- The issue of hosting of the COMESA Infrastructure Fund was also finalised (the Infrastructure Fund will be hosted by Mauritius).

Box 9: STATUS ON REPSS

	COUNTRY	ACCOUNTS OPENED	AGREEMENTS SIGNED
1.	Burundi	√	
2.	Comoros	√	
3.	Congo D.R.	√	
4.	Djibouti		
5.	Egypt	√	
6.	Eritrea		
7.	Ethiopia		
8.	Kenya		
9.	Libya		
10.	Madagascar		
11.	Malawi		√
12.	Mauritius	√	√
13.	Rwanda	√	
14.	Seychelles		
15.	Sudan	√	√
16.	Swaziland	√	√
17.	Uganda		√
18.	Zambia	√	√
19.	Zimbabwe		√
20.	Tanzania	√	

Box 10: Tripartite FTA

- Stronger and better working relations were developed with the other sister secretariats, EAC and SADC, and various meetings were held to implement the Decisions of the Tripartite Summit of 22 October 2008.
- COMESA Secretariat hosted the other two sister organisations, EAC and SADC, for a one-month working session to finalise the draft instruments for establishing the Tripartite FTA.
- A Draft agreement establishing the Tripartite Free Trade Area together with 14 Annexes was finalized, with an explanatory Report and a Road Map; and sent out to Member States. The documents will be considered by the Member States at the COMESA level and then by the Tripartite Council and Summit for adoption in 2010.

Box 11: Trade Facilitation

- The Regional Customs Transit Guarantee (RCTG) Scheme was rolled out in the Northern Corridor on 15th, September, 2009.

Box 12: Building Productive and Trade Capacities – PACT II

- Implementation of the Leather and leather Component was started by finalizing and integrating the work plan into the LLPI and ESALIA work plans.
- Market Analysis Training for a pool of Market Analysts in the region was undertaken in 2009.
- Result based management training for the Secretariat and its related Institutions were undertaken.
- ACCESS component of PACT II programme for Women in Business commenced.
- COMESA Business Council Coordinator was recruited and has started work.
- The Secretariat received a delegation from ECOWAS Commission, which visited to learn from COMESA and to strengthen collaboration between the two organisations. A MoU has been concluded between COMESA and ECOWAS.
- Competitiveness and Trade Expansion (COMPETE) project – In conjunction with

Box 13: Intellectual Property

- A regional policy on Intellectual Property has been drafted. The Trade and Customs Committee recommended that it should be adopted, which the Council did at its last meeting on 7 December 2009. The main aim is to provide a framework for COMESA to be transformed fully into information and a knowledge institution, where ideas, value addition, innovation and technology drive the achievement of the COMESA vision of being a region with improved living standards for its people and a region that is internationally competitive.
- The Policy includes development of the Cultural Industries in the region, particularly in the Arts, to promote the rich cultural heritage of the region.

Box 14: Competition Policy

o The Secretariat has undertaken final preparations for ensuring that the Competition Commission, hosted by Malawi, will be functional in 2010. The main constraint which has been substantially addressed is lack of budgetary resources but this. Its other Commissioners were sworn in at the last meeting of Council on 7 December 2009 in Lusaka, Zambia

Box 15: The single Window

o The Secretariat, in collaboration with Microsoft, presented Member States with the possibility of using the Single Window System to facilitate trade, and is engaging partners to assist interested Member States.

Box 16: STATISTICS

- Statistical bulletins were produced and figures in the data base maintained, in order to assist the process of evidence-based policymaking.
- Missions were undertaken to Member States to assist them in finalising their contributions to the database.
- Various training courses were mounted.
- Collaboration with partner institutions, and collaboration with the AfDB was strengthened, and grants are being used to improve the statistics work programs.

PART 7: INVESTMENT IN COMESA

COMESA INVESTMENT FLOWS

The FDI inflows into COMESA in 2007 was about (US$ 21,614 million), US$ 21,790 million in 2008 which was a slight growth of 0.8% due to heavy dependence on a narrower range of export commodities that were hard hit by the falling demands in the developed countries, a number of countries had adopted policy measures to make the business environment in the region more conducive to FDI.

Before the economic downturn, the mining sector had attracted more FDI of about 40% of the total investments while the services particularly, constructions, transport, storage facilities), recorded 35% of the FDI on an average. A typical case was the acquisition of OCI Cement Group of Egypt by Lafarge SA of France which was one of the biggest M&A transactions of the year amounting to US$ 15 billion. In the manufacturing sector, the tobacco industry and the beverages accounted for 25% whereas the share of foods was very limited. The policy intervention should stimulate investments in the sectors that would promote diversification in the production structures and boost productivity in agriculture and its related agro-industries in the COMESA Countries to address the issues of food insecurity and poverty. This can be achieved by providing incentives, guarantees, and security to investors.

The COMESA's share in Africa's FDI inflows in 2008 was estimated at US$ 87,647 million which was about 25%, with Egypt, Libya and Sudan claiming the bulk of the shares economies as indicated in Table 12 on page 44.

The COMESA FDI outflows was about US$ 2,142 million in 2008 compared to US$ 406 million in 2007,which was an increase of 428%; implying that the COMESA countries have been "investing" overseas. Among the cross-border investing countries are: Egypt (US$ 1,920 million) with 90% share of the total COMESA FDI outflows, Sudan (US$ 98 million) with 5% of the share, and Mauritius (US$ 52 million) with 2% of the share in that order.

This shows that cross-border investments within the COMESA region come mainly from countries which are investing in other COMESA countries, such as Ethiopia, Uganda, Malawi, DR Congo and Zambia.

Table 12: COMESA FDI FLOWS 2005-2008 by country

Country	FDI inflows (Millions USD)				FDI outflows (Millions USD)			
	2005	2006	2007	2008	2005	2006	2007	2008
1. Burundi	1	-	-	-	-	-	-	-
2. Comoros	1	1	1	8	-	-	-	-
3. DR Congo	-76	116	720	1,000	-	-	-	-
4. Djibouti	59	164	195	234		-	-	-
5. Egypt	5,376	10,043	11,578	9,495	92	148	665	1,920
6. Eritrea	-1	-	-3	-	-	-	-	-
7. Ethiopia	265	545	254	93	-	-	-	-
8. Kenya	21	51	728	96	10	24	36	44
9.Libya	1,038	2,013	2,541	4,111	128	-534	-479	
10. Madagascar	86	294	997	1,477	-	-	-	-
11. Malawi/	27	30	55	37	1	1	1	1
12. Mauritius	42	105	339	383	48	10	58	52
13. Rwanda	14	16	67	103	-	14	13	14
14. Seychelles	86	146	248	364	7	8	9	10
15. Sudan	2,305	3,541	2,436	2,601	-	7	11	98
16. Swaziland	-50	36	37	10	-24	2	3	-5
17. Uganda	380	400	368	787	-	-	-	-
18. Zambia	357	616	984	939	-	-	86	-
19. Zimbabwe	103	40	69	52	-	-	3	8
Total COMESA	**10,034**	**18,157**	**21,614**	**21,790**	**262**	**-320**	**406**	**2,142**
Total Africa	**29,459**	**57,058**	**69,170**	**87,647**	**2,282**	**7,171**	**10,614**	**9,309**
Total World	**958,697**	**1,461,074**	**1,978,838**	**1,697,353**	**880,808**	**1,396,916**	**2,146,522**	**1,857,734**

Source: UNCTAD World Investment Report 2009

The small increase in the FDI inflows in 2008 is not only due to the global economic crisis, but also to the business environment which has been less attractive to both foreign and domestic investors. The other factors which impede investment inflows to the region are the Legal and Administrative barriers. The COMESA Common Investment Area (CCIA) created by the COMESA Authority to make the region more attractive should be one of the remedies.

COMESA Common Investment Area (CCIA)

The overall objective of establishing the CCIA is to enable the region to attract more and sustained levels of investment into the COMESA region by making it an international competitive investment area, which allows for free movement of capital, labour, goods and services across the borders of the Member States. This requires legal and institutional reforms to implement the CCIA.

The current review of the national commercial and investment policies in the COMESA countries is to assist in the formulation of a Regional Strategic Framework Policy to facilitate business activities through:

a. The simplification of procedures and the reduction of the cost of doing business;

b. The simplification of licensing system: to cut down on the red tapes in issuing licences; and

c. The implementation of greater transparency.

In this regard, the Secretariat has conducted a Business Survey to help the private sector do business without unnecessary hindrance.

COMESA Business Survey 2009

The Secretariat has used local consultants to carry out the survey on investor's perception and needs.

Fifteen countries, namely: Burundi, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Swaziland, Uganda Zambia and Zimbabwe, have participated in the survey. The findings and recommendations of that survey will be published in 2010. Some of the preliminary outcomes of the survey are categorized under four different pillars, and include:

Pillar 1: Governance and political environment:

- Inefficient government/bureaucracy
- Corruption
- Policy instability
- Business licensing and operating permits
- Lack of transparency of rules and regulations
- Tax regulations
- Crime and theft

Pillar 2: Infrastructure efficiency and cost affecting Business:

- Transport infrastructure
- Water and electricity supply and cost
- Telecom efficiency and cost

Pillar 3: Macroeconomic stability:

- Inflation
- Interest rate

Pillar 4: Financial market

- Access to finance/credit
- Interest rate

The survey shows that only a few COMESA countries have signed the Double Taxation Agreement (DTA). Mauritius is the first country to sign DTA, together with six other COMESA countries: Ethiopia, Seychelles, Rwanda, Swaziland, Uganda and Zimbabwe. The other COMESA countries are, still in the process of negotiating the signing of the DTAs.

The enterprises that were surveyed indicated that they would like the host countries to negotiate and sign the Double Taxation Agreements with other COMESA countries, in order to facilitate cross-border investments in the region.
Furthermore, the survey also indicated that most of the COMESA countries would like to expand their businesses into other COMESA countries starting with the immediate neighbouring countries. This shows that the promotion of cross-border investment should be promoted in the region. So far, only a few countries are involved in investing in the other COMESA countries. These includes: Egypt, Ethiopia, Kenya, Mauritius, Sudan and Zimbabwe. The organisation of trade fairs and investments fora will be helpful in persuading the COMESA business actors to interact.

COMESA FDI Statistics

The Secretariat in collaboration with UNCTAD has continued to conduct training workshops on Foreign Direct Investment (FDI) and on Transnational Corporations (TNCs) statistics within the COMESA countries. In 2009, the nationals of the following countries underwent training namely: Burundi, Comoros, Djibouti, Seychelles, Swaziland and Uganda.

The objective is to equip the COMESA countries with the requisite capacity to conduct their own national FDI surveys and to collect and compile accurate data on FDI for dissemination at the Secretariat level.

Instead of relying on the estimated FDI data (which are usually underestimated) as appears in most of the publications, the Secretariat expects to compile accurate data which will be used by Member States and the Secretariat in monitoring FDI trends in the region as well as for policy orientation.

PART 8: INFRASTRUCTURE DEVELOPMENT

During 2009 progress was made in achieving the harmonisation of policy and regulation, the development of physical infrastructure, and the facilitation of services in the key infrastructure sub-sectors of transport, information and communications technology and energy. This development will help COMESA to achieve its long-term goal of improving the living standards of its citizens since economic and social development is dependent to a great extent, on the state of infrastructure networks covering air transport, roads, railways, ports, inland waterways, telecommunications, power generation facilities and transmission links among others.

The development of these physical infrastructures is important in speeding up development by enhancing regional interconnectivity and competitiveness. Indeed, by providing adequate and cheap infrastructures that can be accessed by the poor will help in meeting the basic needs and reducing poverty.

8.1 Policy and Regulatory Harmonization

The primary aim of harmonizing policy and regulatory frameworks is to create an environment that would facilitate the development of infrastructure through public and private investments and to promote the development of a common regulatory regime in managing the provision of services by the various players in the transport, ICT and energy sector.

To this end, the COMESA Transport and Communications Strategy/Priority Investment Plan (TCS/PIP) was launched in mid 2009 to promote the harmonization of policy and to enhance the development of regional transport and communications infrastructure in the COMESA region.

COMESA also, implemented trade transport facilitation instruments with a view to reducing transport costs. In this regard, in December 2009 the Chirundu One Stop Border Post (OSBP) was commissioned and both Zambia and Zimbabwe, the legislative and institutional requirements for operating the OSBP.

In the ICT sub-sector, the Broadcasting Policy and Model Bill were adopted by the 27th meeting of , COMESA Council of Ministers held ,in Lusaka in December 2009. The Broadcasting Policy seeks to set up a broadcasting system based on universal principles. Furthermore, the policy seeks to establish a three-tier structured system for the broadcasting industry, namely: policy formulation and development for the government, licensing and regulation for the independent broadcasting authority, and service provision by broadcasters.

The Association of Regulators for Eastern and Southern Africa (ARICEA) adopted a strategy plan from 2010 to 2014. The strategy aims to:

- Ensure that ARICEA has an effective administrative structure, an independent Secretariat and the necessary resources to achieve its goals; and to build institutional capacity of ARICEA;
- Promote long term sustainability and ownership of the association through effective contribution of schemes, development and execution of work programmes that respond to their needs, and through resource mobilization activities;
- Develop and adopt the appropriate model of ICT regulatory frameworks and tools that facilitate policy harmonization among member states;
- Collect, analyse and use ICT related information for benchmarking and stimulating investment;
- Build the capacities of members, and associate members, policy makers and ARICEA staff in the relevant ICT policy and regulatory frameworks;
- Coordinate views in international conferences and act as a platform for a common voice on ICT policy and regulatory issues;
- Promote the visibility of ARICEA (especially to encourage appreciation by governments, etc) ; and
- Build strong partnerships and networks amongst members-for capacity building and sharing of information.

ARICEA has adopted Regional ICT indicators as measures for the information society ICT contribution to the national GDP for each Member States in terms of employment creation, economic growth, and bridging the national digital divide.. To support these measures, the National Statistics Offices in the Member States have been equipped to conduct questionnaires and analyze the information.

As acknowledged by the Summit of the African Union held in Addis Ababa, Ethiopia, in January 2010, the confidence and security in the use of ICTs are fundamental in building a secure regional information system. The legal, technical and institutional challenges posed by the issue of cyber security are global and far-reaching, and can only be addressed through a coherent strategy that takes into account the role of different stakeholders and existing initiatives, within the framework of international cooperation. To address these issues ARICEA has formed a working group to draft a policy and legislation on cyber security.

Under the energy sub sector, the COMESA Council of Ministers at its Meeting in Lusaka Zambia in December, 2009 adopted an integrated planning strategy in the development of all the energy resources and a strategic policy in the development and utilization of renewable and non-renewable energy and nuclear. The aim is to develop a strategic framework for energy co-operation among the COMESA member States.

The overall objective in the development of energy resources and the use of renewable energy and nuclear resources is to have reliable cost effective and sustainable energy supply in the COMESA region, through joint utilization of all energy resources including petroleum and gas products by exploiting economies of scale and scope, leading to economic growth and eventually to poverty eradication. The specific objective is to assist the COMESA region to achieve a higher level of strategic regional cooperation in the use and development of modern energy resources including their infrastructure to maximise gains in the short, medium and long terms.

8.2 Development of Physical Infrastructure

The development of physical infrastructure in roads, railways, ports and inland waterways is critical for enabling the smooth flow of goods and services within the region. Under the COMESA-EAC-SADC Tripartite priority, a number of infrastructure projects were identified for the North South Corridor and a very successful North South Corridor Donors Conference was held in Lusaka in April 2009 where a total of US$2,7 billion pledges were made for infrastructure projects and programmes for the corridor. In addition, studies to develop other corridor programmes similar to the North South Aid for Trade Programmes along the Central, Northern, Lamu and Djibouti were conducted.

Among the new projects where upgrading of the existing regional road links were undertaken in 2009 include the construction of the Isiolo Merile River road which is part of the Isiolo Moyale segment of the Cape to Cairo Highway and the Gulu/Juba road joining Southern Sudan to the Northern Corridor network.

The on going road rehabilitation projects which were completed in 2009 include a number of segments of the Mombasa - Kigali highway on the Northern Corridor and the Zimba - Livingstone segment in Zambia, which is part of the North - South Corridor.

On the inland waterways, Malawi, Mozambique and Zambia are jointly implementing the Shire - Zambezi Waterways project which is a joint project being supported by both COMESA and SADC. The three States signed an MOU with a consortium of developers, ZARTCO, to carry out a detailed Feasibility Study and an Environmental Impact Assessment of the Shire-Zambezi waterways project.

In the meantime, a detailed design work for the rehabilitation of the Lukuga Dyke/Barrage on Lake Tanganyika had reached an advanced stage with the launch of the international Request For Proposals for the procurement of a contractor to undertake Detailed Engineering designs, preparation of cost estimates and tender documents for the construction works to

Photo focus of North South Corridor Donors Conference held in Lusaka in April 2009


















rehabilitate the dyke which will regulate the water levels in the lake in order to maintain regularity of the boat transport along the lake.

Under ICT, both the SEACOM and the TEAMS marine fibre optic links were completed and commissioned, and have now provided the connection of the entire Eastern Africa region to the global marine fibre networks, hence the low cost and high bandwidth access to the region. In addition, Member States continued to build their own national fibre optic backbones to serve the national needs and also to act as backhauls to the marine optic fibre links. The study on the review of the COMTEL project funded through the NEPAD Infrastructure Preparatory Facility was launched, to review the business case for COMTEL in order to align it with the ongoing ICT initiatives, such as the submarine cable and the ICT terrestrial backbones in order to avoid the duplications of efforts in the region.

The Northern Corridor VSAT project will be implemented once the supplier of equipment and those who can install the equipment have been identified and the contract negotiations completed. The project will contribute substantially in the building of the ICT national network in Burundi, Kenya, Southern Sudan and Uganda. VSATs terminals will be installed and commissioned at selected borders posts in these countries.

Within the Power sector, energy security is considered to be one of the supply side constraints which negatively affect the COMESA integration agenda, in terms of being competitive in intra and extra trade. Energy is a scarce and expensive resource in the COMESA region, even though the region is endowed with huge energy resources in terms of hydro, fossil fuels and renewable energy sources. For instance, the number of population with access to electricity is 11 % and per-capita electricity consumption is around 378 KWH.

The low per capita energy consumption can be attributed to among others; the region's underdeveloped energy resources including their infrastructure such as electricity transmission and distribution networks. However, insufficient investment in the energy sector, increased demand for energy to promote economic growth, increased demand for energy consumption as a result of population growth, and the inefficient use of the available energy resources are some of the challenges that COMESA region has to address.

In order to meet these challenges, the region will have to increase the installed capacity by 50% every year (the installed capacity is now around 38,000 mega watts); increase investment in all forms of energy supply ; promote security, joint exploitation of energy resources; and to fast - track the implementation of the energy projects which are in the pipeline.

It should however be noted that some of the COMESA countries are in the process of increasing their energy capacity to about 10400 megawatts between 2011 and 2012. The increase in energy capacity will be carried out by Egypt (5360 megawatts), Ethiopia (1142 megawatts) and Sudan (3640 megawatts). The energy projects that are expected to be commissioned during the five year period of 2011-15 would be over 20,000 megawatts and those beyond the 2016 would be about 30,000 megawatts. Moreover, many of the electric power interconnections such as (Uganda–Rwanda, Rwanda-Burundi, Burundi-DRC, Kenya-Uganda, Ethiopia-Sudan and Ethiopia-Djibouti) will become operational between 2012 and 2013. This means that intra-COMESA power trade will be increased significantly.

The Zambia-Tanzania-Kenya Power Interconnection is one of the energy projects that was identified as one of the priority projects for the North-South Corridor by the Pilot Aid for Trade Conference which was held in Lusaka, Zambia on 6 -7 April 2009. This is a strategic project as it will permit power transmission in both directions by taking advantage of the time difference between East and Southern Africa power exchanges; and interconnection of the Southern Africa Power Pool (SAPP) and the Eastern Africa Power Pool (EAPP). This will enhance the exploitation of diversity in resources as part of the regional economic integration process.

The Governments of Kenya, Tanzania and Zambia have expressed their keenness to fast track the physical implementation of this project. The Kenya-Ethiopia

Power Interconnection should also be considered as a complementary project to the Zambia-Tanzania-Kenya Power Interconnection project since both are part of the power highway connecting Cape to Cairo.

8.3 Transit Transport Facilitation Programmes

Facilitation in the transport sector is critical in enabling easy movement of goods and services across borders. The COMESA transport facilitation instruments were developed to remove the various regulatory and administrative bottlenecks which impede the free movement of goods and people from a transport point of view.

Within the COMESA-EAC-SADC Tripartite Framework the region has developed a harmonized axle load limits which were adopted by the three RECs. The implementation of trade and transit transport facilitation instruments are being fast tracked along the regions' main corridors within the framework of the Aid for Trade Programmes. During the period under review, the fast tracking of the implementation of the COMESA Transport Facilitation Instruments jointly undertaken by COMESA and the Northern Corridor Transit Transport Coordination Authority (NCTTCA) was funded by USAID. In addition, the regional workshop adopted a programme of action to fast track the implementation of the COMESA Carrier Licence, the Yellow Card, the Harmonised Road User Charges for all the six countries, including the introduction of the Regional Customs Guarantee in the DR Congo and Southern Sudan.

On the COMESA Carrier License and the application of the Harmornised Road User Charges, the workshop recommended that comprehensive implementation guidelines containing sample forms and certificates be prepared and compiled as manuals to be used by member states, regulators and service providers in the implementation of the instruments.

During the same year, the COMESA-EAC-SADC Tripartite adopted a harmonized Axle Load Limits and Guidelines for Equipment specification and Procedures for the Operation and Management of Vehicle Overload Control. A joint programme for its implementation will be adopted in 2010.

8.4 Energy

Activities of the Regional Association of Energy Regulators for Eastern and Southern Africa (RAERESA)

The energy regulators control the energy supply in order to ensure that the present and future energy needs are met in a most reliable, efficient, cost effective and sustainable manner. In establishing a pro-competitive regulatory framework the COMESA countries would ensure that additional investments would be attracted and the modern energy resources developed including the infrastructure that are critical for the development of the COMESA member States.

The Regional Association of Energy Regulators for Eastern and Southern Africa (RAERESA) which was officially launched on the 16th of March, 2009, came into force by, Ethiopia, Egypt, Kenya, Madagascar, Malawi, Rwanda and Sudan.

The main objectives of RAERESA fall into four broad categories, namely:

a. Capacity building and information sharing: to facilitate energy regulatory capacity building at both national and regional levels through information sharing and skills training. ,The countries that had not yet established their independent regulatory bodies would be assisted in setting up their regulatory bodies and to become Associate Members;

b. Facilitation of energy supply policy, legislation and regulations: to enhance the increasing integration of energy systems and energy trade in the COMESA region and beyond through the facilitation of harmonised energy policy, legislation and regulation for cross-border trading;

c. Inter - regional cooperation: to develop programmes that facilitate inter regional cooperation; and

d. Regional energy regulatory co-operation: to deliberate and to make recommendations on issues affecting the economic efficiency of energy interconnections and energy trade among Members on issues that fall outside the national jurisdiction.

The functions of RAERESA to achieve the objectives indicated above include the following:

a. Monitor and evaluate energy regulatory practices among Members to determine regional needs;

b. Develop, conduct and manage information and capacity building projects for national energy regulators;

c. Promote and support the development of independent energy regulators in the COMESA countries where there are none;

d. Prepare position papers;

e. Facilitate the co-ordination of energy trade and systems operations in conjunction with the power pools and national control centres;

f. Promote the establishment of norms and standards; and

g. Establish working relationships with other agencies that promote development and co-ordination of energy related matters.

The First Annual General Meeting of RAERESA adopted RAERESA's Work Programme whose objective is to give direction and impetus to the RAERESA and to enable it to commence work to meet its mission and objectives, as set out in its Constitution, and which can be summarized as: capacity building and information sharing; development of energy sector policy and regulatory guidelines; and fostering inter-regional co-operation in energy regulatory matters. The RAERESA's Work Programme comprises five pillars which are:

a. Capacity building and information exchange;

b. Legal and regulatory framework harmonization;

c. Development of baseline energy data base;

d. Development of an efficient and effective Secretariat and RAERESA communication; and

e. Meetings of RAERESA including Portfolio Committees and Annual General Meeting.

A close collaboration should be established between RAERESA and the Regional Electricity Regulators Association of Southern Africa (RERA) within the SADC to ensure the coordination of both programmes, and to avoid duplication. It should be noted that the Tripartite framework between COMESA-EAC-SADC provides for such collaboration.

PART 9: AGRICULTURE

The problem of food insecurity remains an important challenge facing the COMESA region include inter alia:

a. Lack of income to buy food – lack of purchasing power.

b. Limited access to and use of modern inputs, especially fertilizers and seeds. Agricultural productivity of major crops and livestock remains far below that of the advanced economies;

c. Limited intra-COMESA agricultural trade as a result of tariff and non-tariff barriers. A major barrier remains Sanitary and Phytosanitary (SPS) requirements that hinder movement of commodities such as dairy products, grains, fruits and vegetables across borders in the region;

d. High cost of transportation in the region due to poor infrastructural linkages and networks.

e. Lack of marketing information for the regional traders; and

f. Weak marketing institutions at national level which have failed to provide farmers with suitable marketing outlets and storage facilities.

Tables: 13, 14, and 15 below show production, exports and imports of cereals (major staple crops for region) in a few selected COMESA member States. Even though considerable amounts of maize, wheat and rice are produced in the region, various factors hinder the expansion of their production, making the region to rely on imports from third countries.

Table 13: Cereal Production ('000 tons) in Selected COMESA member States, 1989-2007

Period	Kenya	Ethiopia	Malawi	Madagascar	Rwanda	Uganda	Zambia
Maize							
1989-1992	2,437	n.a	1,274	147	99	612	1,129
1993-1996	2,502	2,001	1,632	169	69	831	1,191
1997-2000	2,290	2,711	2,026	168	64	953	865
2001-2004	2,629	2,943	1,715	255	85	1,192	945
2005-2007	3,130	3,980	2,415	462	93	1,230	1,218
Wheat							
1989-1992	263	n.a.	1	7	12	8	55
1993-1996	284	986	2	8	5	9	56
1997-2000	234	1,155	2	9	5	10	69
2001-2004	330	1,709	2	10	11	14	93
2005-2007	331	2,695	3	11	19	17	115
Rice							
1990-1992	45	na	43	2,404	14	61	10
1993-1996	47	11	58	2,464	7	77	11
1997-2000	46	13	75	2,513	10	93	12
2001-2004	45	14	81	2,774	28	122	14
2005-2007	65	13	75	3,491	56	156	16

Source: AMPRIP: Ackello and Sikei (2009): Study on Demand and Supply Trends for Major Tradable Commodities in the COMESA region.

Table 14: Cereals Exports (tons)

Period	Kenya	Ethiopia	Malawi	Madagascar	Rwanda	Uganda	Zambia
Maize							
1989-1992	80,875	na	322	16,557	na	22,357	3,759
1993-1996	119,062	na	2,240	15,080	98	102,896	2,806
1997-2000	11,029	1,021	2,957	3,193	102	22,463	7,385
2001-2005	11,733	8,461	15,840	1,862	302	43,927	64,562
Wheat							
1989-1992	13,108	NA	460	24	-	-	1,339
1993-1996	20,909	75	3,001	7	-	1,154	296
1997-2000	18a	323	36	101	-	1,235	2,834
2001-2003	2,408a	268	432	139	10	1,966	4,136
Rice							
1989-1992	9,079	na	2,371	579	na	na	na
1993-1996	7,985	na	3,449	624	na	135	53
1997-2000	643	na	3,022	842	na	352	102
2001-2005	144	na	1,285	341	na	1,830	451

Source: AMPRIP: Ackello and Sikei (2009): Study on Demand and Supply Trends for Major Tradable Commodities in the COMESA region

Table 15: Cereals Import Values (US$'000)

Period	Kenya	Ethiopia	Malawi	Madagascar	Rwanda	Uganda	Zambia
Maize							
2001	41,850	2,878	1,874	352	1,654	2,079	2,654
2002	2,920	1,341	32,502	0	631	9,683	59,416
2003	16,041	5,055	13,269	2,325	12	17,131	35,948
2004	56,539	na	10,786	611	na	13,847	1,010
2005	na	na	21,649	na	na	6,680	9,482
Wheat							
2001	100,337	136,366	3,507	315	na	25,751	12,920
2002	63,189	107,060	0	248	151	34,747	16,791
2003	78,939	362,790	3	1,180	4	54,671	24,603
2004	83,830	na	9,615	9,810	na	72,963	13,381
2005	na	na	13,453	na	na	90,153	22,747
Rice							
2001	35,380	3,450	504	34,975	12,201	12,223	4,410
2002	25,714	3,619	2,335	10,267	4,056	10,902	6,571
2003	36,212	5,102	989	50,184	3,152	13,146	10,514
2004	43,087	na	2,554	34,415	na	17,746	8,638
2005	na	na	3,960	na	na	17,454	7,055

Source: AMPRIP: Ackello and Sikei (2009): Study on Demand and Supply Trends for Major Tradable Commodities in the COMESA region

According to the demand and supply study conducted under AMPRIP, the trends for major tradable commodities in the COMESA region reveal that cereal imports continue to outstrip exports both in value and volume terms, making the region a perennial net importer. Despite the fact that cereals remain major food crops, their production has continued

to face various challenges that have hindered sustainable growth. These challenges include various factors: high input costs, low levels of mechanization, high transport costs brought about by poor infrastructure and high oil prices and a general decline in soil fertility. The taxation of the agricultural sectors, coupled with other inefficient practices make the production of cereals uncompetitive regionally and locally.

The COMESA region produces an estimated 25 million metric tons of maize annually with a consumption of about 20 million metric tones resulting in a surplus of about 5 million metric tons equivalent to nearly US$1 billion in value terms. However at any given time, the region has concurrent pockets of deficits and surpluses as a result of varying weather patterns. This climatic variation should create conducive environment for regional trade in maize and other cereals. Despite this potential, the region still imports about two million metric tons of maize at a cost of about US$400 million annually. Maize yields in COMESA are only 19% of Egypt's irrigated maize yields (ERA, 2009). The average yield of some commodities in the region weighs well below the global average as shown in Table 16 below.

Table 16: Agricultural Commodity Yields (2003) - tons/ha (except beef and milk)

Commodity	Eastern Africa	Africa	Global	Yield Potential
Maize	1.39	1.16	4.47	*H625: 7.5 – 8.5; *H626: 7.8 – 10.5; *KH600/24A: 10.5 – 15.4
Wheat	1.28	2.03	2.66	Western Europe: over 8.0; India (Punjab): 6.0-7.0; Argentina: 5.2
Rice	1.12	1.87	3.84	**SK2034 and SK 2046: 9.5
Beans	0.60	0.62	0.70	*KK072: 1.8; *PUEBLA: 2.0 –3.0; *FLORA: 2.0 – 3.5
Bananas (tons/ha)	4.69	6.56	15.25	*Tc: 25.0; *Local (desert): 8.0 Research station reports from Uganda: 35.0 -40.0
Beef (kg/animal)	127	148	200	n.a.
Cow milk (kg/animal/year)	427	496	2197	Over 4,000

*Source: FAO (2004); *Kenyan hybrid yields at KARI/Kitale research station (reported 2008); **Egyptian 2005 national average yield boosted by the two varieties shown (reported by FAO.org/Newsroom, September 2006)*

In order to address some of the above constraints, the COMESA Secretariat has put in place a series of programmes aimed at increasing agricultural productivity, as well as market access by the producers. These programmes have been designed within the broad framework of the Comprehensive Africa Agriculture Development Programme (CAADP) of restoring food security and for transforming agriculture in Africa under the four pillars namely:

- To improve agricultural research and technology dissemination and adoption;
- To increase food supply chains, reduce hunger and improve response to emergencies;
- To extend areas under sustainable land management and reliable water control systems; and
- To improve rural infrastructure and trade-related capacities for market access.

CAADP

The issues of Food Security in COMESA are being addressed within the broad context of the Comprehensive Africa Agriculture Development Programme (CAADP). The CAADP implementation agenda in COMESA pursues a two-pronged approach. The Secretariat on one hand facilitates the implementation of the CAADP process in the member states and adopted a Regional Compact design at a national level in 2009 under which, regional programmes in the agricultural sector would be implemented. On the other hand, a number of programmes aimed at increasing agricultural productivity and access to markets by producers were put in place.

CAADP Process Implementation

Throughout 2009, the Secretariat made commendable efforts in helping the member countries in the organisation of the CAADP Round Table and in signing the National Compacts. Since August 2009, the CAADP programme activities within the Secretariat have been conducted under a new CAADP coordinator, when the former coordinator was appointed CEO of ACTESA in July 2009.

The main activities conducted in 2009 included: support to countries to launch the CAADP process, conduct the stock-taking exercise in the agricultural sector; conduct evidence based analysis to identify priority investment areas for agricultural growth and poverty reduction; design of strategic investment plans and programmes; facilitation to organise the Round Tables; and Compact signature for those countries which are ready.

National Compacts: Two countries, Burundi and Ethiopia, signed the National Compacts in August 2009, becoming respectively the second and third countries to sign the compacts in the COMESA region, after Rwanda, which had signed the compact in March 2007.

Burundi Minister of Finance Mrs Clotilde Nizigama exchanging the CAADP Compact with Assistant Secretary General of COMESA Mr Stephen Karangizi in Burundi

Burundi CAADP Compact Signing 2009




Ethiopia CAADP Compact Signing 2009




At the joint meeting of the Ministers of Agriculture and Environment, held in September 2009 at Victoria Falls, Zimbabwe, a decision was taken by the Ministers to the effect that countries should accelerate the implementation of CAADP so as to enable the first group of advanced countries to sign the compacts before 31st March 2010 and the rest to do so by the end of December 2010. Following this directive, the Secretariat intensified campaign to the COMESA Member States through country visits technical and financial assistance to have the compacts signed. The countries visited include: Swaziland, Uganda, Zambia, Zimbabwe, Malawi, Eritrea, Kenya and Seychelles. This resulted in of the three countries d being ready to sign the compact namely: Uganda in October and Swaziland and Zambia in November 2009. But, due to organisational and logistical reasons, the compact signatures for these countries had to be postponed to the beginning of 2010.

Post Compact Activities: The COMESA Secretariat, in collaboration with other CAADP implementation partners, the AU and NEPAD, intensified their efforts in ,helping the countries , had signed the compacts, to design a detailed and to fully cost the investment programmes for the mobilisation of the required resources for the implementation of the programmes. In December 2009, the first Post CAADP Compact conference in the continent was held in Rwanda, where the stakeholders and Development Partners participated. Rwanda presented its investment and implementation programmes, achievements, and the required resources of over US$ 350 million to bridge the financing gap. The partners made commitments to provide 33% of the required funding and to increase its level within few months. The Rwanda Post Compact review process has become the model to be emulated by the African countries.

Regional Compact: The Regional programmes, shared by multiple of countries, will be identified through a consultative process and will be implemented in the respective countries in close collaboration with regional organisations and institutions such as ASARECA. These programmes will add value to the programmes that are being implemented in the member countries under the national compacts, and will strengthen regional integration. In June 2009, the COMESA Secretariat commissioned FANRPAN to prepare the Regional Compact. A first draft outline of the Regional Compact was produced in December 2009 and was to be finalised in March 2010.

The Multi-Donor Trust Fund (MDTF): In order to accelerate the implementation of CAADP, , country level, the MDTF was established under the management of the World Bank to facilitate the process. A number of development Partners have put funds into the Trust ,Fund, which have been used to support the various activities in the COMESA region, including the funding of the Compact signature in Burundi. An interim MDTF Management Committee was also established and the CAADP Coordinator at the COMESA Secretariat who represents all the RECs in the committee was recruited.

Child Trust Funds (CTF): Are to be established in all the RECs and in the other CAADP institutions such as the African Union and the NEPAD Secretariat. The establishment of the Child Trust Funds require the recipient institutions to develop Strategic Frameworks, operational plans and budgets. The COMESA Secretariat has however developed its Agricultural Strategic Framework and Operational Plan which it submitted to the World Bank in December 2009, and would be reviewed by the MDTF team in early 2010. The Strategic Framework sets out the overall objectives of COMESA's

agricultural development strategy, the strategic areas and the functions to be undertaken in order to achieve the development goals.

CAADP Implementation Support Process and CAADP

Partnership Platform: The Development Partners' commitment by to support agricultural development in Africa through the CAADP framework, the CAADP Partnership Platform which brought together the African Governments, the African Union, NEPAD and the RECs was established to jointly plan, implement, monitor and review the financing and implementation of the CAADP process. The Partnership Platform meetings are conducted twice annually and the CAADP Coordinator at the COMESA Secretariat, who is a permanent member of the Partnership Platform Planning Committee, attended all the meetings in 2009, including those held in Addis Ababa, Ethiopia in September 2009 and in Abuja, Nigeria in November 2009.

8.2. Agricultural Programmes under CAADP

In helping the member states to implement the CAADP process in order to attain the CAADP Compact stage and to implement the Post Compact CAADP agenda at country and regional levels, the COMESA secretariat established a number of programmes aimed at supporting the region to achieve of food security. The programmes were designed to be consistent with the four CAADP Pillars of:

Pillar 1: Extending the area under sustainable land management and reliable water control systems (aimed at increasing overall agricultural output);

Pillar 2: Developing rural infrastructures and trade related capacities for improved market access (to ensure that producers have reliable and remunerative outlets);

Pillar 3: Increasing food supply chains, reducing hunger and improving responses to food emergency crises; and

Pillar 4: Improving agricultural research, technology dissemination and adoption (to improve agricultural productivity through improved yields).

Programme 1: Improving Access to Agricultural Inputs

Access to agricultural inputs is a major hindrance to increasing agricultural productivity and improving food production in the COMESA region.

In the recognition of this fact, COMESA has worked with the development partners and the Member States to address the situation. This initiative has been undertaken under the Strengthening Trade in Agricultural Inputs at the Regional level (STAR) project. Through this project, COMESA aims to make fertilizers a 'commodity without borders'. The recommendation to make fertiliser zero-rated had been adopted at the COMESA technical level. In addition, COMESA is also working with FAO and the other partners on a joint fertilizer procurement programme which will lower the cost of fertilizers and make it cheaper.

Programme 2: African Agricultural Markets Programme (AAMP)

The Africa Agricultural Market Programme (AAMP) is a regional programme access regional markets and trade, and to enhance the private sector participation in agricultural policy formulation. The programme is a partnership between the Common Market for Eastern and Southern Africa (COMESA) and the World Bank.

Programme 3: Agricultural Marketing Promotion and Regional Integration (AMPRIP)

The main objective of this programme is to increase intra and extra-COMESA agricultural trade. AMPRIP has three components, namely: agricultural marketing and food security; harmonization of SPS measures; and support of HIV-AIDS programmes along the major transport corridors in the COMESA region.

The first component of programme includes the design and operationalisation of the Food and Agricultural Marketing Information System (FAMIS), to provide marketing information, including that on the key staple food crops in the region so that movement of food from surplus to deficit areas can be improved. The system has already been designed and is being operationalised. A big challenge to the system remains that of data collection and uploading by the Member States.

In order to deal with the SPS measures as potential barriers to agricultural trade, the project has developed regulations on the application of SPS measures and established three regional reference laboratories. The SPS regulations and regional reference laboratories are expected to facilitate trade in agricultural commodities and to improve regional food security.

Programme 4: Guiding Investments in Agricultural Markets in Africa (GISAMA)

GISAMA is a regional programme that aims to identify investment opportunities and policy priorities for the key agricultural value chains in Eastern and Southern Africa. It will contribute to the CAADP planning and the implementation processes. The programme is funded by the Bill & Melinda Gates Foundation, but implemented in collaboration with the Michigan State University. During 2009, researchers from within the region embarked on a series of value chain studies, involving field work at farm, processing, trade, and policy levels. The Terms of Reference for a Regional Coordinator were developed and recruitment is expected in early 2010. During 2010, the first draft of the study will be disseminated.

PART 10: PARTICIPATION IN STANDARD SETTING ORGANISATIONS

The need to comply with the SPS standards in the international trade, the participation of the African nations in the Sanitary and Phytosanitary standard-Setting organizations project (PAN-SPSO) is of crucial importance. The PAN-SPSO was established as a joint project between the European Commission (EC) and the African Union Commission on behalf of its Member States that belongs to African Caribbean Pacific Group of States (ACP).

The overall objective of PAN-SPSO project is the reduction of poverty and the enhancement of food security in Africa by improving the access of African agricultural products (including livestock and fisheries) to international markets.

The specific aim of the project is to facilitate the effective participation in the activities of the Codex Alimentarius Commission, OIE, and IPPC, during the formulation of international standards on food safety and animal and plant health and, through the services of the African Union Inter-African Bureau for Animal Resources (AU/IBAR) and the Inter-African Phytosanitary Council (AU-IAPSC) in close collaboration with the six Regional Economic Communities (RECs).

The expected results are:

- **(R 1)** African countries strengthened and empowered to effectively participate in the SPS standard setting activities;
- **(R 2)** Common African position in SPS at continental and REC levels strengthened;
- **(R 3)** Technical capacity of African countries to draft standards and to develop science-based arguments strengthened; and
- **(R 4)** Relevant SPS-related data and information are acquired and disseminated to African countries through established information sharing platform.

The implementation of activities by COMESA started after the MoU and Contract had been concluded and AU-IBAR had disbursed funds to the accounts opened by the COMESA Secretariat,. COMESA initially received a total sum of one hundred and six thousand, seven hundred and thirteen Euros (€106,713.00) for the implementation of PANSPSO activities. The activities will be implemented in eight of the COMESA Member States, namely: DR Congo, Comoros, Eritrea, Madagascar, Malawi, Mauritius, Seychelles and Zambia.

The first activity was the Regional Workshop for eight of the COMESA Member States which are implementing the PAN-SPSO project. The regional workshop which was held in Siavonga Zambia in December 2009 was attended by 12 participants from DR Congo, Comoros, Madagascar, Malawi, Mauritius, Seychelles and Zambia. The objectives of the workshop were to sensitize participants on the PAN-SPSO Project and to work out modalities for the implementation of activities in the Member States.

Planned PANSPSO activities under COMESA are as follows:

a. Identification of experts in particular SPS fields to provide training to the national representatives and to make comments on the draft standards;

b. Establishment and strengthening of National SPS Committees;

c. COMESA holding the national workshops on “Follow-up and support to National SPS Committees” in the eight Member States. The objectives of these workshops will be to help the Member States create or strengthen the existing National SPS Committees;

d. Development of a monitoring and evaluation system to keep track of attendance at and contributions to meetings and follow-up on activities of particular meetings and workshops;

e. Organization with AU-IBAR of Regional Training of Trainers Workshops on the use of science-based methods and the development of scientific arguments in standard-setting. The project shall support all the initiatives made by member States to develop draft standards. Training workshops will be divided into two modules (scientific and managerial);

f. Support national training of selected representatives in order to encourage links between public sector, private sector, individuals and institutions with a stake in the SPS issues in order to enhance their contribution to the assessment of standards and proposals for standards;

g. D development and the drafting of standards, comment on draft standards, and review of the existing standards in areas of interest to Member States; and

h. Setting up of an integrated database for SPS related data by upgrading the current ARIS database in IBAR.

PART 11: CLIMATE CHANGE

A. Programme Performance Summary

Climate Change is a major challenge to sustainable growth and development and the achievement of the Millennium Development Goals (MDGs). At its January 2007 Summit, the African Union highlighted the magnitude of the problem and called for an urgent international response. The Summit call for the integration of climate change adaptation and mitigation actions into the African national strategies and sub-regional development policies, plans, programmes and activities. In response to this call, three organizations under the COMESA-EAC-SADC Tripartite Agreement established a comprehensive climate change initiative with the objective of "achieving economic prosperity and climate change protection." Apart from mobilizing the Member States to develop a Common African Negotiating; and a common negotiation strategy; Position on Post 2012 International Climate Change Regime the Initiative has enabled the COMESA Secretariat to initiate immediate action and demonstration in the agriculture, forestry including other land use (AFOLU), by upscaling the use of climate-resilient food production technologies, in particular the conservation agriculture, and the establishment of a Carbon Fund.

B. Key Achievements per each Performance Goal

Performance goal 1: Increased advocacy and policy dialogue aimed at enhancing Africa's position in climate change negotiations

Under this objective, COMESA in collaboration with the African Union Commission(AUC) and the African Ministerial Conference on the Environment (AMCEN) helped in establishing a common African position that would shape Africa's policy responses and actions including (AFOLU) in the post - 2012 international climate change regime negotiations. This is premised on the fact that AFOLU offers competitive advantage to Africa and has a high mitigation potential, adaptation, and sustainable development co-benefits. The following actions were undertaken to support the achievement of this goal:

1. National Round Table Meetings: As part of building consensus on the issues to inform the Common African Position, COMESA organised national round tables in the following countries: Zambia, Zimbabwe, Sudan, Eritrea, Ethiopia, Kenya, Uganda, Seychelles, Democratic Republic of Congo, Rwanda, Burundi, Tanzania and Malawi. Apart from collating climate change priority related issues, the meetings were also very useful in creating awareness on the impacts of climate change and the variability among the various stakeholders.

2. Joint Agriculture and Environment Technical and Ministers' Meetings: COMESA facilitated the Joint agricultural and environment technical and Ministers' meeting at Victoria Falls, Zimbabwe to consolidate a regional Common Position to feed into the common African position. At the same meeting, the Ministers also agreed that the COMESA Secretariat should mobilize resources to initiate a programme on up scaling of climate-resilient food production technologies, including the conservation agriculture.

3. Eastern Africa sub-regional meeting in Kigali: Under the auspices of AMCEN, the Government of Rwanda hosted a sub-regional meeting on climate change from 31 August to 3 September 2009 to review the sub-region's priorities with a view to formulating an Eastern Africa subregional Climate Change Programme. The sub-regional Programme would cover the Horn of Africa and the EAC Member States. The COMESA Secretariat was given the task to facilitate the development of the sub-regional Programme which would be presented at the 13th AMCEN meeting scheduled to be held in June 2010 in Bamako, Mali.

4. Pan African Parliamentary Summit: During the review period, COMESA in partnership with the Government of Kenya (Kenya National Assembly) and other partners arranged the Pre-Conference

of Parties (Pre-COP15) of the Pan African Parliamentary Summit in Nairobi in October 2009. Participants were from west, east, central and southern Africa countries. The meeting achieved its objective of sensitizing the members of parliament on the UNFCCC process and on the need to support the Common African Position.

5. COMESA's participation and accreditation to the UNFCCC Secretariat: The COMESA Secretariat technical team provides support to the African Group of Negotiators and has therefore participated in a number of climate change talks which were held in Bonn (March and June 2009), Bangkok (September, 2009), Barcelona (November 2009) and Copenhagen (December 2009). In addition, COMESA supported the participation of the additional 45 delegates from the Member States (consisting of parliamentarians, negotiators, civil society, and scientists) at the Copenhagen Climate Change Talks. During the period under review, the COMESA Secretariat initiated the process of being accredited to the UNFCCC Secretariat as an Observer in order to enhance her participation.

Performance goal 2: Increased knowledge management and enhanced capacity on climate change

The support under this Programme enabled the African scientists working on climate change to meet and exchange information on climate change data information that has helped to shape policy responses and actions, including the common African position. The scientists took advantage of the meetings to discuss the establishment of a Pan African Climate Change Knowledge Network (ACCKN).

1. **Gathering scientific evidence:** COMESA signed an agreement with ICRAF to assist in generating scientific evidence for the African Biocarbon which is founded on AFOLU.

2. **Pre-AMCEN African Scientists Meeting:** COMESA in collaboration with AMCEN convened the first meeting of African Scientists in Nairobi in May 2009. The purpose was to bring together African climate change scientists, to exchange views in this critical area.

3. **Second African Scientists Meeting:** ICRAF in partnership with COMESA convened the second African Scientists in September 2009 to take stock of available scientific evidence on climate change and bio-carbon development in sub-Saharan Africa.

4. **Vulnerability Assessment Study:** COMESA signed a contract to undertake a vulnerability assessment in southern Africa to determine the optimal adaptation and mitigation options.

5. **Development of a Regional Forestry Strategy:** During the period under review, COMESA formulated a regional forestry strategy, which was validated by a workshop attended by representatives from Member States, was subsequently approved and adopted by the joint meeting of Ministers of Agriculture, Environment and Natural Resources held in August 2009 at Victoria Falls, Zimbabwe.

Performance goal 3: Enhanced civil society engagement in climate change negotiation processes.

COMESA recognizes the critical role that CSOs play to influence policy at the national, regional and international levels. In order to take advantage of the capacity of CSOs on climate change issues, COMESA entered into partnership with it in order to leverage on their targeted advocacy so that the African priorities are integrated into the emerging climate change regime. In this connection, COMESA also entered into partnership with FANRPAN and the other CSOs especially PACJA to meet the underlisted activities, namely:

1. **Africa-wide Civil Society Climate Change Initiative for Policy Dialogue (ACCID):** COMESA and FANRPAN in their quest to promote AFOLU initiated a weekly information update on climate change which increased awareness and advocacy among the policy makers as they prepared for the Copenhagen Climate Change Talks in December 2009.

2. **Pre-AMCEN African Civil Society Meeting:** During the review period, COMESA and PACJA arranged the pre-AMCEN African civil society meeting in Nairobi in May 2009. The meeting's resolutions were presented to the Ministers' Conference.

3. **Zambia civil society meeting:** As part of building capacity of the national civil society organizations, COMESA supported the convening in Zambia in July 2009 a consultative meeting of the civil society organizations which work on climate change. The meeting had two major outcomes: First was a statement presented to the Government of Zambia as part of the Common African Position, and second, was that all the participants agreed to establish a national network on climate change.

4. **Pre-Cop African Civil Society Meeting in Addis Ababa**: COMESA and PACJA hosted the Pre-COP African civil society meeting in Addis Ababa in October 2009. The resolutions from that meeting were presented to the African Group of Negotiators to inform the Common African Position.

5. **The media training workshop on climate change in Maputo:** FANRPAN and COMESA conducted a media training workshop on climate change to build capacity to be able to report accurately on the subject matter. The participating journalists were from eastern and southern Africa to elevate climate change-related issues within the media. Some of the journalists were given support to cover the Copenhagen Climate Change Talks in December 2009.

Performance goal 4: Carbon Facility/Fund established
COMESA recognizes that carbon markets and new financial mechanisms that reward improved agricultural and forest-management practices are critical if the Africa's poor are to adapt to climate change. So far, the international climate regime has failed to create the incentives to enhance the carbon storage in African agricultural systems and the funding for adaptation to changing climate conditions has been too small to make a difference. The climate regime's focus on industrial emissions has left Africa at the margin of international carbon markets. In order to meet the challenge, COMESA, therefore, decided to establish a Carbon Facility/Fund that would serve the continent's interest. To attain this objective, COMESA during the period under review, undertook the activities listed below, namely:

1. **Feasibility study of the Carbon Facility/Fund:** COMESA-hired Carbon Facility Consultant, together with two consultants hired by the Global Mechanisms of the UNCCD developed the conceptual framework for a regional Carbon Fund, which was approved by the Council of Ministers at its meeting in December 2009.

2. **National round tables on conservation agriculture**: During the period under review, COMESA organised workshops on the conservation agriculture in Malawi, Kenya and Ethiopia. In each of the national workshops, the stakeholders agreed on up-scaling of CA.

C. Challenges

In implementing this Programme, there have been some challenges. The most notable of which inter alia:

1. **High demand for resources to support climate change interventions:** Given the high level of success that the Programme has generated in raising awareness on climate change issues, COMESA continues to receive overwhelming requests from its Member States and CSOs for support. Due to lack of funds, COMESA finds it very difficult to meet these requests.
2. **Capitalization of the Carbon Fund:** When the programme started at the beginning of 2009,

COMESA had hoped that upon finalizing the feasibility study for the Carbon Facility/Fund, it will be able to capitalize on it at the shortest time possible so as to support bankable projects. This has not been possible.

3. The slow pace of implementing the programme by the EAC and SADC: Both the EAC and SADC Secretariats have low absorptive capacity to effectively utilize the resources that had been made available under the programme. This could be attributed to inadequate technical capacity and lack of strategic approach to climate change issues.

D. Partnerships

During the period under review, COMESA took advantage of the existing partnerships with the regional institutions and the development partners in forging close working relationships on climate change issues. These partnerships enabled the programme to achieve most of its performance objectives. Resulting from the success of partnerships, COMESA continues to receive requests from different stakeholders who are willing to establish collaboration. The following partnerships have therefore proven very useful:

1. **Key implementing partners:** The key implementing partners are namely, the: African Union Commission, African Ministerial Council for Environment (AMCEN), United Nations Environment Programme (UNEP), UN Global Mechanisms, EAC, SADC, African Development Bank (AfDB), PTA Bank, COMESA Member States, WWF, World Agroforestry Centre (ICRAF), and Food, Agriculture and Natural Resources Policy Analysis Network (FANRPAN).

2. **Development partners:** The development partners supporting the programme are the Government of Norway and the Rockefeller Foundation. Other development partners that have expressed interest to support the programme are: the European Union (EU), USAID, DFID and the Government of Finland.

E. The Way Forward

In the coming years, COMESA intends to increase its presence in Eastern and Southern Africa (ESA) region by supporting climate resilient adaptation and mitigation interventions in such areas as agriculture, forestry, range land, conservation agriculture, integrated water resource management, and the promotion of sustainable energy (green energy). To position itself to perform these functions, the following actions are planned.

1. **Develop a Multi-donor Programme Proposal:** In order to implement a comprehensive Climate Change Programme in the ESA region that deals with a variety of priority issues identified by the Member States, COMESA is to develop a Multi-donor Programme Proposal. The initial reactions for such a multi-donor consortium are positive as a number of development partners have expressed interest and support. Those that have expressed interest and support include: the Government of Norway, the EU, USAID, DFID and the Government of Norway.

2. **Catalyse support for strengthening technical capacity of EAC and SADC Secretariats:** COMESA will endeavour to provide technical support to the two sister RECs. In addition, COMESA will include EAC and SADC, within the broad framework of the Tripartite Agreement in the mobilization of the requisite technical and financial resources in order to build the capacity of the two Secretariats to deal with issues of climate change.

PART 12: PEACE AND SECURITY

In 2009, the COMESA region witnessed some very positive developments in the area of peace and security. In the Great Lakes Region, the armed groups in the DR Congo and Burundi laid down their arms and transformed themselves into political parties. In Burundi, the government integrated the Palipehutu FNL combatants into the Government Security Forces; carried out demobilisation of ex-combatants; released prisoners and officially registered the Palipehutu FNL as a political party. While in the DR Congo, 12 out of the 13 remaining armed groups in South Kivu signed a declaration to officially end hostilities in the Eastern DR Congo. Another positive development was the fostering of cooperation between the DR Congo and Rwanda as a joint effort towards dismantling the FDLR.

The Ninth Meeting of the Ministers of Foreign Affairs, which was held at Victoria Falls, in Zimbabwe on 5 June 2009, commended the efforts and called for the normalisation of diplomatic relations between the DR Congo and Rwanda as well as Uganda. The Meeting also discussed the new challenges that faced the region, namely: the unconstitutional change of government in Madagascar; the decision by Mayotte to secede from Comoros and to become part of France; and the rising incidents of piracy off the coast of Somalia and the Gulf of Aden, and the continued armed conflicts in Somalia which are affecting the neighbouring countries.

In Madagascar, the former Mayor of Antananarivo, Andry Rajolina, took over power from the former President Marc Ravalomanana in what was seen as an unconstitutional change of government. COMESA Ministers joined their counterparts in the African Union and SADC in rejecting and condemning the unconstitutional change of government. As a result, Madagascar was suspended from participating in the three bodies pending a return to constitutional rule. By the end of the year, efforts at reconciliation through negotiations of power-sharing were still ongoing. The other significant challenge that faced the region was the effects of the ongoing crisis in Somalia. While Somalia ceased to be a Member of COMESA, the conflicts in that country have continued to adversely affect the neighbouring countries with an influx of refugees, small arms and light weapons, resulting in increased insecurity. The latest challenge has been the rise of piracy off the coast of Somalia, which has had a negative impact on the economies of COMESA Member States. The effects of piracy are global in nature, so in June 2009, the COMESA Ministers of Foreign Affairs called for an international coordinated effort, and asked for the United Nations intervention to stop the piracy by addressing the underlying factors that cause instability in Somalia.

In order to address the challenges facing the region, the COMESA Programme on Peace and Security established the COMESA Conflict Early Warning System, COMWARN at the Ninth Meeting of the Ministers of Foreign Affairs. The COMWARN is being developed to identify potential areas of conflicts by monitoring the structural factors. The COMWARN will therefore focus on monitoring and analysing the structural factors and conditions that create vulnerability to peace and stability in the region. This will

provide opportunity for COMESA to intervene before the formation of the conflicts thus, enable COMESA to directly respond to its 1999 Decision and mandate on conflict prevention. The COMWARN is being developed in close collaboration with the Continental Early Warning System (CEWS) and other early warning systems in the region.

Another significant development that will clearly contribute to the prevention of conflicts in the region is the establishment of the Committee of Elders. This was in response to a Decision by the Seventh Meeting of the Ministers of Foreign Affairs which was held in Djibouti in November 2006, that COMESA should establish a Committee of Elders from the COMESA Region "who would be chosen and deployed by the Office of the Secretary General for preventive peacemaking assignment." The Ninth Meeting of the Ministers of Foreign Affairs elected the following five eminent persons: Madam Immaculate Nahayo of Burundi, Ambassador Soad A. Shalaby of the Arab Republic of Egypt, Ambassador Bethuel A. Kiplagat of the Republic of Kenya, Ambassador Anund Priyay Neewor of Mauritius, and Mr. Atem Garang Deng Deduek of the Republic of Sudan. The remaining four members of the Committee of Elders will be elected during the Tenth Meeting of the Ministers of Foreign Affairs, which is planned to be held in Kingdom of Swaziland in August 2010. The elders will serve for a term of 5 years which will be staggered to ensure continuity.

During the year, the implementation of the various other programmes continued. These include; the "Trading for Peace Project", which targets the Great Lakes region and is aimed at using trade as a mechanism for peace and security. The programme aims to build relations between countries of the Great Lakes Region by focussing on small-scale cross-border traders, service providers and local government officials. The programme has continued to implement the "war economy" component of the CPMR strategy for ESA region, which was jointly developed by COMESA, EAC and IGAD. During the year, the programme started the process of identifying gaps in legal frameworks of the Member States which make them vulnerable to the emergence and the entrenchment of war economies.

PART13: INFORMATION AND NETWORKING

The Information and Networking Division seeks to promote the use and raising awareness on Information Technology as to lead to an information society and contribute to socio-economic integration. For the period under review significant strides were made in the implementation of the various programmes.

E-Government

The COMESA e- Government portal was launched, to ensure the successful implementation of the framework, and the collaboration with the other regional bodies that are carrying out e-Government programmes. COMESA is in the process of negotiating an MOU with UNPAN.

Customs Modernisation

In September 2009, the pilot project on the Transit Data Transfer Module (TDTM) on the Zimbabwe side of the Beit-Bridge Customs Border Post was implemented. This allowed the transit consignment destined for COMESA countries to be captured in the ASYCUDA system at the border and to be automatically uploaded into the COMESA Server. It also enabled the transit declarations to be made available in advance, to all authorised stakeholders along the Transit route. The TDTM is now implemented at the Beit-Bridge, Chirundu and Kasumbalesa border posts. Some 500,000 transit declarations that are posted are available on the COMESA Transit Web-Server.

The Transit Data Transfer Module is linked with the COMESA Regional Customs Transit Guarantee (RCTG) system. It is now possible to view, in the internet, a Transit Declaration associated with the Transit Carnet of the RCTG system. Full integration of TDTM and RCTG is currently underway.

Out of the 19 COMESA member states, 15 now use the ASYCUDA system for processing import, export and transit declarations. To support and expand the system, UNCTAD has submitted to COMESA Regional ASYCUDA Centre (CARC), a proposal on capacity building on the ASYCUDA systems and on the development of tools to facilitate the implementation of the CET of the COMESA Customs Union.

An evaluation of the COMESA ASYCUDA Regional Project (CARP) was conducted by an independent consultant funded by the European Union in June 2009. The project which implemented ASYCUDA in five COMESA member states namely: DR Congo (Katanga Province), the Kingdom of Swaziland, Republic of Seychelles, Eritrea and Union des Comores. The evaluation of TDTM rated the project a satisfactory in the areas of relevance, efficiency, effectiveness, impact and sustainability.

Upgrading of Secretariat's IT network services

The Secretariat created a more secure network by implementing a demilitarized zone where all web servers are hosted and isolated physically and logically from the COMESA internal network.

To improve on the accessibility speeds for internet services within the institution, the COMESA Secretariat migrated from satellite to fibre optical links for internet browsing. A network managing device that controls internet usage and to give higher bandwidth priority for work related sites was introduced.

The tender for SAN solution and virtualization which will change the whole concept of the current setup was finalised. Once implemented, it will be more reliable, easier to manage and more secure.

For the reliability of information services, an enterprise UPS was installed at the Secretariat to support the network devices and servers from power failures. This will ensure that the servers at the Secretariat will be up and running even when there is power failure.

To protect the Secretariat's data assets, a more reliable backup system for the systems and user's documents was installed. User's documents are now backed up in two stages on disks and on tapes which are thereafter sent offsite.

COMESA Help Desk Support Services

The COMESA Secretariat launched the COMESA Help

Desk system for users to log calls as opposed to emails and phone calls. This has helped, inter alia to improve communication with end users; evaluate and prioritize incoming support calls; track reported problems and their outcomes; minimize support calls by teaching users basic skills; and develop effective help desk policies and procedures.

The COMESA Secretariat also launched the NetOp Remote Control System which is used to remotely fix users' IT problems. This improved efficiency since staffs are now able to remotely trouble-shoot some of the commonly faced problems without having to walk to the user's desk.

Development and Support of Various Information Systems

To ensure a smooth implementation of the Secretariat's programmes, the IT division upgraded the various systems that are aimed at improving the performance of the different divisions within the Secretariat. The following systems were either developed or upgraded.

SUN Systems Version 4 of the accounting package is used by the COMESA Secretariat and the various projects. This system is an off the shelf application. A new version of the system (SUN Systems 5.3.1) was implemented during the period under review and users will switch to the new system in 2010.

The Mail Tracking System is a document managing system designed to automate the manual handling of the official hardcopy mail and fax items. The need for the Secretariat to communicate in a fast, efficient, secure and reliable way with the various organizations, companies, institutions, ministries, embassies and individuals is of the utmost concern to the organization. Therefore, besides the need to use electronic mail which is not in the scope of this system, this need should however be fully satisfied by a well-organized mail handling system once the mail/fax items are installed within the organization. The registry section has the primary responsibility of ensuring that the mail/fax items that are incoming or outgoing, do so in a fast, efficient, secure and reliable way. The system will be officially launched during the early part of 2010.

In order to make the COMESA website more popular, a marketing strategy was formulated and implemented to this end. These included the introduction of new features on the site; actively uploading new content; and collaborating with other webmasters of 'like-minded' websites for link exchanges, among others. As a result, the number of visitors to the website grew by 50%. By the end of the year, the site was ranked at 520,000 in terms of popularity, up from 1,390,000 recorded at the beginning of the year under review.

The intranet system was developed to improve communication within the Secretariat. It comes with functionality for private messaging, advertising, publishing news for COMESA, discussion forums, personal selection of verse or thought of the day, and personal selection of highlights to receive from other websites. In addition, it gives users access to their emails, applications like Microsoft Word and Microsoft Excel and some of the systems at COMESA. A series of user-trainings were conducted to enlighten users on its benefits and how they can navigate the system.

The COMSTAT is the COMESA Statistics System. It performs Economic Analysis and Summary of Trade Information for the COMESA Region. It gives information about trade between the COMESA countries and the rest of the world. Trade indicators for the COMESA countries are provided. The main beneficiaries of the system are Member States, researchers, students and other stakeholders. Access to the system is by way of a username and password which are provided after registration, without any charge. A consultant was hired to re-design the system using Open Source applications (php and MySQL). The system was re-launched in December 2009.

The ARICEA website is for the Association of Regulators of Information and Communications for Eastern and Southern Africa (ARICEA). This website was redesigned to make it more user friendly and to allow ease of navigation.

The Food and Agricultural Marketing Information System (FAMIS) facilitates Regional Agricultural Trade. It gives regional food security information, Sanitary and Phytosanitary (SPS) information and Regional Market Information. It gives a platform for sellers to market their products and buyers to find out what is on the market. The system was re-designed to make it more user-friendly.

The COMESA uses MOODLE as its e-learning platform. The system is used to promote all forms of education within the COMESA region and beyond. The system is now available and has new course content that was uploaded.

The Procurement Management Information System provides a platform for advertising of General Procurement Notices (GPNs) and Tenders from the COMESA region. All the Member States can upload their GPNs and Tenders on this portal. Officers from the Secretariat were involved in conducting user and administrative training to Member States.

PART 14: GENDER AND SOCIAL AFFAIRS

The Gender and Social Affairs programme of the COMESA Secretariat became operational in 2009 and assumed leadership in the implementation of the COMESA Gender Policy. This report therefore highlights gender-related activities carried out during 2009. The report provides working definitions of some of the key concepts that are frequently used in the gender discipline. Gender is defined as a psychological or cultural concept which refers to normative concepts, institutional structures and internalized self-images which through the process of socialization defines masculinity and femininity and articulates the roles within the power relations[5]. Gender in this respect refers to women's socially constructed roles and responsibilities in relation to those of men.

In May 2002, COMESA Heads of State adopted the COMESA Gender Policy[6] in order to mainstream gender into all the COMESA programmes and activities. The process began with an environmental scan to establish the prevailing status of women compared to men within the COMESA Region and to identify social and economic gaps that exist between men and women and what mechanisms Member States have put in place to address gender issues.

The environmental scan revealed that despite all the important instruments, policies and programmes put in place to improve the status of women, gender gaps and disparities continue to hinder women's participation in and to benefit from most spheres of development. Gender gaps refers to the gaps existing between men and women in terms of their levels of participation, access to resources, rights to property and other human rights, remuneration, and other benefits. A critical analysis of the socio-economic reality of the COMESA region shows that gender gaps still exist in terms of poverty, disease, education, employment, governance and many other issues. Many challenges also exist with regard to the COMESA's effort to integrate women in the economic activities namely: trade, industry, agriculture, information and communication, and science and technology.[7] Member States have therefore recognized the need to mainstream gender perspectives in development policies, systems, structures programmes and activities of COMESA. Hence, the development of policy by the COMESA Secretariat to guide and direct planning and implementation of the COMESA programmes and activities from a gender perspective.

The main policy objective of the COMESA Gender Policy is *"to facilitate the mainstreaming of gender perspectives into all policies, structures, systems, programmes and activities of COMESA in order to make them gender responsive and contribute to the effective achievement of sustainable socio-economic development in the region."* The overall policy statement of the COMESA Gender Policy is *"to foster gender equality and equity at all levels of regional integration and cooperation in order to achieve sustainable socio-economic development in the region."* The policy commits governments of the COMESA region to fulfil their obligations under the various international and regional instruments like the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW); the SADC Gender Declaration; the African and Beijing Platforms for Action; the Millennium Development Goals (MDGs); the African Charter on Human and People's Rights; and many others. The Gender Policy further commits the COMESA Member States to address the cross-cutting socio-economic issues such as HIV and AIDS, human rights, environment, drug abuse, peace and security within all the policies, plans, strategies and programmes of COMESA, from a gender perspective. Furthermore, as a follow up to the commitments of the COMESA Authority and the Council of Ministers in adopting the findings of the (2007) study on Gender Mainstreaming in COMESA Programmes, a COMESA Gender mainstreaming strategy and action plan that have been formulated to translate the policy into action and to address the gender concerns raised in the study. The Strategy acts as a tool for facilitating and ensuring gender mainstreaming at all levels of the regional operations and to facilitate the fostering of gender perspectives into

5 *This definition has been adopted from the working definitions in the COMESA Gender Policy*

6 *Gender mainstreaming is the process of assessing the implications for women and men of any planned action, policy or programme, in all areas and at all levels. It is a strategy for making women's and men's concerns and experiences an integral dimension of the design, implementation, monitoring and evaluation of policies, initiatives and programmes. (source: Training Manual on Gender and Climate Change; 2009 page 16)*

7 *Preamble to the COMESA Gender Policy para. 1.9*

TABLE 17: HIGHLIGHTS OF STATUS OF IMPLEMENTATION OF SIX PRIORITY AREAS OF THE COMESA GENDER STRATEGY BY SOME OF THE COMESA MEMBER STATES.

PRIORITY AREA	RÉPUBLIQUE DÉMOCRACTIC DU CONGO	EGYPT	MALAWI	MAURITIUS	RWANDA	SUDAN	KENYA	ZAMBIA	ZIMBABWE
strengthening management systems at regional and national level	Ministry responsible for Gender	National Council of Women and ministry responsible for family and Population	Gender Equality Bill and Constitution; Engendering of legislation. National Gender Policy, MGDS	Ratification of international, regional and national instruments. Adopted commonwealth Gender Mainstreaming Strategy	National Gender Policy, Gender Focal Points in ministries	Women Empowerment Policy, Gender Focal Points in institutions, process began to establish M & E tools.	Establishment of Ministry of Gender, Children's and Social Development, Establishment of the National Commission on Gender and Development, Establishment of Gender Divisions in Ministries and Statutory Corporation and appointment of Gender Officers, National Policy on Gender and Development.	National Gender Support Programme, National Gender Policy, Strategy for Engendering Public Service	National Gender Policy, National Gender Policy Implementation Strategy, Gender Focal persons and Gender Committees in line ministries, National Machinery as Ministry of Women Affairs, Gender and community Development, Engendered legislation, Results Based budgeting and gender responsive budgeting.
Promoting Women Economic Empowerment	Livestock Project targeting women and youth	Establishing of a Fund that offers grants to Egyptian citizens including women, functioning Trade associations for women including FEMCOM							
	Established microfinance institutions for credit opportunities for men and women , process to establish trading houses	Establishment of National Entrepreneurship Council to empower women economically	Public Institutions, Ministry of Gender and Family Promotion, National Women's Council	Training in awareness raising in national financing policies, and opportunities offered by Central bank Microfinance limit.	Establishment of Women Enterprise Fund of KSH1.3 billion, Establishment of Youth Enterprise Fund of KSH2 billion, Capacity building of women entrepreneurs on marketing skills				

TABLE 17: HIGHLIGHTS OF STATUS OF IMPLEMENTATION OF SIX PRIORITY AREAS OF THE COMESA GENDER STRATEGY BY SOME OF THE COMESA MEMBER STATES. (cont.)

PRIORITY AREA	RÉPUBLIQUE DÉMOCRACTIC DU CONGO	EGYPT	MALAWI	MAURITIUS	RWANDA	SUDAN	KENYA	ZAMBIA	ZIMBABWE
Promoting Gender Equity and Social Development				Free Primary education for women.	Legislation promoting non discriminatory practices in employment, entrepreneurship, free and compulsory education, Gender Monitoring Office established.		Developed: Social Protection Policy, Community Development Policy, National Policy on Gender Responsive Budgeting, 30% Affirmative Action on Employment in Public Service, National Framework on Sexual Gender Based Violence.		
Establishing Monitoring and Evaluation Mechanisms			Established the use of gender disaggregated data in health, education & agriculture plus GDI						
Promoting Gender Equity in Decision Making Organs	Appointment of women Ministers and other women into key decision making positions				56.2% Parliament, 34% in Senate, 36% in Government, 50% Supreme Court, 40% in Local Government				

regional economic integration and co-operation.

The COMESA Gender Mainstreaming Strategic Action Plan identifies six priority areas, namely:

a. The Strengthening of the Gender Management Systems at National and Regional Levels

b. The Promotion of Economic Empowerment of Women through Trade and Private Sector Participation

c. The Establishment of and Strengthening of FEMCOM.

d. The Promotion of Gender Equality, Equity and Social Development

e. The Establishment of Monitoring and Evaluation Mechanisms, and

f. The Mobilisation of Resources.

Implementation of the Gender Policy

The Authority urged the COMESA Secretariat and Member States to start implementing the policy as soon as it was adopted in May 2002. They further directed the Secretariat to expedite the establishment of a Technical Committee on Gender to facilitate the implementation of the COMESA Gender Policy in the Member States. In this regard, the Secretariat started the implementation of the Policy by strengthening the management systems and by upgrading the Gender Unit into a full Division. The Secretariat developed guidelines for mainstreaming gender perspectives and for reporting on the implementation of the policy in strategic areas and their circulation to all Member States. As a result of these initiatives, the Member States have utilized these guidelines to report on their activities to the meeting of the Fifth Technical Committee on Gender which was held in May 2009. The reports which highlight the activities undertaken by Member States are captured in Table 17 on page 70/71

Reports by national gender machineries from Member States showed notable progress towards the implementation of the policy strategies. To date, each Member State in the COMESA region has established a National Gender Machinery in the form of Ministries, Departments, Directorates or Units with an overall mandate to coordinate gender mainstreaming activities and to promote gender equality and equity in their respective countries. This is a commendable move.

In addition to the establishment of national gender machineries, a number of other mechanisms for mainstreaming gender in development programmes have been put in place. in most countries. For example, National Gender Policies have been developed as a guiding tool to ensure the mainstreaming of gender in development programmes. The majority of Member States have also established Gender Focal Points in Line Ministries for mainstreaming gender in the activities of those institutions. Constitutional and legal provisions, including affirmative action measures for equality between the sexes, have been undertaken in some countries. Indeed some of the COMESA countries such as (Kenya, Malawi, Rwanda and Zimbabwe) that have put in place affirmative action whose principle has been used in promoting gender equality which are in line with some of the existing international protocols such as the SADC Declaration and the UN instruments. These were used to increase the percentages of women in positions of decision-making in public service and public corporations. The establishment of national councils and statutes for the protection and promotion of the rights of women and girls also constitute affirmative action.

COMESA needs to concretize the full implementation of the Gender Policy by the Member States. As a result of the Council decision, the development of a COMESA Gender mainstreaming is at an advanced stage and will be in place by the end of 2010. The gender mainstreaming toolkit will be tailor-made for professionals and managers who are not versed in gender issues and will provide guidelines to assist the Member States and the Secretariat to facilitate the full implementation of the Gender Policy.

The COMESA Secretariat will continue to hold

consultations with other Regional Economic Communities such as SADC and the East African Community (EAC) and member states to prepare the document for submission to cooperating partners for resource mobilisation and to augment financial support from Sweden and Norway for the implementation of the strategic multi-sectoral programmes and projects on the reduction of new infections of HIV/AIDS in the region.
Ministerial border posts facts finding mission

To ensure that all efforts undertaken by the COMESA Secretariat to promote economic empowerment of women through trade and private sector investment, a mission comprising Ministers responsible for Gender and Women Affairs and Ministers of Trade and Commerce from Zambia, Zimbabwe and Kenya visited the Chirundu border post on the Zambia and Zimbabwe border in August, 2009 to familiarize the Ministers with the challenges faced by small-scale cross-border traders, especially women. The mission was undertaken in compliance the 2008 COMESA Council of Ministers decision on the need to initiate practical approaches that address the problems faced by small-scale cross-border traders.

Support for women in business

Pursuant to Article 155 of the COMESA Treaty which outlines the need for full and equal participation of women in business within the regional economic integration scheme. To this end, the Federation of National Associations of Women in Business (FEMCOM) Secretariat was established in 2009, in Lilongwe, Malawi. The COMESA Secretariat seconded an Acting Executive Director to facilitate the function of the FEMCOM Secretariat.

Development of the COMESA Social Charter

In order to increase the efforts towards economic and social integration and cooperation in social and cultural affairs in the region, COMESA has embarked on the development of the Social Charter through the Gender and Social Affairs Division. The overall goal of the Social Charter would be to integrate social development

perspectives into the COMESA programmes of the African Unity (AU) Social Development Programme. The way forward in 2010 will be to hold consultative meetings with other Regional Economic Communities and Member States in order to align the Charter to the existing frameworks in the region and at international level.

Development of Agri-business capacity building programme for female farmers in the COMESA region

The development of the agri-business capacity building programme for female farmers has been initiated with the aim of building capacity in trade for female farmers in agribusiness through implementation of policy and technical assistance, in order to increase their participation in intra-regional trade activities. The way forward for 2010 will be to recruit a Researcher and four assistants to be drawn from four of the COMESA countries, namely: Kenya, Uganda, Egypt and Mauritius. The project will start with a baseline survey in order to assess the levels of female farmers' participation in agricultural and agri-business initiatives at the COMESA

Secretariat and Member State levels. The findings of the survey will form a basis for programme development and the activities to be undertaken to fully integrate female farmers in the COMESA trade, and agricultural activities. The programme is funded by USAID.

Proposed focus Areas

The COMESA Secretariat will continue to implement the six priority areas articulated in the COMESA Strategic Action Plan, namely:

a. The Strengthening Gender Management Systems at National and Regional Levels;
b. The Mainstreaming HIV and AIDS in the COMESA programmes;
c. The Development of the Gender mainstreaming Toolkit;
d. The Development of the COMESA Social Charter; and
e. The Development of an agri-business capacity building programme on agro-business for female farmers.

Challenges

The implementation of the COMESA Gender Policy is faced with a number of challenges at the Secretariat and national levels. The main challenge is the lack of adequate personnel. For example, some Member States reported that staff assigned to champion the gender issues tend to leave their jobs and replacement problematic having invested in their training. This means that the programme of gender mainstreaming will continue to suffer from the shortage of experts within the region.

Another challenge is the inadequate resources allocated to the gender machineries for programmes implementation. In spite of a very strong political will to promote the gender agenda, there still exists a mismatch between the political will and the resource allocation to the gender machineries. But more importantly, there is a general lack of gender disaggregated data in all the COMESA programmes. However, some of the COMESA Member States such as Malawi and Kenya have started to develop Gender Development Indices. It is hoped that such countries will provide best practices that others may learn from.

In view of these challenges, the gender programmes at national and Secretariat levels should be adequately funded in order to achieve the full implementation of the COMESA Gender Policy. A general training of the gender experts in the region to address the development issues should be undertaken. The training should benefit from the resource increases resulting from the Tripartite Agreement between COMESA, EAC and SADC.

PART 15: COMESA INSTITUTIONS

15.1 ACTESA

In 2009, COMESA the smallholder driven agricultural trade and value addition was moved to a new level, as a result of formation of the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) by the 13th COMESA Summit as a Specialized Agency on 9th, June, 2009. Within the short time period, ACTESA has mobilized significant resources to implement programmes, and through increased financial lending to agro-businesses to expand agro-business networks and harmonized the seed trade regulations throughout the region.

The main goal of ACTESA is to increase the farmers' productivity and incomes in the COMESA region through trade in staple crops. It also partly answers the region's agricultural challenges, which include trade related constraints, low productivity, and technological and policy related constraints. ACTESA is one of the most important initiatives in the region, where 90% of all staple crop producers are smallholders, and where only about 10% is produce for the market which is characterized by poor organization and unpredictable selling mechanisms.

In addition, ACTESA addresses the market-oriented needs of the Comprehensive Africa Agriculture Development Programme (CAADP) Pillars II and III, that seek to improve the rural infrastructure and trade-related capacities for market access, in order to boost food supply, reduce hunger, and improve responses to food emergency crises. ACTESA also supports the CAADP agenda by expanding technology services to producers in the region.

Consequently, the ACTESA assists in achieving the COMESA vision of increased regional integration and improved competitiveness in staple food markets, leading to broad-based growth and increased food security. The key objectives of ACTESA are to:

- Improve the policy environment and competitiveness of the staple food crops;
- Improve and expand the market facilities and services for staple foods; and
- Increase the commercial integration of staple food producers into the national and regional markets.

The overarching objective is "to increase the productivity of smallholders". In addition to endorsing the establishment of ACTESA as a Specialized Agency of COMESA, the COMESA Heads of State in June 2009, expanded the objective three of ACTESA to read as follows: "to integrate small farmers activities in national, regional and international markets."

ACTESA will therefore focus on building market information systems, providing services and increasing the commercialization of smallholders in the following sub-sectors:

a. Grains and pulses
b. Oil seeds
c. Roots and tubers
d. Livestock
e. Forest and Natural products
f. Tree crops, and
g. Agricultural inputs

ACTESA has a strong focus on helping small scale farmers and the small scale commodity traders in Eastern and Southern Africa to achieve results. In this regard, ACTESA's key result areas are:

a. The number of Producers/Associations Supported (Commodity Focus)
b. The number of firms supported
c. The number of PPP forged
d. The number of Policy reforms/procedures passed
e. The percentage change in intra-regional trade (Commodities), and
f. The increase in purchases from smallholders

During 2009, the key activities undertaken by ACTESA included the staff recruitment. In addition, the year one work plan was completed and a series of outreach activities of the ACTESA's partners and beneficiaries were undertaken. The outreach activities of stakeholders were important in ensuring that dialogue was initiated with farmers, traders, policymakers and partners, as ACTESA started to implement the following activities:

a. East African Farmers Federation (EAFF) Congress: ACTESA attended the Fourth Congress in Arusha at the end of July 2009. This was a critical platform for introducing ACTESA to its key regional partners and beneficiaries: the small scale farmers.

b. Zambia National Farmers Union 104th Congress Meeting – ACTESA used this meeting to bring together the regional commodity groups to discuss key issues in regional commodity trade

c. AGOA Participation – ACTESA attended the meeting in Nairobi in August 2009 and highlighted the ACTESA activities and the progress being made in the implementation of regional Sanitary and Phytosanitary (SPS), standardization, and harmonization.

d. US-AFRICA Business Summit: ACTESA attended the meeting and presented key ACTESA activities particularly in the area of regional seed trade harmonization.

e. COMPETE Work Plan Meeting: ACTESA attended this meeting and highlighted the key areas of collaboration between COMPETE and ACTESA.

f. GMO Meeting: ACTESA hosted this meeting in Lusaka that enabled regional stakeholders to analyse the trends in regional and global GMO commodity production and trade.

g. P4P: ACTESA attended this meeting in Rome and agreed with WFP on the best modalities for engaging smallholder farmers in WFP local/ regional food purchase activities.

h. WFP Deputy DG Meeting: the Meeting with WFP Deputy DG allowed for deepening the P4P/ ACTESA collaboration in strengthening capacities of small scale farmers to participate in modern trade mechanisms (commodity exchanges and WRS) that WFP would use in its commodity purchases.

i. The Warehouse Receipt System Meeting in Lusaka: The COMESA Secretary General officiated at this event and used it to list the key commodity group areas of ACTESA and how ACTESA would collaborate with all the regional and international stakeholders in promoting commodity trade in the region.

j. ACTESA held its second Stakeholders Workshop from 25 November to 2 December in Addis Ababa, Ethiopia.

The COMESA Regional Agro Inputs Programme (COMRAP) which was designed, with EC support, as an ACTESA flagship initiative, will build synergies with COMPETE, and the USAID in order to support the seed sector in the research activities areas under ASARECA. The three activities on policy (AAMP), and the Input and Output Markets (STAR and COMRAP) which are supported by DfiD/World Bank, the Hewlett Foundation and the EC indicated how the support provided by the USAID had been leveraged by COMESA to bring all the market activities under ACTESA. ACTESA has however collaborated in carrying out activities with COMPETE, P4P, DfID, EU STR and AGRA in the region. Following the participation of ACTESA at the COMPETE Work Plan meeting, the USAID agreed to support ACTESA in its quest to expand the livestock markets, and to design a long term livestock markets programme for Eastern and Southern Africa. Furthermore, both DfiD and Australian AID (AUSAID) supported the ACTESA agenda.

The ACTESA's major achievement was the finalization of the Legal Status of the Agency following the endorsement by the Authority of the COMESA Heads of State. Furthermore, ACTESA made significant progress in designing key programmes such as the COMRAP under the EC Food Facility and bringing in new partners, such as Australian AID, to support agricultural development in COMESA.

Therefore in its first year of operation, the ACTESA's visibility became more enhanced in the region. ACTESA undertook significant outreach activities in support of its stakeholders: farmers, traders and market institutions. In the future, ACTESA will focus on concluding its baselines studies in a numbers of key areas namely: Producers/ Associations, agro firms, PPPs, Policy reforms/procedures, percentage change in intra regional trade, and increase in the purchases from smallholders.

15.2 The PTA Bank

The Eastern and Southern African Trade and Development Bank (PTA Bank) was established on 6 November, 1985, in line with the provisions of the Treaty that established the Preferential Trade Area (PTA) on 21, December, 1981. The PTA Bank was created as the financial arm in the integration arrangement. The PTA was in 1994 upgraded to the Common Market for Eastern and Southern Africa (COMESA).

In the year 2009, the shareholding structure of the Bank had not changed, as the 16 COMESA countries, two non-COMESA countries, and one institutional shareholder, a total of 19 were still the shareholders. These are: Burundi, China, Comoros, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Swaziland, Zambia and Zimbabwe. The AfDB is an institutional shareholder of the Bank. The Bank operates from three centres in Burundi, Nairobi and Harare.

The Bank still maintains and utilizes two windows, namely: Project Finance and Trade Finance. The Project Finance is for medium to long-term facilities which include loans, guarantees, leases, and lines of credit. The Trade finance window is for short-term facilities which include issuance and confirmation of letters of credit, pre-shipment or post-shipment loans, syndicated lending, bills discounting, structured finance, and lines of credit. Within the two windows, the Bank continuously updates and enlarges its range of products in an effort to adequately address the requirements of its target beneficiaries in the COMESA region.

Based on the latest audited accounts, the Bank posted a net profit of US$12.46 million for the year ended 31 December 2008 which compares favourably with US$6.64 million in 2007.

The Project Finance approval for the year 2008 amounted to US$ 175.67 million, while the approvals for 2009 up to end of October amounted to US$67.48 million. The Project Finance Commitments for the year ended 31 December 2008 amounted to US$121.17 million and those for the year 2009 up to end of October were US$79.86 million.

The Project Finance Disbursements for the year 2008 ending 31st December amounted to US$65.29 million while disbursements in year 2009 for the period up to October amounted to US$52 million.

The Bank's trade finance division is mainly involved in financing short term and self liquidating transactions across the various sectors within the import and export trading activities. The Member States' absorption of the Bank's trade finance facilities witnessed a remarkable increase due to large ticket import finance transactions derived from the record high commodity prices that prevailed for a significant part of the year. As of 31 October 2009, Letters of Credit stood at US$ 299 million, while direct disbursements for the same period stood at US$228 million.

The priority areas for the Bank's intervention are those sectors that stimulate development in other sectors. The Bank continues to give attention to the SME sector by down-selling or wholesaling facilities through lines of credit to financial institutions that have sufficient ground and local presence to be able to effectively administer and manage portfolio loans of a smaller size.

In spite of the global financial crisis and the accompanying credit crunch, the Bank continued to receive support from its international funding partners. It received US$98.6 million from the African Development Bank. The facility is in the form of equity participation, a line of credit, and technical assistance amounting to US$47.6 million, US$50 million and USD 1 million respectively. The Bank signed a US$70 million lines of credit facility with EXIM India. At the regional level, the Bank continued to mobilise local currency resources in a number of Member States through bond issues to support its lending operations and to play its part in the development and deepening of the capital markets in the region. The proceeds of the bond programme are utilised by the Bank to fund its investments in projects and trade finance in Member States.

In support of its strategic objectives and targets, the shareholders approved the Bank's First General Capital Increase (GCI) in June 2007. The key elements of the General Capital Increase (GCI) include an increase in the authorized capital from US$ 544 million to US$ 2 billion, an increase in the subscribed capital from US$ 345 million to US$ 1.08 billion and an increase of the paid-in capital from US$ 118 million to US$ 236 million. Besides boosting its capital adequacy, the increased capital will enable the Bank to leverage on the new capital to access competitively priced funds from the international markets for onward lending to customers.

The Bank has continued to enjoy favourable ratings from the rating agencies which have considerably improved its corporate profile in the international markets. It has an "A1+" local currency short-term rating and an "AA" long term local currency rating. In addition, the Bank has a "BB" international long-term rating from the Global Credit Rating Agency (GCR). Furthermore, Fitch has accorded the Bank a 'BB-"long-term rating and "B" short-term rating. The Bank aims to safeguard and improve on these ratings in order to remain competitive in the market.

15.3 The Clearing House

The COMESA Clearing House (CCH) was established in 1984 (as the PTA Clearing House), under the PTA Treaty signed in 1981, for the facilitation of the settlement of trade and services payments amongst Member States. The following objectives, which were set out for the Clearing House, still remain valid today: (i) Promotion of the expansion of trade and economic activity between Member States; (ii) Establishment of appropriate systems for the payment and settlement of cross-border payments among Member States; (iii) Saving on the use of foreign exchange by Member States in their inter-state transactions; (iv) Supporting Member States in the liberalisation of trade through appropriate facilitation instruments; (v) Promotion of monetary and financial co-operation among Member States; and (vi) Establishment of closer relations among the Central Banks, the commercial and merchant banks throughout the COMESA region. The direct participants of the COMESA Clearing House are the Central Banks of Member States.

During the 1980's, a period categorised in many Member States, by restrictive trade barriers and strict exchange controls, the COMESA Clearing House provided useful clearing and payment services. However, with the liberalisation of current accounts and the repeal of exchange control restrictions, the need for the COMESA Clearing House to restructure its services to be more relevant in this liberalised market setting, was identified by the COMESA Governors of Central Banks. The Clearing House was thus mandated, by its Central Bank Governors, the Ministers of Finance, the Council of Ministers and COMESA Heads of State and Government, to design and implement the facilities for the region, besides providing support to COMESA's Monetary Harmonisation programmes namely:

- An African Guarantee Facility to cover political risk in transactions. This led to the setting up of the African Trade Insurance Agency (ATI) in Nairobi, with the assistance of the World Bank;

- Connection of all commercial and merchant banks to the SWIFT network for safe and secure messaging of payment transactions through a common and efficient network. An African SWIFT Service Bureau has been set up by the private sector through the facilitation of the COMESA Clearing House; and

- A Payments System designed to reduce costs of regional transactions in a liberalised foreign exchange regime. The Regional Payment and Settlement System (REPSS), designed by the COMESA Central Banks Payments Experts, with inputs from the IMF, commercial banks and other financial institutions in the region and with the financial support from the EU under the Regional Integration Support Programme (RISP). The REPSS has therefore received overwhelming support from all the COMESA Central Banks, the Bank of Tanzania (a full and active member of the COMESA Clearing House), commercial and merchant banks in the region and other stakeholders, through the national chambers of commerce and industry and the COMESA coordination ministries.

15.4 The Regional Payment and Settlement System (REPSS)

The COMESA intra-regional trade, which stood at US$ 14.3 billion in 2008, is set to grow further and will be enhanced through a secure and reliable payment infrastructure for the region. Intra-COMESA payments are today handled through correspondent banking relationships under which a series of banks and domestic payment systems are typically linked together to move funds. This process may take up to 5 days to have funds transferred from one COMESA Member State to another, with charges hitting 10% of the transaction amount in certain cases. The Regional Payment and Settlement System, (REPSS) allows Member States to transfer funds more easily within COMESA. The REPSS is built on open standards and is also accessible to Non-Member States as well. COMESA plans to make REPSS the single gateway for Central Banks within the region for effecting payments.

REPSS is aimed at stimulating economic growth in the region, through increase in intra-regional trade, by enabling importers and exporters to pay and receive payment for goods and services through an efficient and cost effective platform. The local banks access the payment system through their respective Central Banks. Any participating bank is, therefore, able to make payments directly to, and receive payments from, any other participating bank. The linkages through Central Banks enable the avoidance of the complex payment chains that occur in correspondent bank arrangements. The system, therefore, operates through Member Countries Central Banks and their corresponding banking systems.

Under REPSS importers and exporters deal with their local commercial banks for trade documentation. The importer's payment to the exporter is channelled through the Central Bank of the importer to the Central Bank of the exporter using the REPSS platform. Central Banks send payment messages to REPSS on a particular day and at the end of the day, REPSS nets the payments and settlements are made to the respective Central Banks accounts. The Central Banks credit the commercial banks accounts held with them and the commercial banks then credit their exporters' accounts. The credibility of the Central Bank and pre-funding of account by commercial banks provide guarantee of payment.

The Settlement Bank (Bank of Mauritius) holds accounts of all participating Central Banks in the currencies of settlement. Settlement will initially be carried out in US Dollar and Euro but the system is flexible to allow the use of other currencies like the Pound Sterling, South African Rand, Swiss Franc and Japanese Yen for settlement. This setup enables the completion of transactions within the same day as against a waiting time of up to 5 days with the previous system.

Key Benefits of REPSS

Some of the advantages of using REPSS(see the REPSS Process model above) are that: (i) Payments are made through established and reliable systems; (ii) It guarantees prompt payment for exports as well as other transfers; (iii) It eliminates mistrust amongst traders because of the Central Bank involvement, which in turn increases trade within the region; (iv) It reduces the number of transactions as all transactions are credited on a net basis and volumes are high, which also in turn reduces transaction costs; (v) It reduces foreign funding as the amount to be paid at the end of the day by a participant is on a net basis; (vi) It reduces foreign counterparty exposures – Participants are able to send payment instructions through REPSS to the Settlement Bank, thus reducing transactions time and exposures via correspondent banks; (vii) It reduces foreign correspondent banking charges as payments are channelled through REPSS which has lower charges since the Settlement Bank is a member of REPSS; (viii) All payments are guaranteed as instructions, once cleared are final and irrevocable; and (ix) It reduces collateral requirements as Central Banks are directly involved in the System and trade is mainly amongst members.

Official Launch of REPSS at the 13th Summit of COMESA Heads of State and Government

In his Statement on the official launching of REPSS, at the 13th Summit of the COMESA Heads of State and Government at Victoria Falls in June 2009, H E President Robert Gabriel Mugabe, Chairman of the COMESA Authority said that REPSS had come at the right time for the region and that it would help in building and expanding trade and in all cross-border payments and receipts at a fraction of the costs that were currently being charged to stakeholders with the required speed and efficiency.

The Chairman of the Authority further commended the Governors of Central Banks and their able staff, as well as the COMESA Clearing House for coming up with the facility. He also thanked the Bank of Mauritius for agreeing to become the Settlement Bank for REPSS, which had made it possible for the exporters to get paid on the next day that importers deposit the money into their respective accounts of their Central Banks.

In officially declaring REPSS fully operational, H E President Robert Gabriel Mugabe urged all the Central Banks to aggressively promote this facility and the commercial banks and the stakeholders to make full use of the facility for the benefit of the economies of the region.

In this connection, the Summit of the COMESA Authority of Heads of State and Government, inter alia:

- COMMENDED the Central Bank Governors and the COMESA Clearing House for coming up with the Regional Payment and Settlement System (REPSS), as a home-grown solution to our regional payments requirements that is fully compliant with all BIS Core Principles;

- EXPRESSED appreciation to the Bank of Mauritius for acting as the Settlement Bank to REPSS;

- LAUNCHED the COMESA Regional Payment and Settlement System (REPSS); and

- URGED all the Central Banks to aggressively promote REPSS and the commercial banks and the stakeholders to make full use of this facility for the benefit of the region.

REPSS is being aggressively promoted in all Member States through Sensitisation Workshops organised by the Central Banks with the participation of commercial banks, exporters and importers and other stakeholders.

15.5 The PTA Re-Insurance Company, ZEP-RE

The ZEP-RE is one of the autonomous financial institutions of COMESA, established to promote economic cooperation among Member States. The Reinsurance Company was established by the agreement signed by the Heads of State and Government on 23 November 1990 and started business on January 1993. In spite of the challenging and competitive environment and the global financial meltdown, the company has continued to achieve a reasonable share of the business within and outside the COMESA region. The Company's membership currently comprises six governments, fifteen national companies, nine private companies and two regional organisations. The Company is currently negotiating with the AfDB and IFC with regards to their membership in ZEP-RE. The Membership of these two institutions will greatly augment the share capital of the Company.

As of 30 September 2009, ZEP-RE was carrying out business in 17 COMESA Member States namely: Burundi, Comoros, Djibouti, DR Congo, Ethiopia, Eritrea, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia and Zimbabwe; as well as in other African countries. Business underwritten by ZEP-RE from the COMESA region as at 30 September 2009 amounted to US$34 million and represented 73% of the Company's total business. This compares favourably to US$28.85 million written during the same period in 2008 and which also represented 73% of the Company's business then.

For the period ending 30 September 2009, the Company wrote a premium income of US$46.68 million compared to US$39.35 million for the same period in 2008. The total assets of the ZEP-RE as of 30 September 2009 had increased to US$75.60 million compared to US$68.77 million as of 30 September 2008, while investments had increased to US$60.38 million as of 30 September 2009 compared to US$57.16 million during the same period in 2008. Net profit realised as of 30 September 2009 was US$3.63 million compared to US$2.29 million for the same period in 2008.

The ZEP-RE maintained its rating of "AA" (regionally) and "BBB-"(internationally) with GCR. The Company maintained its Financial Strength Rating of "B" and credit rating of "bb+" with AM Best.

15.6 The African Trade Insurance Agency (ATI)

During 2009, ATI continued to provide investment and credit risk insurance to the financial institutions/lenders, investors, manufacturers, importers and exporters, to enable them to access or to make available, affordable financial resources for their economic activities thereby contributing significantly to the private sector development in its member countries.

The ATI achieved the following results as of 31 October 2009:

a. The Agency generated gross written premium in excess of US$1.7 million;

b. The Gross exposure increased from US$113 million in 2008 financial year to US$187 million in October 2009;

c. The ATI provided investment insurance for transactions valued at US$650 million;

d. The Agency supported exports worth over US$100 million; and

e. The ATI was in the process of opening 3 field offices that year, in Tanzania, the Democratic Republic of Congo and Rwanda which would bring the total number of field offices to 5 by the end of Q1FY2010.

Following the completion of the capital restructuring, the Agency's paid-in capital increased from US$86 million in 2008 to US$96.1 million in 2010. The new capital stock and the number of shares per ATI member is as shown below:

Capital Stock and Number of Shares per Shareholder

Shareholder	Share Capital US$	Number of Shares
Burundi	9,600,000	96
RD Congo	7,100,000	71
Kenya	17,400,000	174
Madagascar	100,000	1
Malawi	10,700,000	107
Rwanda	5,500,000	55
Tanzania	10,500,000	105
Uganda	14,300,000	143
Zambia	10,400,000	104
Africa Re	100,000	1
COMESA	100,000	1
Atradius	100,000	1
PTA Bank	100,000	1
SACE	10,000,000	100
ZEP-RE	100,000	1
Total	**96,100,000**	**961**

The ATI has however, negotiated and received grant funding from FIRST Initiative, IDA of the World Bank Group, the European Union and the United States Agency for International Development.

The Agency had its single "A" investment and credit ratings reaffirmed by Standard and Poor's in August, 2009. The ratings on ATI reflect the company's very strong capitalisation, investment and liquidity. The ratings make ATI the second-highest rated institution in Africa after the African Development Bank.

With support from the Financial Sector Reform and the Strengthening of (FIRST) initiative - a World Bank affiliated multi-donor grant facility, ATI along with a Canadian - based consultant, Sigma Risk Management Inc., are now implementing the Enterprise Risk Management Project. This enables ATI to effectively evaluate internal controls and move towards an agency wide risk management system.

ATI is also embarking on an expansion strategy to attract more African countries, Non-African countries, International Financial Institutions, Regional Economic Communities, Export Credit Agencies and Private Corporations to become members of the Agency. Currently the country membership in the Agency comprises: Burundi, DR Congo, Djibouti, Eritrea, Ghana, Kenya, Liberia, Madagascar, Malawi, Rwanda, Sudan, Tanzania, Uganda, and Zambia. Djibouti, Eritrea and Sudan which are signatories to the ATI Treaty pending the ratification, while the signatures and the ratification of Ghana and Liberia's membership is still pending. However, COMESA, Africa RE, Atradius Credit Insurance Group, PTA Bank, SACE, and ZEP-RE are also members

The international Development Association (IDA-World Bank Group) renewed its commitment to provide further financial assistance to prospective new African Member States in support of the Agency. It is within this context, that an amount of up to US$85 million to finance ATI's development had been approved by IDA Management. The African Development Bank had also agreed in principle to provide co-financing for ATI strategic equity investment and for its capacity building activities.

15.7 The COMESA Court of Justice

The COMESA Court of Justice was established in 1994 under Article 7 of the COMESA Treaty as one of the Organs of the Common Market. The objective of establishing the Court is to support the integration process by ensuring adherence to the law in the interpretation and application of the Treaty, as provided for in Article 19 of the Treaty. The role of the Court is to adjudicate upon all matters which may be referred to it under the Treaty.

The Court was initially established as one chamber composed of seven Judges, one of whom is the President. A restructuring carried out in 2005 saw the Court being divided into two divisions, the First Instance Division and the Appellate Division in order to provide for appellate powers for increased transparency, and the number of Judges was increased to twelve, five who constitute the Appellate Division and seven who constitute the First Instance Division. One of the Judges of the Appellate Division is the President of the Court whereas one of the Judges of the First Instance Division is the Principal Judge.

The Court has been in operation for ten years. The first bench of the Court was appointed by the COMESA Authority of Heads of State and Government in 1998. The first case was registered towards the end of 1999 and the grand Ceremonial Opening of the Court was held on 19 March 2001. The Court has since then decided on 50 cases, including the interlocutory applications. The cases relate to the operation of the Free Trade Area (FTA) and were between Member States, and the COMESA Institutions, as well as between COMESA Institutions and the staff members. The cases between legal and natural persons residing in Member States appear to be restricted by the COMESA Treaty (Article 26) which requires the exhausting of the local remedies in national courts and tribunals of Member States before referring such cases to the COMESA Court of Justice.

When the Court was being set up, the Fourth Meeting of the Council of Ministers which was held in Lusaka, Zambia on 24 and 25 November 1997 decided that it would operate a full time Registry with the Judges serving on an ad hoc basis so as to afford it an opportunity to grow its operations while safeguarding the independence of the Court until such a time when it would be able to generate a sufficient degree of disputes that will require it to operate on full-time basis.

With the deepening of integration and the implementation of the Customs Union which was launched by the COMESA Heads of State and Government at Victoria Falls, Zimbabwe in June 2008, the Court consolidated its activities in order to prepare for its growth and stability. Such activities included the recruitment of additional personnel, improvement of the management systems and improvement in the collaboration with stakeholders in the judicial system. In addition, the use of IT has been introduced in providing services to its clients, and in carrying out studies and research. The Court on the other hand has embarked

Judges of the COMESA Court

on the mobilisation of financial and other resources to carry out capacity building programmes in trade and investment, and in providing adequate logistics and operational facilities. This is being done in preparation for the time when the Court it will be required to operate on full-time basis as the exigencies of the integration process will demand.

15.8 COMESA Leather Institute

The COMESA LLPI was established by the signing of the Charter by the Member States on 23 November 1990. It is an autonomous institution of COMESA, with a Board of Directors appointed by the COMESA Council of Ministers to manage, administer and determine the policy of the Institute in accordance with the provisions of the Charter. It has its headquarter in Addis Ababa, Ethiopia, and with its own office building which was commissioned in May 2007. Its objectives are to:

a. Promote cooperation among LLPI Member States in the training of personnel for the leather industry at the various levels of the value chain.

b. Advance research and the development of raw hides and skins, work methods, indigenous chemicals and materials used in the manufacture of leather, testing, evaluation and the development of local raw materials such as chemicals for tanning.

c. Enhance investment and trade competitiveness throughout the leather value chain from animal rearing to hides and skins production, leather processing and manufacturing and their trade at national, regional and international levels.

d. Collect and disseminate information on leather and leather products in the sub-region, transfer of technology and new leather and leather products designs.

e. Provide consultancy and extension services in the sub-region for the leather and leather products industry.

f. Facilitate other activities in the area of leather and leather products which are in line with the COMESA Treaty and in particular the Protocol.

Achievements

The COMESA/LLPI conducts its activities directly and/or, at the Member State level, through sectoral institutions, known as Country Units that are designated by the respective Governments, to collaborate with the Institute.

The Institute has made considerable achievements centred around the design, production and implementation of the various programmes and projects to enable the Member States to develop the leather sector in terms of human resources and skills development, production and institutional requirement and overall capacity building in value addition chains. More particularly, it has provided, directly and in cooperation with its Country Units various sectoral trainings, workshops, roundtable meetings, study tours and trade fairs to target groups representing different sectoral production, processing, and marketing activities along the whole leather value chain. It has thus up-graded existing skills and introduced new technologies and skills/ know-how in the tanning, leather footwear, garments and goods industries, and the SMEs and enhanced their competitiveness in the international market.

15.9 The COMESA Brussels Liaison Office (BLO)

The COMESA Brussels Liaison Office (BLO) was set up in 2006. In March, 2007 a Host Agreement was signed with the Kingdom of Belgium to provide it with diplomatic status. Ever since its establishment, the COMESA BLO has supported the Secretariat in strengthening its relations with the European Commission and the EU Member States. In collaboration with the ACP Secretariat and the various ACP-EC countries, the COMESA BLO monitors the programmes, that are supported by Intra-ACP Funds as well as the issues related to the multilateral trade that are addressed at the ACP level. In view of the existing relations between the COMESA BLO and the ACP-EU Facilities as well as with the EuropeAid Co-operation Office, the COMESA BLO proposes more activities to be implemented in the Region with the intra-ACP funds. Since its establishment, the relation between the European Union and COMESA has significantly improved and has greatly assisted the Secretariat to monitor the COMESA projects which are financed by the EU and Intra-ACP Funds. For 2009, the BLO involved in the mobilization of an estimated amount of 1,889,992 Euros for the extra-budgetary funds for the implementation of projects aimed at strengthening regional integration.
With regards to monitoring and /or presentation of issues related to the multilateral trade, the BLO takes part in all the meetings organized at the level of All ACP Secretariat mduyq2524p[jjhhoipoi in the ACP in Brussels and occasionally by the WTO in Geneva. The BLO, in addition holds regular consultations with the new ACP-EU Facility, namely WTO-ACP Programme for the Financing of Projects and/or activities related to the multilateral trade which are submitted by the COMESA Secretariat. This is a new Facility which began its activities in March 2009 and deals with capacity building in multilateral trade in the ACP countries.

During 2009, the COMESA Liaison Office focused its efforts on four major areas: (1) Resource mobilization (2) Strengthening of Development cooperation (3) Multilateral trade, and (4) EPA (ESA-EC) negotiations. Under Resource Mobilisation, the Office played an important role in the identification and mobilization of resources for projects related to the enhancement of Regional Integration, in particular: (1) At the Regional level: the Seminar on Sensitization of Stakeholders about COMESA Customs Union was held from 2 to 3 April 2009 with the support of the ACP-EU -PMU TradeCom Facility; the project: RAERESA, for the preparation of the COMESA Conference on Infrastructure Development and Trade Facilitation, and the capacity building programme for the COMESA-RIA and the National Investment Promotion Agencies; (2) At the National level, the mobilization of resources for the implementation of projects was submitted through the COMESA Secretariat by the Member States namely: Burundi, Djibouti, Ethiopia, Malawi, Rwanda, Uganda, Zimbabwe and Zambia to the ACP-EC Facilities: BizClim, Pro€Invest and TradeCom and the WTO-ACP Programme. Some of these projects are either under implementation and/or still being analysed. In this connection, missions were undertaken to the EIB in Luxemburg and to the Commodity Common Fund in Amsterdam to mobilize funding for the infrastructural development projects for projects submitted by the leather institute. The total resources mobilised with the assistance of the Liaison Office amounted to 1,857,786.00 Euros for the two above-mentioned projects. The presence of the Liaison office has resulted in increased mobilization of resources for funding projects.
In the context of the European Commission “EC”, consultative meetings have been held regularly with

the DG Dev., AIDCO and ACP Secretariat concerning the programming of the 10th EDF and Aid effectiveness, while other meetings with the DG Dev are regularly held on the issues of EPA negotiations. Regular consultations are also held between the COMESA Brussels Liaison Office and the ACP-EU Facilities: Pro€Invest, TradeCom, BizClim, the WTO-ACP Programme, the AAACP Programme as well as with other partners based in Europe (CFC, OIF, etc.) on projects and /or programmes submitted by the COMESA Secretariat and /or its institutions for financing.
With respect to the enhancement of Development Cooperation, efforts have been made to mobilize resources from the Common Fund for Commodities "CFC" and the All ACP Agriculture and Commodities Programme "AAACP" to assist in the implementation of the projects as pointed out above.

The Office has continued to maintain good relations with the European Commission, its Member States, the ACP Secretariat, the AU Permanent Mission in Brussels and the other RECs represented in Brussels such as ECOWAS, UEMOA, and Focal Point of CEMAC including International Institutions. In Geneva, the BLO has signed agreements with some international organisations such as the WTO, ITC and UNCTAD.

As regards the follow up and /or representation on issues related to multilateral trade, the Liaison Office participates actively in the meetings organized at the level of All ACP in the ACP Secretariat in Brussels and occasionally by the WTO in Geneva. The Office also holds regular consultations with the new ACP-EU Facility called WTO-ACP Programme for the financing of Projects and / or activities related to multilateral trade submitted by the COMESA Secretariat: (i) workshop to build capacity to improve trade policy formulation, implementation of Customs Union, and the integration of its MS into multilateral trade; (ii) training on trade negotiations relating to trade agreements and Doha development agenda. These Projects were approved during the 4th quarter 2009 and will be implemented in 1st semester of 2010.

The Liaison Office also plays a central role in the dissemination of information to all the interested party in the work of COMESA.

With regards to the EPA negotiations between ESA and the EC, the Liaison Office has continued to work with the Regional Technical Team in the mobilization of resources for the organization of National Seminars, Regional Training on Trade in Services and Seminar to sensitize the stakeholders on the COMESA Customs Union and its relation with the EC and the ACP Group.

15.10 FEMCOM

In 1991, COMESA created Women in Business Unit, to spearhead the integration of women in regional trade and development. This led to the creation of the National

Associations of Women in business in Eastern and Southern Africa (FEMCOM) in 1993 with the mandate as per Chapter 24, Articles 154 and 155, of the COMESA Treaty on Women in Development and Business.
From 1991 to March 2009, its interim Secretariat was integrated into the Women in Business Unit (now the Gender and Social Affairs Division) at the COMESA Secretariat. In line with the decision of the COMESA Summit meeting in Nairobi, in 2008, the FEMCOM established its Secretariat in Lilongwe, Malawi in April 2009.

The establishment of FEMCOM is only a fulfillment of the COMESA mandate, and is an important aspect of the broader vision and strategy of COMESA in creating a Common Market by 2015, and eventually the Monetary Union and Economic Community by 2018. Furthermore, this development is an amplification and implementation of one of the priorities of the five year COMESA Gender Mainstreaming Strategy and Action Plan: Priority Area no. 3 on establishing or strengthening FEMCOM.

FEMCOM's Vision and Mission

The core vision of FEMCOM is "to be recognized worldwide as one of the most effective organizations promoting the interests of women entrepreneurs in Africa". Furthermore, its mission is to develop women in COMESA through programmes that promote, encourage and serve the needs of women and their businesses, working smart in collaboration with relevant partners. In fact, the Charter establishing FEMCOM makes it clear that its specific niche within the COMESA's regional integration agenda is women entrepreneurship in general and women in business in particular.

Global and Regional Forces Shaping FEMCOM's Agenda

The redoubling of efforts to achieve number 3 of the Millennium Development Goals on promoting gender equality and empowering women by 2015 has provided impetus in the implementation of the FEMCOM's agenda at the COMESA level.

Indeed, at the regional level, continued progress towards greater economic integration, and opportunities for FEMCOM to expand its outreach and to deepen its programmes. The launch of the Customs Union and the signing of the tripartite agreement between the COMESA, EAC and SADC has released the enormous potential to increase intra-regional trade and investment, and FEMCOM to reap benefits.

In addition, the advances in information technology – usher in an era of high-speed internet connectivity that enables faster communication. The FEMCOM - will therefore be able to fully take advantage of the opportunities provided by Web 2.0 tools for business, social networking and capacity building (for instance access to webinars).

These developments will however only be feasible if the prevailing political climate is devoid of: chronic wars, civil strife, and political arrangements that breed instability and undermine investment confidence.

FEMCOM's Achievement and Way Forward

The operationalisation of the activities of the FEMCOM Secretariat in Lilongwe, Malawi include: the signing of the Host Agreement between the Government of Malawi and COMESA; the organization of the Annual General Assembly meeting; and the implementation of the 2009-2014 FEMCOM medium term Strategic Plan.
At the Member State level, the FEMCOM chapters continue to organize training for their members: participate in national, regional and international trade fairs and exhibitions; and actively lobby their governments for greater recognition and access to resources.
The access to credit and policy-decision making for the FEMCOM members has improved leading to the passing of national laws and the formulation of policies and programmes that address the issues that affect women entrepreneurs, in the majority of the COMESA countries

Overall Strategies and Medium Term Priorities

The FEMCOM priority is to strengthen and to ensure that it is engaged in trade and investment matters with a corporate and business mindset. It will enhance its partnership with the COMESA Secretariat and build alliances with cooperating partners in order to spearhead resource-mobilization, up-scale capacity and policy development so as to empower Women in Business. Strategic marketing and profile brand management will be initiated to enhance effective communication and public relations strategy.

15.11 The COMESA Business Council

The COMESA Business Forum was held at Victoria Falls in June 2009 during which time the Business Community embraced COMESA Customs Union as a potential driver for economic growth and regional integration. It will be recalled that during the Business Forum, the African Cotton Textiles Industries Federation (ACTIF) launched the Cotton, Textile and, Clothing Strategy, that was developed by the COMESA Secretariat in collaboration with ACTIF, and through the technical assistance from the International Trade Centre (ITC), United Nations Industrial Development Organization (UNIDO) and African Caribbean Pacific – European Union (ACP- EU) Centre for Development of Enterprise.

The Key recommendations from the COMESA Business Forum included:

a. Enhancing Regional Exports and Investment;
b. Boosting Intra and Extra Regional Exports Through Global value Chains;
c. Options for Businesses to Leverage Available Financial and Capital Resources under the Current Financial Crisis;
d. Opening Up Markets for Services;
e. Improving Competitiveness;
f. Addressing the issues of Agriculture Development, Climate Change and Food Security; and
g. Responding to Energy Challenges in the Region

Furthermore, the COMESA Business Council (CBC) was selected as the regional apex private sector institution that required strengthening, in order to ensure its visibility and participation in the COMESA business community and regional trade related policy dialogue. This decision was reached during the launch of the Programme for Building African Capacity for Trade (PACT II) in June 2009. The PACT II Programme is funded by the Canadian International Development Agency (CIDA) and implemented by the COMESA Secretariat in partnership with the International Trade Centre (ITC). Under this initiative, CBC is expected to play its rightful role of sustaining, effectively guiding, and taking the lead and ownership in exploiting the regional trade that has evolved over time.

It is important to note that significant steps were taken during the second half of 2009, in realizing the above PACT II objectives. Among these were: the recruitment of a CBC Coordinator in November 2009; the setting up of a Secretariat to monitor the daily activities of the Council; working in close consultation with the CBC Board of Directors. This enabled a broad consultative process with the COMESA public and private sectors, through which a regional mapping of potential CBC members was effectively initiated. This will be an ongoing process.

In addition, stocktaking and an analysis of trade related policy issues in the region were undertaken. This process was instrumental in informing the revision of a Draft Strategic Plan and Work Programme for the CBC, which will be used in strengthening the process over the period 2010-2014. The Collaboration with the East African Business Council was established as a mechanism for informing the CBC's strategic activities and to seek modalities for implementing the Tripartite Arrangement within the context of private sector development and public - private dialogue.

The year 2009 witnessed the launch of a planning exercise for the CBC Board Meeting. This was done in collaboration with the CBC Board and a wide spectrum of the COMESA private sector, the Business Associations, Regional Sectoral Industrial Associations, Women in Business, Small and Medium Enterprises, Cross Borders Traders, and other interested parties.

The other notable achievements by the CBC, were the signing of two Memoranda of Understanding, one with the COMESA Regional Investment Agency (COMESARIA), and another with the Jeddah and Bahrain Chambers of

Commerce. Another Memorandum of Understanding involving the CBC was signed between the COMESA Secretariat and the Economic Community for West African States (ECOWAS).

Initial consultations were also initiated with the Ministry of Commerce Industry and Trade and the Federation of Swaziland Employers and Chamber of Commerce, concerning the holding of the next COMESA Business Forum and Regional Trade Fair to be held on the margins of the Heads of State and Government Summit in August 2010.

15.12 THE COMESA MONETARY INSTITUTE (CMI)

Background

The COMESA monetary co-operation aims at establishing a common monetary area with a greater measure of monetary stability in order to facilitate the economic integration efforts and sustained economic development of the sub-region. The ultimate objective is to establish a monetary union by 2018.

The COMESA Committee of Governors of the Central Banks at their 10th Meeting, which was held in Bujumbura, Burundi, in October 2005, decided that a study should be undertaken to fast track the COMESA Monetary Union. Based on that decision, a study was undertaken on the feasibility of fast tracking the creation of the Monetary Union to an earlier date. The study recommended that the COMESA Monetary Union could be fast tracked to 2018, a date which is three years earlier, to the achievement of the African Monetary Union as envisaged in the African Monetary Cooperation Programme.

In this connection, the study recommended the creation of a COMESA Monetary Institute to undertake technical, policy, statistical, institutional and legal preparatory work that will lead to the creation of the COMESA Monetary Union (CMU), with a single currency issued by a common supra-national Central Bank, with a common monetary and exchange rate policies. This recommendation was endorsed by the Eleventh Meeting of the COMESA Committee of Governors of the Central Banks, held in Madagascar, in October 2006. The same recommendation was further endorsed by the Authority of Heads of State and Government meeting which was held in Djibouti in 2006. Based on this recommendation, the Authority instructed the COMESA Secretariat to undertake a cost-benefit analysis of an autonomous monetary institution versus using the COMESA existing structure

The Twelfth Meeting of the COMESA Committee of Governors of the Central Banks which was held in Tripoli, Libya, in November 2007 considered the study on the Cost Benefit Analysis of an Autonomous COMESA Monetary Institute (CMI) versus using the Existing Structure of COMESA. After examining all the scenarios presented in the study for the establishment of the CMI, the Governors decided that the study should be revisited and to come up with a proposal for CMI which starts with a small staffing which will be upgraded gradually in line with the requirements of the region. The study was undertaken and submitted to the 13th Meeting of the COMESA Committee of Governors of the Central Banks which was held in Cairo, Egypt. At that meeting, the Governors endorsed the establishment of the CMI and decided that COMESA Secretariat should write to all the member of the Central Banks inviting them to express interest in hosting the CMI. Based on the Secretariat’s request, the Central Banks of Kenya and Zambia expressed their interest to host the Institute. After making a thorough review and evaluation of the offers of the two Central Banks, the Central Bank of Kenya was selected to host the Institute.

Functions of the CMI

The specific policy oriented activities of the CMI would be as follows:

(a) Design of an appropriate Monetary Policy Framework (MPF);

(b) Design of an appropriate Exchange Rate Mechanism (ERM);

(c) Monitoring the Implementation of the COMESA Financial Development and Stability Plan;

(d) Assessment of the Financial system stability in member countries;

(e) Harmonization of Concepts, Methodologies and Statistical Frameworks;

(f) Payments System Development and appropriate design of a unified framework for integration and interface through the REPPS;

(g) Instituting and Monitoring of Sensitization Programmes

(h) Adequate consultations with the governments of COMESA member countries and adequate multilateral macroeconomic and prudential surveillance of the approved Revised COMESA Monetary Cooperation Programme (CMCP), thus paving the way for COMESA Monetary Union

(i) The institution of a future CMU, and the design, printing and distribution of Currency;

(j) Technical Assistance and Capacity Building Support to National Central Banks.

Decisions of the Thirteenth Meeting of the COMESA Committee of Governors of Central Banks for the Setting up of the CMI

After reviewing the revised study on the establishment of CMI, the Governors decided that:

a. The CMI should at the initial stage focus on macroeconomic surveillance, research and the compilation of statistics at the initial stage and to be headed by a Director;

b. The staffing should be composed of two senior staff members, one economist and one statistician to be recruited from the COMESA Central Banks;

c. The locally recruited support staff should comprise of a secretary, a driver and a receptionist;

d. Administration, finance services, information, and communication technology to be initially provided by the host central bank;

e. The initial cost in the first year of operations estimated at US$926,510 to be shared equally amongst all the COMESA Central Banks (amounting to US$48,764 per Central Bank);

f. The Institute to be operational on 1st January 2011; Preliminary contacts are to be made with cooperating partners with the view to partly fund the CMI;

g. Venue for hosting the Institute had been completed.

h. Charter and host Agreement of the Institute to be prepared.

Status of Implementation of the Decisions

The statuses of implementation of the decisions of the Governors are as follows:

(i) The Charter for the Institute was prepared and endorsed at the Twenty Seventh Meeting of the Council of Ministers which was held in Lusaka, Zambia on 7 December 2009;

(ii) The Charter is ready for signatures;

(iii) The Host Agreement is ready for signature; and

(iv) The Central Bank of Kenya has provided office space for CMI at the Kenyan School of Monetary Studies and is ready to make the Institute operational.

PART 16: MONITORING AND EVALUATION

The main activities undertaken under Monitoring and Evaluation (M&E) included: assisting in the development of the system and capacity for monitoring and evaluation; coordination of preparation and compilation of the Annual Work Programmes and Budgets; periodic reports; and technical assistance to COMESA institutions in monitoring and evaluation issues.

Over the past few years, the Secretariat has made improvements in its programming process in order to demonstrate a better linkage between the COMESA Strategic Plan, Annual Work Programme and Budget, and Monitoring and Evaluation programmes. Detailed Activities and Budget for 2009 and 2010 have been incorporated into the Work Programme and Budgeting System Software that incorporates objectives, programme outputs and activities within the budget.

The Key achievements for the period under review include enhanced secretariat staff sensitivity to issues of M and E. During the period under review, there has been tremendous progress in the preparation of periodic reports by the respective divisions and the streamlining of reporting procedures and monitoring of the management decisions. There was improved Technical Support to the COMESA institutions namely: assistance in the preparation of the Work Programme and Budget of LLPI and RIA; and in the preparation of the COMESA LLPI Medium Term Strategic Plan following the Council Decisions that:

a. The Programming, Budgeting, Accounting and Reporting of the COMESA Institutions (RIA, CCJ, LLPI) be harmonized with those of the COMESA Secretariat.

b. A comprehensive LLPI Strategy for the entire region with an implementable work plan, with clear outcomes that would benefit COMESA Member States especially, the small and medium enterprises to increase value addition should be completed before October 2009.

The Challenges that affected the implementation of M and E activities included: the Inadequate Human Resource Capacity for the M and E Unit; the Alignment of the M and E Framework and Terminology; the Inadequate M and E skills for COMESA staff; the Lack of clear M and E policy to enable the establishment of the M and E Framework and Plan; and the inadequate funding for M and E activities.

The main objective to be pursued in 2010 will involve the development of System and Capacity for Monitoring and Evaluation of the COMESA programmes; support to the management for decision making by providing timely M and E information; development of a Regional Integration Monitoring Mechanism; harmonization for planning, programming and reporting procedures for COMESA and its institutions in the implementation of the Council Decisions.

These objectives will be met through aligning the M and E framework with the MTSP; preparation of Performance Monitoring Plans for programmes which will include indicators; preparation of Monitoring and Evaluation Plan for COMESA; assisting in the finalization of the development of M and E Computerised Systems; carrying out periodic reviews of the COMESA Institutions programmes; and supporting COMESA Institutions (LLPI, CCJ, RIA, FEMCOM) in the harmonization of procedures for programming, monitoring and evaluation.

PART 17: PARTNERSHIPS

1. The year 2009 has been marked by the continuous support to the COMESA Regional Integration Agenda by our traditional development partners such as the: EU, USAID, DFID, NORAD, World Bank, AfDB, CIDA, SIDA, COMSEC, FAO, WTO WFP, CFC, Rockefeller Foundation, Hewlett Foundation, IFDC, AGRA, Pro-Invest, NTO, UPU, USTDA, GTZ, IRDC, multilateral and bilateral partners . It has also witnessed the strengthening of official relations with new partners within the Gulf region. Undoubtedly, the most outstanding event during the year 2009 was the enormous support extended to the COMESA Climate Change Initiative which enabled COMESA to take a lead position in the Copenhagen negotiations.

In addition, the COMESA Secretariat continues to show its commitment towards working closely with other Regional and Continental organisations towards the achievement of the ultimate Goal of creating the African Economic Community as stated in the Abuja Treaty through the implementation of the Minimum Integration Plan (MIP).

European Union (EU)

2. The EU still remains the lead cooperating partner of COMESA and indeed for all the RECs. The 17th IRCC meeting which met in Zanzibar, Tanzania on 12 and 13 January 2009, reviewed the status of implementation of all the 9th EDF projects. The review came up with a positive assessment of the programmes, thereby confirming the merits of using the COMESA Contribution Agreement as a modality for implementation (COMESA Contribution Agreement adheres to the internationally recognised standards).

EU still remains the lead cooperating partner of COMESA

USAID

3. To alleviate the increasing level of involvement in managing the different agreements, COMESA proposed that in the future, USAID should have an integrated agreement that incorporates all the activities that it funds. USAID and COMESA discussed this proposal at length and both have agreed to implement the proposal by developing the Integrated Partnership Assistance Agreement (IPAA) which is a three year programme that will consolidate all the USAID resources to COMESA into one agreement.

The new IPAA was signed by the end of September, 2009, and the implementation letters were signed in November 2009. The amount of funds under IPAA is US$ 1.493 million. This first phase of the programme will end in September 2010.

DFID

4. DFID has continuously supported COMESA programmes such as the strengthening of the FTA, the development of the Customs Union, and the enhancement of policies in agricultural inputs/outputs through the Africa Agricultural Markets Programme (AAMP).

WORLD BANK

5. COMESA is still consulting with the World Bank on how to benefit from the newly developed Regional Integration Assistance Strategy (RIAS). This notwithstanding, the World Bank is managing the funding provided by DFID to support African Agricultural Markets Programme (AAMP) which is now part of the ACTESA. During the North-South Corridor Conference on 6th April, 2009, the World Bank Group launched a

multi-donor trust fund called Trade Facilitation Facility (TFF) to help countries improve their competitiveness and to reduce trading costs by improving infrastructure, transport logistics and customs procedures.

AFRICAN DEVELOPMENT BANK (AfDB)

6. The AfDB has finalized its new strategy on assistance to regional integration and has put a plan in place to revise its cooperation with the COMESA Secretariat. In the meantime, the two of the ADB supported COMESA projects are being implemented, namely: the Agricultural Marketing Promotion and Regional Integration Project (AMPRIP); and the Enhancing Procurement Reforms and Capacity Building Project.

NORAD

7. NORAD in Collaboration with the Swedish Government is supporting the implementation of the COMESA HIV and AIDS Multisectoral Programme.

MULTILATERAL PARTNERS

AFRICAN UNION

8. COMESA has continued to actively participate in all the AU meetings and to provide inputs whenever requested. For instance, COMESA participated in developing a Continental Minimum Integration Programme (MIP), to enhance the integration effort and how it can be applied.

UNECA

9. UNECA and COMESA have reviewed the Multi-Year Action Plan which they developed in 2008 and in which they prioritized a few of the projects for immediate implementation. In 2009, UNECA offered COMESA financial assistance in the amount of US$ 68 000 which was used to pay the consultants who prepared a list of sensitive products and tariff alignment which are critical in the implementation of the Customs Union.

BILATERAL PARTNERS (Norway, Sweden, Germany)

10. Concerning the bilateral partnership, COMESA has secured the support of the Swedish Government to implement the HIV and AIDS Multisectoral Programme. The Norwegian Government on the other hand supports the Climate Change Initiative while the assistance of the German Government is to finance the Trading for Peace Project under GTZ programme.

NEW PARTNERS (Gulf States)

11. The COMESA Regional Investment Agency (RIA) organised a mission to the Gulf region from 10 to19 December, 2009, with the objective of introducing the COMESA Member States as a destination for investment for the business community of the Gulf States.

12. The COMESA delegation visited Saudi Arabia, in 2009. During the mission, meetings were held with the Islamic Development Bank (IDB) and the Jeddah Chamber of Commerce and Industry (JCCI). Memoranda of Understanding (MoU) were signed between COMESA and the two institutions.

13. The second visit was to Bahrain. With its highly developed communication and transport facilities, Bahrain is home to numerous multinational firms with businesses in the Gulf. The COMESA delegation held a meeting with the Bahrain Chamber of Commerce and Industry (BCCI). The mission also visited Bahrain's International Investment Park, which provides a framework for future collaboration, and was established through the MoUs signed between COMESA RIA and the various Chambers of Commerce and Industry in the Gulf.

FINANCIAL STATEMENTS

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

Notes to the financial statements - Year Ended 31st December 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE COMESA COUNCIL OF MINISTERS

We have audited the financial statements of the Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat) set out on pages 4 to 21 which have been prepared on the basis of the accounting policies set out on pages 8 and 9.

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

Respective responsibilities of Secretary General and the and Auditors

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

Basis of opinion

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

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

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

Opinion

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

In our opinion:

a) Proper accounting records have been kept by the Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat) as far as it appears from our examination of those records.

b) The financial statements give a true and fair view of the state of affairs of the Common Market for Eastern and Southern Africa Secretariat (COMESA Secretariat) for the year ended 31st December 2008 and of the result and cash flows for the year then ended, has been prepared in accordance with Generally Accepted Accounting Principle and comply with COMESA financial rules and regulations.

DE CHAZAL DU MEE
Chartered Accountants

Clifford Ah Chip

Date: ______________________________

Lusaka, Zambia

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

BALANCE SHEET - 31 DECEMBER 2008

	Notes	2008	2007
		COM$	COM$
ASSETS			
Non current assets			
Property and equipment	3	608,673	633,320
Investment	4	304,600	304,600
		913,273	937,920
Current assets			
Loans and advances	5	563,486	1,039,889
Contributions receivable	6	11,547,407	9,182,857
Contributions receivable for Chief Technical Advisor	7	323,995	371,995
Bank balances and cash	8	16,497,896	16,674,858
		28,932,784	27,269,599
Total assets		**29,846,057**	**28,207,519**
FUND BALANCE AND LIABILITIES			
Capital and reserves			
Accumulated fund		21,590,951	20,552,930
Capital reserves	9	60,000	60,000
		21,650,951	20,612,930
Non current liabilities			
Capital grants	10	108,442	126,751
Current liabilities			
Bank overdraft	8	-	10,031
Accounts payable	11	8,086,664	7,457,807
		8,086,664	7,467,838
Total equity and liabilities		**29,846,057**	**28,207,519**

These financial statements were approved for issue and signed on 16th November2009

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

INCOME STATEMENT - YEAR ENDED 31 DECEMBER 2008

	Notes	2008	2007
		COM$	COM$
INCOME			
Member states contributions	6	8,111,711	7,703,312
Miscellaneous income	12	394,765	646,501
		8,506,476	8,349,813
EXPENDITURE			
Division Expenditure			
Secretary General	13	1,737,489	1,565,091
Finance	14	277,188	246,385
Administration	15	1,926,256	1,648,924
Trade, customs and monetary harmonisation	16	420,992	492,503
Investment programme and private sector development	17	430,273	363,207
Infrastructure development	18	408,825	402,687
Information networking	19	442,120	329,490
Consultancy	20	1,037,646	808,882
Meetings	21	625,934	913,178
Total division expenses		**7,306,723**	**6,770,347**
Surplus before other charges		1,199,753	1,579,466
Other Charges			
Depreciation	3	202,490	218,303
Exchange losses		11,873	-
Amortisation of grant	10	(52,631)	(81,489)
		161,732	136,814
Surplus for the year		**1,038,021**	**1,442,652**

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) - SECRETARIAT

CASH FLOW STATEMENT - YEAR ENDED 31 DECEMBER 2008

	Note	2008	2007
		COM$	COM$
Cash flow from operating activities			
Surplus for the year		**1,038,021**	1,442,652
Adjustments for:			
Interest		**(443,929)**	(461,631)
Depreciation	3	**202,490**	218,303
Amortisation of grant	10	**(52,631)**	(81,489)
Profit on disposal of equipment	12	**-**	(20,925)
		743,951	1,096,910
Changes in working capital			
Decrease in loans and advances		**476,403**	436,694
Increase in contributions receivable		**(2,364,550)**	(907,978)
Decrease/(Increase) in contributions receivable for CTA		**48,000**	(122,903)
Increase in accounts payable		**628,857**	5,061,850
Net cash generated from operating activities		**(467,339)**	5,564,573
Investing activities			
Interest received		**443,929**	461,631
Proceeds from sales of equipment		**-**	23,325
Purchase of equipment		**(177,843)**	(200,902)
Net cash from investing activities		**266,086**	**284,054**
Financing activities			
Capital grants received	10	**34,322**	44,859
Net (decrease) / increase in cash and cash equivalent		**(166,931)**	**5,893,486**
Movement in cash and cash equivalents			
At January 1,		**16,664,827**	10,771,341
(Decrease) / Increase		**(166,931)**	5,893,486
At 31 December,		**16,497,896**	16,664,827
Bank balances and cash	8	**16,497,896**	16,674,858
Bank overdraft		**-**	(10,031)
		16,497,896	16,664,827

ACRONYMS

ACBF	African Capacity Building Foundation
ACE	African Commerce Exchange
ACTESA	Alliance for Commodity Trade in Eastern and Southern Africa
AfDB	African Development Bank
AGOA	Africa Growth and Opportunity Act
AGRA	Alliance for Green Revolution in Africa
AFCAC	African Civil Aviation Commission
AFRAA	African Airlines Association
AMCEN	African Ministerial Conference on Environment
AU	African Union
ARICEA	Association of Regulators of Information and Communications for Eastern and Southern Africa
ASYCUDA	Automated System on Customs Data
ATI	African Trade Insurance Agency
BABA	Buy African Build Africa
BADEA	Arab Bank for Economic Development in Africa
CA	Conservation Agriculture
CAADP	Comprehensive Africa Agriculture Development Program
CCA	Corporate Council on Africa
CCCL	COMTEL Communications Company Limited
CDE	Centre for Development of Enterprise
CET	Common External Tariff
CICL	COMTEL Investment Company Limited
CIDA	Canadian International Development Agency
CFC	Common Fund for Commodities
COMESA	Common Market for Eastern and Southern Africa
COMESANET	
COMTEL	COMESA Telecommunications Company
CNS/ATM	
CSR	Common Statistical Rules
DfID	Department for International Development (U.K.)
EAC	East African Community
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU/ACP	European Union/African Caribbean Pacific
ESALIA	
ESA	Eastern and Southern Africa (and Indian Ocean Region)
ESAF	Enhanced Structural Adjustment Facility
FDI	Foreign Direct Investment
FEMCOM	
FTA	Free Trade Area
GIS	Geographical Information System
GPTC	General Posts and Telecommunications Company
IATA	
COUNCIL	Intergovernmental Committee
ICAO	International Civil Aviation Organization
ICT	Information and Communications Technology
IGAD	Intergovernmental Authority on Development
IMO	International Maritime Organization
IPA	Investment Promotion Agencies
IRCC	Inter Regional Co-ordinating Committee
LLPI	Leather and Leather Products Institute

LAAICO	Libyan African Arab Investment Company
LDC	Least Developed Countries
MEFMI	Macroeconomic and Financial Management Institute for Eastern and Southern Africa
MFN	Most Favoured Nation
MFA	Multi Fibre Agreement
MoU	Memorandum of Understanding
NAOs	National Authorizing Officers
NAPS	National Association for the Prevention of Starvation
NDRA	National Drug Regulatory Authority
NGO	Non-Governmental Organization
NEPAD	New Partnership for Africa's Development
NORAD	Norwegian Agency for Development
NTOs	National Telecommunications Operators
OIF	Organisation International de la Francophonie
OPIC	Overseas Private Investment Corporation
PACT II	Programme for Building African Capacity for Trade
PATTEC	Pan African Tsetse and Trypanosomiasis Eradication Campaign
PASU	Policy Analysis Support Unit
PMAESA	Port Management Association of Eastern and Southern Africa
PR	Public Relations
RECs	Regional Economic Communities
RBM	
RIA	Regional Investment Agency
RIFF	Regional Integration Facilitation Forum
RIRN	Regional Integration Research Network
RISP	Regional Integration Support Programme
RISM	Regional Integration Support Mechanism
RTAs	Regional Trade Agreements
SADC	Southern Africa Development Community
SDI	Spatial Development Initiative
SNCC	National Congolese Railways
SOGA	Strategic Objective Grant Agreement
SPS	Sanitary and Phyto-Sanitary (Measures)
SSATP	Sub Saharan Africa Transport Programme
SWAP	Sector Wide Approach Programme
TDA	Trade and Development Agency
TIFA	Trade and Investment Framework Agreement
TRAESA	Telecommunications Regulators Association for Eastern and Southern Africa
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational Scientific and Cultural Organization
USAID	United States Agency for International Development
USTDA	US Trade and Development Agency
USTR	US Trade Representative
VSAT	Very Small Aperture Terminal
WIB	Women in Business
WCO	World Customs Organization
WMO	World Meteorological Organisation
WTO	World Trade Organization
ZEP-RE	PTA Re-Insurance Company