COMESA

Common Market for Eastern and Southern Africa

‘‘Enhancing Intra-COMESA Trade through Micro, Small and Medium Enterprise Development.’’

2012/2013

‘‘Enhancing Intra-COMESA Trade through Micro, Small and Medium Enterprise Development.’’

CONTENTS

VISION

COMESA's vision is to "be a fully integrated, internationally competitive regional economic community with high standards of living for all its people ready to merge into an African Economic Community".

MISSION

COMESA's mission to "Endeavour to achieve sustainable economic and social progress in all Member States through increased co-operation and integration in all fields of development particularly in trade, customs and monetary affairs, transport, communication and information, technology, industry and energy, gender, agriculture, environment and natural resources."

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.

LETTER OF TRANSMITTAL FROM THE SECRETARY-GENERAL

His Excellency, Yoweri Kaguta Museveni,

President

Republic of Uganda,

State House

Entebbe

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 Your Excellency the COMESA Annual Report for the year ending 31 December 2012.

The Report highlights achievements of COMESA in 2012 and reviews the impact of world trade on Africa in general, and the COMESA region in particular, as well as its influence on our regional integration agenda. It covers the activities of the COMESA Organs and the COMESA-EAC-SADC Tripartite arrangement whose ultimate objective is the creation of an African Economic Community. The report provides the audited financial statements for the year 2011, the financial management for the year 2012, which will be audited in 2013, and presented to the Policy Organs for their consideration.

Your Excellency will note from this Report that Member States have continued to implement the COMESA integration agenda in collaboration with the various COMESA Institutions. In addition, your Secretariat continues to receive the support of the Member States and the development partners. This not only underscores the unflagging commitment of the Member States to the COMESA ideals, but also the confidence which our co-operating partners have in COMESA and its institutions.

We are more than persuaded that, this spirit of commitment, confidence and co-operation will prevail as we strengthen the region's integration agenda and build a stronger foundation for more advanced forms of integration.

Ngwenya

Sindiso Ngwenya

SECRETARY-GENERAL

COMESA

His Excellency, Yoweri Kaguta Museveni, President of the Republic of Uganda and Chairperson of the COMESA Authority

MESSAGE FROM THE CHAIRMAN OF THE AUTHORITY

It is my privilege and honour to submit the Annual Report for the Common Market for Eastern and Southern Africa (COMESA) for the year 2012/2013. I also wish to express my profound appreciation and graduate to the Vice Chairman and Rapporteur of the COMESA Authority, His Excellency President Joseph Kabila and Her Excellency, Mrs Joyce Banda, respectively, and all other Heads of State of the COMESA region for their unwavering commitment and moral and material support they have granted to the region during my tenure as Chairman of the Authority.

On behalf of the COMESA Authority of Heads of State and Government, I must acknowledge and commend wholeheartedly the spirit of effort and support that all stakeholders and partners of goodwill have rendered to COMESA in the course of region's advance towards attaining its regional integration objective.

This report highlights the outcomes and achievements of COMESA programmes implemented during the period under review, taking into account the cumulative value of the hard work that has been devoted to the cause of regional integration in COMESA in the past couple of decades. Indeed, substantial progress has been recorded in various areas, specifically in the progress towards the removal of barriers to factor mobility; quantitative growth in intra-COMESA trade; the progress of the emerging proposed COMESA-EAC-SADC Tripartite Free Trade that will deliver a combined gross domestic product of over US $1 trillion and a combined population of 582 million people; and COMESA's orientation of priorities towards addressing inclusive economic.

Indeed, in November 2012, we as Heads of State and Members of the COMESA Authority met in Kampala, Uganda under the theme: "Enhancing Intra-COMESA Trade through Micro, Small and Medium Enterprises." The choice of the theme was dictated by our current resolve and urge for our region to re-calibrate and apply regional integration as a mechanism for spurring overall economic development that can sufficiently address poverty, generate jobs and create wealth opportunities to improve the overall living standards of our people in the region. We must acknowledge that the micro, small and medium enterprises (MSMEs) have significant potential to spur overall economic development and take a leading role in poverty eradication, jobs and wealth creation as well as improving the quality of life for our people. Although MSME's constitute about 90 percent of the private sector in the region in terms of both formal and informal composition, there is a challenge of their high mortality rate, with at least one-third of all the start-ups collapsing before the first year. These challenges have to be addressed in order to position the MSMEs as critical players in stimulating our overall economic development.

The role of infrastructure development can also not be over-emphasized as this will assist to promote inter-connectivity of the region, so that there is a tangible and seamless market where goods and people move more freely. We need to ensure that the countries have the industrial capacity to produce goods to be traded on the international market, and not be merely producers of raw materials.

As Chairperson of the COMESA Authority, I am concerned about our history, specifically the balkanization of Africa, which has resulted in several weakness and I, therefore, call for robust programmes in order to promote unity and strength. There are great political and economic aspects of regional integration, for example COMESA's focus on trade and investment is crucial. Regional integration provides a large market and we should focus on building entrepreneurship, access to finance and infrastructural development, covering railways, roads, energy and ICT.

We must also not overlook the significant role that is now being played by women in the political and economic sphere and should continue with the various COMESA programmes that promote gender parity.

Since Uganda joined the COMESA Free Trade Area (FTA); there are now 15 Members in the Free Trade Area; and the Democratic Republic of Congo and the Federal Democratic Republic of Ethiopia are making progress towards joining the COMESA FTA. The Free Trade Area will be consolidated by removing all non-tariff barriers using the tripartite online reporting and monitoring mechanism that was launched in 2012.

We will continue to benefit from the US Government's extension of the Third Country Fabric Provision to 2015; and it is our expectation that the US Government will extend AGOA on a longer term and predictable basis.

The year was characterized by continued recovery, which started in 2012, from the agricultural and food shortages that proceeded the economic and financial recession in the previous year. However, notwithstanding some of the challenges being faced by our region, prospects for the future of our region look promising. Going forward, there is continued need to regulate and monitor the financial systems and markets, and also strong economic transformation required to address COMESA and Africa's structural weaknesses. These include the nation state balkanisation process and its fragmentary nature. Our emerging markets need critical insight into the complex strategies for unlocking the continent's natural capital for it to be a core driver in the competitive economic game dominated by the great powers of China, India, Russia, Europe, and the Americas. Other considerations will be the shaping of foreign/domestic investment trends Africa-wide, and its implications for growth and performance; emerging corporate opportunities and state bottlenecks in trade, power-energy, and the capital markets.

In order to realise these ideals, a lot more effort will have to be afforded towards infrastructure development, which is the determinate vehicle for achieving progress towards deeper and productive regional integration as well as the activation of dynamic growth and development of the region in the medium to long term.

While the above aspirations are ideal and achievable, progress in those directions cannot be made without the strengthening of the bonds of partnerships with bilateral, multilateral and development partners in consolidating regional and international co-operation through active engagements that are compatible with a range of COMESA programme aims and objectives.

I hasten to remind all of us to remain committed to the ideals for which COMESA was conceived; and to always be prepared to face challenges squarely in the course implementing fully the agenda of COMEA's regional integration programme. On this point, therefore, I would like to commend our co-operating partners who have shared our ideals, showed commitment to COMESA's programmes and indeed consistently stood by the region in good and bad times to continually and consistently support our cause.

Let me also commend the Secretary-General and the staff at the COMESA Secretariat for the excellent work they have accorded to the COMESA Region and to my Chairmanship since November 2012.

His Excellency, President Yoweri Museveni
President of the Republic of Uganda;
Chairperson of the COMESA Authority

PART: 1
COMESA INSTITUTIONAL STRUCTURE

Article 7 of the Treaty states that there shall be established as organs of the Common Market as follows:

(a) The Authority;

(b) The Council;

(c) The Court of Justice;

(d) The Committee of Governors of Central Banks;

(e) The Intergovernmental Committee;

(f) The Technical Committees;

(g) The Secretariat; and

(h) The Consultative Committee."

THE AUTHORITY

The Authority is the supreme organ of the Common Market and is composed of the Heads of States and Government of all the 19 Member States. The composition and functions of the Authority are enshrined in Article 8 of the COMESA Treaty.

Head of the COMESA Authority, 2012-2013

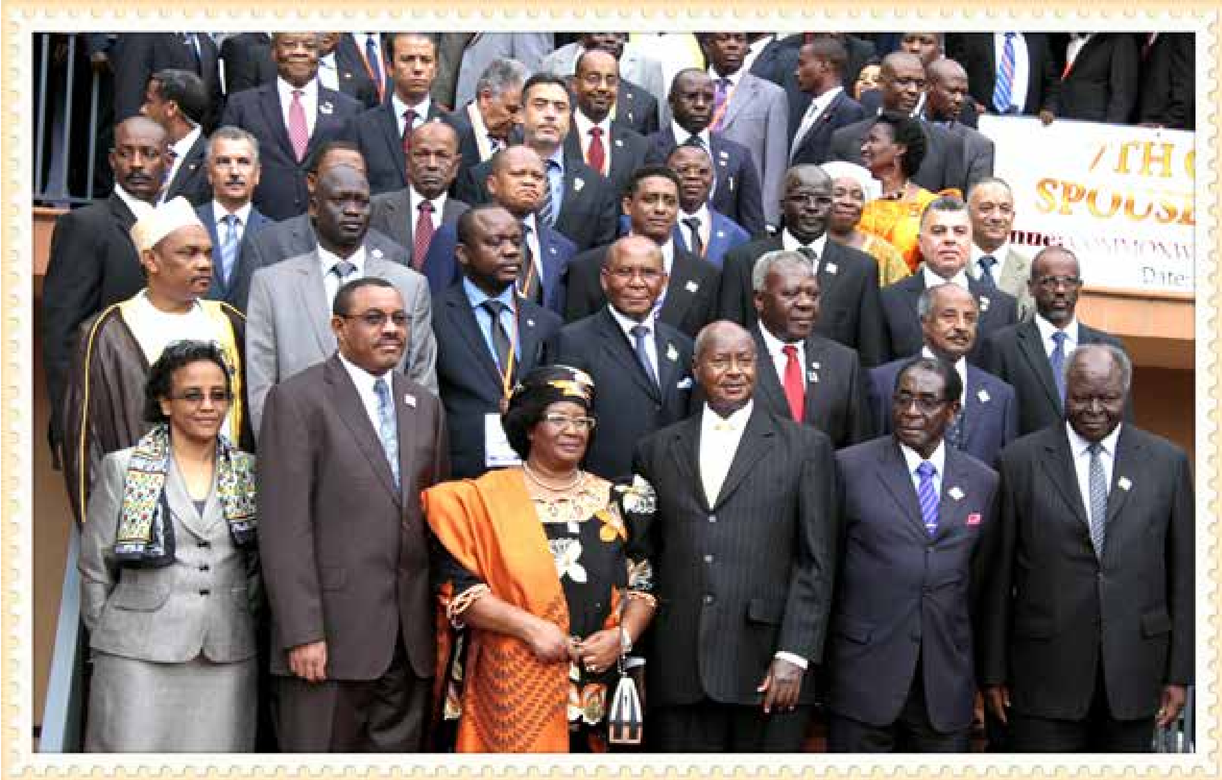
In November 2012, His Excellency, Yoweri Kaguta Museveni, President of the Republic of Uganda, took over the office of the Chairman of the Common Market Authority. He took over from Her Excellency, Mrs Joyce Banda, the President of the Republic of Malawi.

New Heads of State

In 2012, His Excellency President Dr Mohammed Morsi was elected to the High Office of the President of the Arab Republic of Egypt after the people of the Arab Republic of Egypt for had held successful elections on 16 and 17 June 2012.

The Rt Hon. Ali Zeidan was elected as Prime Minister of the Republic of Libya; and the Rt Hon. Hailemariam Desalegn had assumed the High Office of Prime Minister of the Federal Democratic Republic of Ethiopia.

The Authority held the Sixteenth Summit at the Commonwealth Resort, Munyonyo in Kampala, in the Republic of Uganda from 21-22 November under the theme: "Enhancing Intra-COMESA Trade through Micro, Small and Medium Enterprise Development". The final communiqué of the Sixteenth Summit of the Authority is available at www.comesa.int.



Members of the COMESA Authority who attended the 16th Summit of Heads of the State in Kampala, November 2012

THE COUNCIL OF MINISTERS

Article 9 of the Treaty spells out the composition and functions of the Council of Ministers. It is composed of Ministers as may be designated by each Member State; and has the responsibility to monitor and keep under constant review the functioning of the Common Market in accordance with the provisions of the Treaty.

The Bureau of the COMESA Council of Ministers (L-R): Hon. John Bande, Minister of Industry and Trade, Malawi (Rapportuer); Mr Sindiso Ngwenya (Secretary General); Hon. Amelia Kyambadde, Minister of Trade, Industry and Co-operatives, Uganda (Chairperson); and Mr Raymond Tshibanda N'Tungamulongo, Minister of Foreign Affairs, International Cooperation and Francophonie, DR Congo (Vice Chairperson) attending the November 2012 Council Meeting in Kampala, Uganda

THE COURT OF JUSTICE

The Court of Justice shall ensure adherence to law in the interpretation and application of the Treaty. The Court of Justice shall consist of a First Instance Division and an Appellate Division; and it shall be composed of twelve judges appointed by the Authority of whom seven shall be appointed to the First Instance Division and five shall be appointed to the Appellate Division.

THE COMMITTEE OF GOVERNORS OF CENTRAL BANKS

Article 13 states that the Committee of Governors of Central Banks shall consist of the governors of the monetary authorities designated for the purpose by the Member States. The Committee is responsible for the development of programmes and action plans in the field of finance and monetary co-operation; as well as monitoring and keeping under constant review and ensuring the proper implementation of the programmes and plans adopted pursuant to the provisions of Chapter Ten of this Treaty on Monetary and Financial Co-operation.

THE INTER-GOVERNMENTAL COMMITTEE

The Inter-Governmental Committee is governed by Article 14 of the Treaty. The Intergovernmental Committee shall consist of such Permanent or Principal Secretaries as may be designated by each Member State. The Committee is responsible for the development of programmes and action plans in all the sectors of co-operation except in the finance and monetary sector; monitoring and keep under constant review and ensuring proper functioning and development of the Common Market in accordance with the provisions of this Treaty; as well as overseeing the implementation of the provisions of this Treaty and for that purpose may request a Technical Committee to investigate any particular matter.

THE TECHNICAL COMMITTEES

The Technical Committees are governed by Articles 15 and 16 of the COMESA Treaty, which states that the Technical Committees of the Common Market shall be the following:

(a) The Committee on Administrative and Budgetary Matters;

(b) The Committee on Agriculture;

(c) The Committee on Comprehensive Information Systems;

(d) The Committee on Energy;

(e) The Committee on Finance and Monetary Affairs;

(f) The Committee on Industry;

(g) The Committee on Labour, Human Resources and Social and Cultural Affairs;

(h) The Committee on Legal Affairs;

(i) The Committee on Natural Resources and Environment;

(j) The Committee on Tourism and Wildlife;

(k) The Committee on Trade and Customs; and

(l) The Committee on Transport and Communications.

The Technical Committees are responsible for the preparation of a comprehensive implementation programme and a time-table prioritising the programmes with respect to each sector; as well as the monitoring and keeping under constant review the implementation of co-operation programmes with respect to each sector.

THE SECRETARIAT

Article 17 stipulates that the Secretariat shall be headed by a Secretary-General of the Common Market who shall be appointed by the Authority to serve in such office for a term of five years and shall be eligible for reappointment for a further term of five years. There shall be, in addition to the Secretary-General, two Assistant Secretaries-General who shall be appointed by the Authority, and such other staff of the Secretariat as the Council may determine.

During the reporting period, the Authority renewed the contract of Mr Sindiso Ndema Ngwenya, of the Republic of Zimbabwe, as Secretary-General of COMESA for a further period of five years starting from 01 July 2013 to 30 June 2018; and also appointed Ambassador Dr Kipyego Cheluget of the Republic of Kenya as Assistant Secretary-General (Programmes) for a period of five years.

Ambassador Kipyego Cheluget, Assistant Secretary General (Programmes)

PART: 2
REPORT ON TRADE FACILITATION PROGRAMMES

TRADE IN GOODS

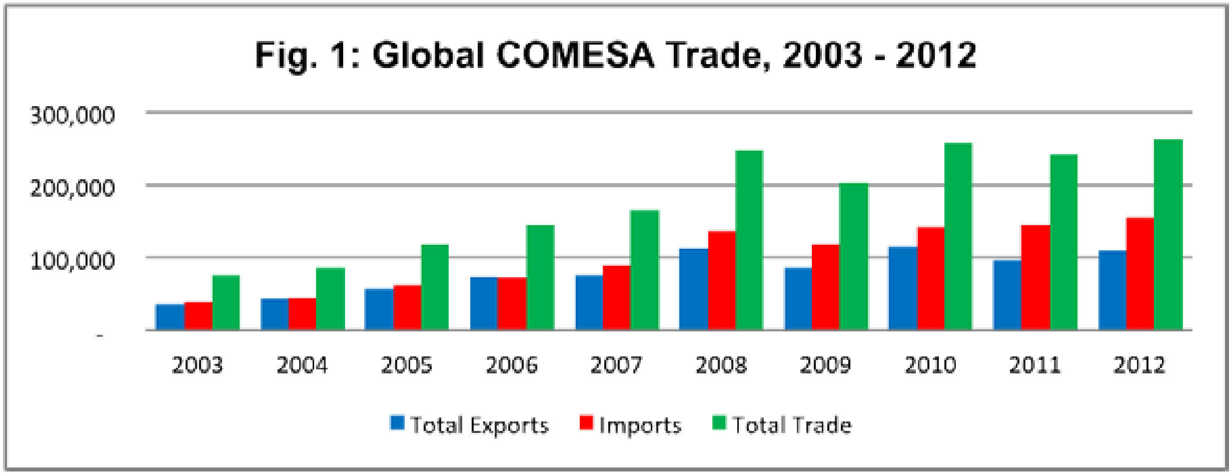
GLOBAL-COMESA TRADE DEVELOPMENTS

Trade between the COMESA Member States and the rest of the world grew from US $240 billion in 2011 to US $262 billion in 2012, according to provisional figures compiled by the Secretariat. Specifically, total exports rose from US $96 billion by the end of 2011, to US $107 billion in 2012, while imports also registered growth, from US $144 billion in 2011 to US $154 billion in 2012. The growth in both total exports and imports was however lower than the corresponding growth for both flows in the previous year of 26% and 16% respectively. See Table 1 below:

Table 1: Global COMESA Trade, 2003 - 2012, Values in US$ millions

Row Labels	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	34,247	41,039	53,701	71,062	73,777	110,028	82,841	112,033	92,735	104,569
Re-Exports	1,152	1,436	2,093	1,816	2,100	2,603	2,469	3,183	3,691	2,992
Total Exports	35,399	42,475	55,794	72,878	75,877	112,631	85,310	115,216	96,426	107,561
Imports	39,230	44,185	62,309	71,887	88,642	136,245	118,489	141,542	144,290	154,608
Total Trade	**74,628**	**86,660**	**118,103**	**144,765**	**164,520**	**248,876**	**203,799**	**256,758**	**240,716**	**262,168**

Source: COMSTAT Database and UN COMTRADE Database



Source: COMSTAT Database and UN COMTRADE Database

There was a significant decline in the levels of growth registered by a number of Member States. Specifically, Djibouti, Egypt, Ethiopia, Madagascar, Malawi, Mauritius, Seychelles, Sudan, and Uganda all registered a decline in their growth levels as evidenced by the declining total exports. The worst affected Member State was Sudan, which is currently undergoing major changes with the formation of the new South Sudan and the loss of oil revenue.

Overall, however, there was regional growth in the exports of COMESA. The countries that greatly contributed to the overall 11% total exports growth in the region were Comoros, Libya and Burundi with growth rates of 86%, 108%, 24% respectively.

On the import side, the eight (8) Member States of: Burundi, Comoros, DR Congo, Eritrea, Madagascar, Seychelles, Sudan, Swaziland and Zimbabwe recorded negative growth in the levels of their global imports in 2012 over the 2011 levels. Seychelles experienced the greatest fall of import levels, that is, 38%; while Djibouti saw the greatest leap of imports over the 2011/2012 period, as the country registered 36% as compared to -98% the year before. Table 2 below depicts global-COMESA trade performance by country from 2009 to 2011; and percentage change in 2011.

Table 2: Global COMESA Trade by Country, 2010 - 2012, Values in US$ millions

	2010			2011			2012				
Country	Exports	Re-Exports	Imports	Exports	Re-Exports	Imports	Exports	Re-Exports	Imports	Total Exports	Imports
Burundi	107	10	398	184	14	858	232	12	798	*23.6*	*-7.0*
Comoros	15	0	182	24		201	45		136	*85.6*	*-32.5*
Congo DR	4,874		4,526	5,417		5,399	6,050		4,825	*11.7*	*-10.6*
Djibouti	299	699	1,402	462	1,069	1,591	35		2,159	*-97.7*	*35.7*
Egypt	26,665		52,944	30,607		58,934	29,259		64,282	*-4.4*	*9.1*
Eritrea	14		457	309		480	437		309	*41.3*	*-35.7*
Ethiopia	2,409	44	9,229	2,573	62	8,765	1,939	14	11,876	*-25.9*	*35.5*
Kenya	5,088	768	12,021	5,761	839	14,914	6,230	1,053	16,406	*10.4*	*10.0*
Libya	44,048		21,500	16,791		7,687	34,910		11,225	*107.9*	*46.0*
Madagascar	924	115	2,279	1,360	96	2,904	1,202	35	2,486	*-15.0*	*-14.4*
Malawi	1,048	1	2,344	1,404	6	2,423	1,232	2	2,858	*-12.5*	*18.0*
Mauritius	1,598	501	4,245	1,828	344	4,977	1,702	379	5,116	*-4.2*	*2.8*
Rwanda	202	35	1,255	371	47	1,359	417	92	1,654	*21.7*	*21.7*
Seychelles	265	1	869	693	193	1,606	476	183	997	*-25.6*	*-37.9*
Sudan	11,517	12	11,875	8,979	2	9,546	3,366	2	6,190	*-62.5*	*-35.2*
Swaziland	1,579	119	1,739	1,594	58	1,803	1,891	57	1,640	*17.9*	*-9.0*
Uganda	1,105	427	4,550	2,199	539	5,126	2,294	413	6,088	*-1.2*	*18.8*
Zambia	6,834	338	5,022	8,644	372	7,179	8,939	706	8,818	*7.0*	*22.8*
Zimbabwe	3,442	113	4,706	3,534	49	8,540	3,913	44	6,743	*10.4*	*-21.0*
Total	**112,033**	**3,183**	**141,542**	**92,735**	**3,691**	**144,290**	**104,569**	**2,992**	**154,608**		

Source: COMSTAT Database and UN COMTRADE Database

In regard to the major export markets for COMESA products, the EU is still ranked number one, with exports worth US $33 billion destined to the EU market in 2012, up from US $31 billion exports recorded by the end of 2011. (See Table 3 below) The exports to the EU are still primarily petroleum oils and oils obtained from bituminous minerals from Libya. Ranked in position two after the EU is still China as a major export market for COMESA products with exports from COMESA worth over US $14 billion in 2012, a slight 2% gain over the previous year's levels of US $13.8 billion recorded as at end of 2011. These exports were mainly petroleum oils and oils obtained from bituminous minerals from Sudan and Libya, and Copper and Cobalt from Congo DR and Zambia.

Table 3: COMESA's Major Export Trade Markets, 2003 - 2012, Values in US$ million

Rank	Market	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	EU	17,864	22,840	29,685	38,027	38,053	55,014	34,889	49,791	31,143	33,977
2	China	2,116	1,932	3,462	7,000	3,079	12,180	11,659	17,141	13,845	14,305
3	COMESA	2,145	2,335	3,208	2,970	4,520	6,772	6,621	9,040	10,134	9,263
4	Switzer-land	948	1,266	1,823	3,214	3,714	5,791	3,930	4,909	5,550	6,471
5	South Africa	2,926	2,506	1,785	2,483	3,105	2,529	2,695	4,262	5,727	6,030
6	USA	1,516	2,071	3,548	4,865	5,201	6,350	4,285	4,950	3,697	5,833
7	UAE	272	305	873	1,272	859	1,586	2,104	3,105	3,053	4,854
8	India	635	548	693	1,948	1,854	2,752	2,401	2,392	2,889	3,836
9	Saudi Arabia	408	524	764	754	903	1,695	1,827	2,152	2,402	2,333
10	Turkey	1,142	1,649	2,161	681	669	1,168	1,236	1,451	1,736	2,156
	RoW	5,427	6,500	7,792	9,663	13,919	16,795	13,663	16,023	16,249	18,503
	Total	**35,399**	**42,475**	**55,794**	**72,878**	**75,877**	**112,631**	**85,310**	**115,216**	**96,426**	**107,561**

Source: COMSTAT Database and UN COMTRADE Database

On the import side still, the EU was ranked number one as major source of imports into the COMESA region. Imports from the EU however remained at levels of US $37 billion in 2011, registering a slight growth of 1% over levels in 2010. Ranked after the EU was China, South Africa, the U.S.A and the COMESA region in that order. (See Table 4 below):

Table 4: COMESA's Major Import Trade Markets 2003-2012 (Value in US $ million)

2012 Rank	Market	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1	EU	11,627	13,667	17,358	18,845	22,470	36,498	34,053	38,691	31,735	33,807
2	China	2,063	2,686	4,344	5,850	7,873	12,359	12,607	15,856	15,849	19,144
3	South Africa	3,888	4,979	5,024	4,970	6,727	8,729	7,777	9,483	12,592	11,234
4	India	1,192	1,612	2,131	2,877	3,565	6,518	5,368	6,436	7,689	10,244
5	COME-SA	2,173	2,223	3,046	3,757	4,554	6,932	6,110	8,337	8,294	10,063
6	USA	2,375	2,173	3,150	3,409	4,514	8,358	7,600	7,652	9,313	7,734
7	Turkey	629	818	1,381	1,038	1,127	2,853	5,137	4,711	4,452	6,405
8	Saudi Arabia	1,534	1,534	3,573	4,352	5,320	9,289	4,240	4,895	5,342	5,979
9	UAE	932	1,156	2,170	3,089	3,225	5,152	3,621	5,525	6,727	5,010
10	Kuwait	203	107	910	1,353	1,357	2,346	1,769	2,343	4,288	4,348
	RoW	12,613	13,229	19,222	22,347	27,910	37,210	30,207	37,612	38,009	40,639
	Total	**39,230**	**44,185**	**62,309**	**71,887**	**88,642**	**136,245**	**118,489**	**141,542**	**144,290**	**154,608**

Source: COMSTAT Database and UN COMTRADE Database

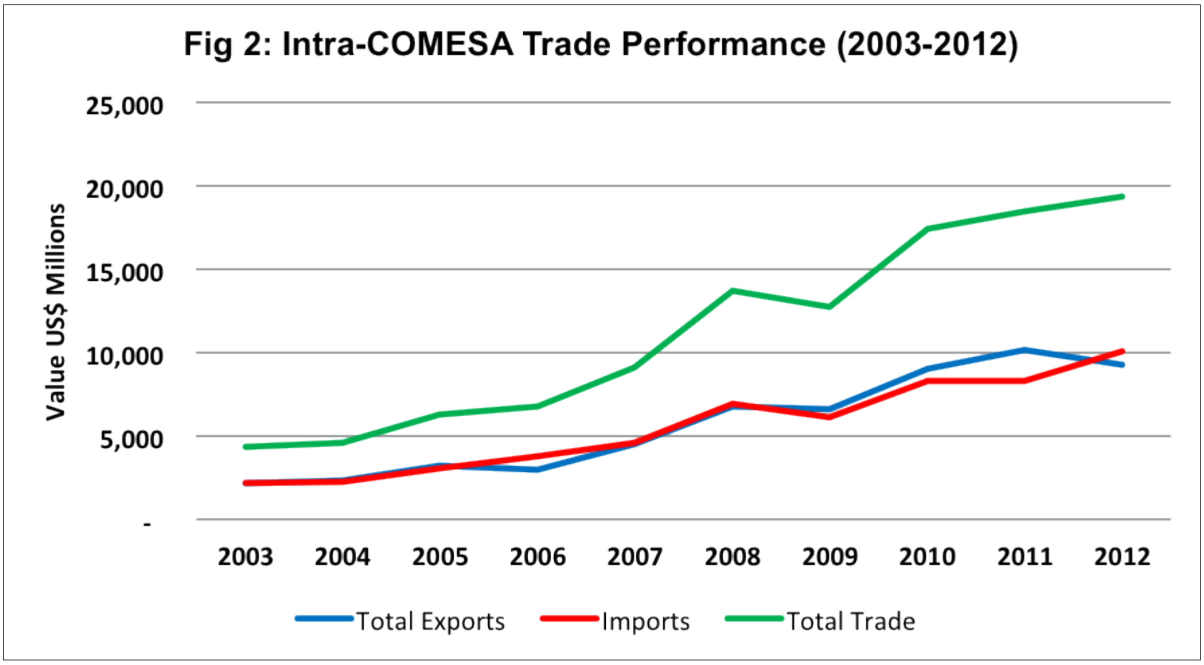
Intra-COMESA Trade

Intra-COMESA trade grew by almost 9% in 2012 over 2011 levels, from US $18.4 billion to US $19.3 billion; according to figures available at the Secretariat. However, the 9% growth in 2012 is meagre as opposed to the 36% registered growth in 2010. The 9% growth in intra-COMESA trade for 2011 can be attributed in part to registered growths in intra-trade among countries like Kenya, Zambia, Burundi, Mauritius and Uganda. Table 5 below; and Figure 2 that follow depict the performance of intra-COMESA trade over the period 2003 – 2012.

Table 5: Intra-COMESA Trade, 2003-2012 (Value in US $ million)

Flow	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	1,670	1,804	2,583	2,702	3,950	6,157	5,879	7,781	8,386	8,479
RE-Exports	475	531	625	268	570	614	742	1,259	1,748	784
Total Exports	2,145	2,335	3,208	2,970	4,520	6,772	6,621	9,040	10,134	9,263
Imports	2,173	2,223	3,046	3,757	4,554	6,932	6,110	8,337	8,294	10,063
Total Trade	**4,318**	**4,558**	**6,254**	**6,728**	**9,074**	**13,704**	**12,731**	**17,376**	**18,429**	**19,326**

Source: COMSTAT Database



Source: COMSTAT Database

From the available data, it is apparent that in 2012 both Libya's intra-COMESA exports and imports grew by 80% and 161% respectively. Also, the exports and imports of Rwanda grew by 94% and 15% respectively; while those of Zambia increased by 33% and 14.4%. Djibouti experienced the highest decline in exports, of -89%, and Swaziland had the highest drop in both the exports and imports of 52% and 23% respectively (See Table 6 below):

During 2012, Egypt was the largest intra-COMESA exporter, overtaking Kenya which was top of the table in 2011. Egypt exported products to the value of US $2.5 billion in the reporting period, while Kenya's intra-COMESA exports stood at US $1.8 billion. Kenya's major intra-COMESA export products are still tea to Egypt, Sudan, Djibouti and Eritrea, and various other products mainly to Uganda. Kenya's major intra-COMESA imports were maize and mixtures of odoriferous substances.

Uganda's intra-COMESA exports declined from 9.6% of the region in 2011, to 5.3% in 2012. The country still mainly exports coffee to Sudan, Portland cement to Rwanda, Congo DR and Sudan; and black tea to Kenya. Mauritius' intra-COMESA imports did not see much change from the percentage rate of 1.7% in 2011, to 1.5% in 2012 – and these are still mainly cigarettes containing Tobacco, and cotton from Zambia.

Table 6: Intra-COMESA Trade by Country, 2011-2012 (Value in US $ million)

Country	2011			2012					
	Exports	Re-Ex-ports	Imports	Exports	Re-Ex-ports	Imports	Exports	Re-Ex-ports	Imports
Burundi	32	6	158	33	7	157	*6.0*	*11.7*	*-0.7*
Comoros	3		7	1		33	*-62.6*		*334.0*
Congo DR	1,256		1,172	1,209		1,348	*-3.8*		*15.0*
Djibouti	136	900	115	15		99	*-89.2*	*-100.0*	*-13.9*
Egypt	1,623		835	2,480		781	*52.8*		*-6.5*
Eritrea	10		95	7		92	*-27.2*		*-2.5*
Ethiopia	315	1	289	262	2	236	*-17.0*	*45.3*	*-18.4*
Kenya	1,760	301	617	1,598	273	726	*-9.2*	*-9.4*	*17.5*
Libya	70		607	127		1,587	*80.8*		*161.3*
Madagascar	46	4	174	38	2	146	*-16.7*	*-41.8*	*-16.1*
Malawi	308	4	226	168	0	428	*-45.5*	*-90.8*	*89.8*
Mauritius	100	89	153	102	105	149	*2.8*	*17.4*	*-2.4*
Rwanda	116	36	368	225	82	421	*94.0*	*129.9*	*14.5*
Seychelles	247	0	51	5		45	*-98.0*		*-12.5*
Sudan	422	0	661	276	0	582	*-34.6*	*-98.8*	*-12.0*
Swaziland	95		7	45		5	*-52.7*		*-23.2*
Uganda	648	308	659	358	135	714	*-44.8*	*-56.1*	*8.2*
Zambia	1,063	84	1,637	1,422	165	1,872	*33.8*	*96.6*	*14.4*
Zimbabwe	137	14	462	108	13	641	*-20.6*	*-9.6*	*38.8*
Total	**8,386**	**1,748**	**8,294**	**8,479**	**784**	**10,063**			

Source: COMSTAT Database

Regarding intra-COMESA market shares for 2012, Egypt registered the biggest market share of 27% for intra COMESA exports; followed by Kenya, Zambia and Congo DR with shares of 20%, 17% and 13% respectively (See Table 7 below).

On the import side, Zambia still registered the biggest market share of 18.6% in 2012, almost one percent points more than the recorded share the previous year; followed by Libya in second position with an intra-import market share of 15.8%. Congo DR and Egypt ranked in third and fourth positions with intra-COMESA import shares of 13.4% and 7.8% respectively. Egypt's share dropped by almost one percentage point (See Table 7 below):

Table 7: Intra-COMESA Trade, 2012 (Value in US $ million and % Shares)

Rank	Exporter	Value	% Share	Importer	Value	% Share
1	**Egypt**	2,480	*26.8*	**Zambia**	1,872	*18.6*
2	**Kenya**	1,871	*20.2*	**Libya**	1,587	*15.8*
3	**Zambia**	1,587	*17.1*	**Congo DR**	1,348	*13.4*
4	**Congo DR**	1,209	*13.1*	**Egypt**	781	*7.8*
5	**Uganda**	493	*5.3*	**Kenya**	726	*7.2*
6	**Rwanda**	306	*3.3*	**Uganda**	714	*7.1*
7	**Sudan**	276	*3.0*	**Zimbabwe**	641	*6.4*
8	**Ethiopia**	264	*2.8*	**Sudan**	582	*5.8*
9	**Mauritius**	207	*2.2*	**Malawi**	428	*4.3*
10	**Malawi**	169	*1.8*	**Rwanda**	421	*4.2*
11	**Libya**	127	*1.4*	**Ethiopia**	236	*2.3*
12	**Zimbabwe**	121	*1.3*	**Burundi**	157	*1.6*
13	**Swaziland**	45	*0.5*	**Mauritius**	149	*1.5*
14	**Madagascar**	41	*0.4*	**Madagascar**	146	*1.5*
15	**Burundi**	40	*0.4*	**Djibouti**	99	*1.0*
16	**Djibouti**	15	*0.2*	**Eritrea**	92	*0.9*
17	**Eritrea**	7	*0.1*	**Seychelles**	45	*0.4*
18	**Seychelles**	5	*0.1*	**Comoros**	33	*0.3*
19	**Comoros**	1	*0.0*	**Swaziland**	5	*0.1*
	Total	**9,263**	**100**		**10,063**	**100.0**

Source: COMSTAT Database

For three years running, Copper ores and concentrates were still the top most exported products in value terms within the COMESA region in 2012 as was the case the previous year as shown in Table 8 below. In second place came black tea; and Portland cement and cobalt ores and concentrates were ranked in the third and fourth positions respectively.

Table 8: Intra-COMESA Top Domestic Export Products and Rankings, 2008-2012

	SITC	Description	2012 Values (USDM)	R12	R11	R10	R09	R08
1	2831	Copper ores and concentrates	760.93	1	1	1	3	2
2	07414	Other black tea (fermented) and other partly fermented tea	382.03	2	2	2	1	1
3	66122	Portland cement	252.33	3	4	3	2	4
4	28793	Cobalt ores and concentrates	171.94	4	14	7	12	506
5	0441	....seed	160.32	5	21	47	47	68
6	66245	Glazed ceramic flags and paving, hearth or wall tiles;	151.34	6	65	24	13	17
7	07111	Coffee, not roasted, not decaffeinated	141.19	7	17	20	16	10
8	3346	Petroleum oils and oils obtained from bitu-minous minerals	138.30	8	47	52	8	26
9	0449	....others	134.54	9	10	66	290	23
10	00119	Other than pure-bred breeding animals	105.22	10	19	40	148	157
11	1211	Tobacco, not stemmed/stripped	99.82	11	12	13	5	6
12	06112	Beet sugar, raw	99.03	12	1623	236	1837	330
13	33525	Oils and other products, n.e.s., the non-aromatic constituents.	95.74	13	1647	1532	818	1,041
14	89319	Articles for the conveyance or packing of goods, n.e.s.;	93.93	14	34	35	41	33
15	68262	Copper powders and flakes	93.30	15				
16	54293	Medicaments, n.e.s.,	92.18	16	20	22	19	21
17	63512	Pallets, box pallets and other load boards; pallet collars	90.95	17	745	761	792	851
18	52255	Cobalt oxides and hydroxides; commercial cobalt oxides	90.01	18	9	9	90	
19	06129	....other	88.36	19	11	12	14	20
20	66134	Marble, travertine and alabaster and articles thereof,	86.22	20	133	110	448	591

Source: COMSTAT Database

The percentage of intra-COMESA trade to total COMESA trade has continued to grow from regional levels of 5% in 2003 to the current 6% in 2012 as depicted in Table 9 below. At country level, the Member States that are recorded to be trading more within the region are Rwanda (34% in 2012 up from 29% in 2011), Congo DR (24% up from 23% in 2011), and Comoros (19% up from 5% in 2011). Burundi has maintained the recorded 19% over the last two years; while Uganda has declined from the registered 21% in 2011, to 14% in 2012.

Table 9: Intra-COMESA Trade as a Percentage of Global COMESA Trade by Country (2003-2012)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	22	21	18	17	26	22	26	25	19	19
Comoros	3	4	3	9	3	5	5	8	5	19
Congo DR	16	13	8	12	18	17	22	21	22	24
Djibouti	14	6	9	1	8	4	18	28	37	5
Egypt	3	2	2	2	2	4	4	4	3	3
Eritrea	3	1	9	13	5	13	17	33	13	13
Ethiopia	6	4	6	8	5	5	4	5	5	4
Kenya	15	16	16	12	11	11	11	12	12	11
Libya	1	0	1	1	1	2	3	3	3	4
Madagascar	4	5	6	4	5	3	5	7	5	5
Malawi	13	13	14	13	15	9	10	13	14	15
Mauritius	5	4	4	4	5	5	5	4	5	5
Rwanda	24	25	32	48	38	40	37	33	29	34
Seychelles	2	4	2	2	3	4	6	4	12	3
Sudan	10	7	5	5	5	4	4	5	6	9
Swaziland	4	3	2	5	9	9	6	4	3	1
Uganda	25	25	28	20	22	20	21	21	21	14
Zambia	15	13	13	9	12	16	16	17	17	19
Zimbabwe	3	6	13	5	10	7	6	7	5	7
Total	**6**	**5**	**5**	**5**	**6**	**6**	**6**	**7**	**8**	**7**

Source: COMSTAT Database

STATUS OF IMPLEMENTATION OF THE COMESA CUSTOMS UNION

After the successful implementation of the COMESA FTA which was launched on 31 October 2000, the next step was to implement the COMESA Customs Union. Indeed in June 2009, the COMESA Customs Union was launched by the Authority, which also adopted a three-year road map that would see a number of Council decisions implemented within the transition period of three years. The implementation of the customs union would see the region move to another stage where the internal market would be consolidated and goods imported and accepted by the Member states would freely circulate within the Customs Union.

In operationalising the Customs Union, the objectives throughout the year 2012 were three fold:

a. To ensure that Member States implement Council decisions on the operationalisation of the Customs Union by end of June 2012 and beyond.

b. To enhance knowledge on the COMESA Customs Union with a view to building buy-in from as many stakeholders as possible;

c. To build capacity for Member States in drafting and formulating their lists of sensitive products and how to align national tariffs to the COMESA CET; and

d. To assist the four Member States namely Burundi, Kenya, Rwanda and Uganda - which also belong to the EAC - to implement the COMESA Council decision on the Customs Union.

Achievements and Impact in 2012

The initial three-year transition period was set to run from the time of the launch of the Customs Union to the end of June 2012 and to this end the Council made strategic decisions that would see Member States implement the Customs Union by that date.

The Secretariat working closely with Member States held meetings, workshops and undertook missions during the three-year transition period. These activities were enhanced in 2012 to build on what had been done in the previous years preceding the launch of the Customs Union. The first half of the year 2012 was very crucial as this was to determine whether Member States were ready to implement the Customs Union by end of June.

The following sections summarize the achievements and impacts of the 2012 interventions.

Capacity Building

The Secretariat provided on-the-spot technical assistance in form of workshops to two countries i.e., the Democratic Republic of Congo (DRC) and Zambia in March and April 2013 respectively. The workshops were meant to assist both the private and public sectors in the two countries in understanding the implications of the customs union and also to assist them in finalizing their list of sensitive products and alignment of their national tariffs to the COMESA CET. Table 10 below shows the capacity building activities involved in to implement the customs union in the year under review:

Table 10: Customs Union Activity Brief

Activity	Sub-activity undertaken	Countries that benefited from technical assistance
Five-day Stakeholder consultative meeting/ workshop held in March 2012 for 80 private and public stakeholders.	i. Reality check on challenges faced by the country in implementing the Council decisions; ii. Exercises with the participants on identifying and drawing up the list of sensitive products; iii. Practical exercises on how to align national tariffs to the COMESA CTN/CET.	Kinshasa, DRC
One-day Stakeholder consultative workshop held in April 2012 for 40 public and private stakeholders	i. Presentation on the Customs Union; ii. A brief reality check on challenges faced by the country in implementing the Council decisions; iii. Presentation on identifying and drawing up the list of sensitive products; iv. Presentation on how to align national tariffs to the COMESA CTN/CET.	Lusaka, Zambia

Meetings

The two Secretariats of COMESA and the EAC held a meeting in March 2012 to discuss the possible harmonization of the customs laws and the Common External tariffs. The Secretariat finalized the transposition of the COMESA CET 2007 version into the WCO 2012 versions and presented it to the Twenty Eighth meeting of the Trade and Customs Meeting for consideration.

The ultimate result of the DRC consultative meeting was twofold:

a. It resulted into the establishment of a new all inclusive National Implementation Committee under the leadership of the Permanent Secretary for Regional Cooperation.

b. The DRC has made significant progress in developing their final list of sensitive products and the alignment of the national tariffs to the CET although this has taken a longer time than earlier expected.

The one-day Zambian workshop resulted into:

a) The establishment of a new National Implementation Committee to spearhead the implementation of council decisions on the customs union;

b) The finalisation of the alignment schedules and to develop a list of sensitive products for Zambia; and

c) The finalisation of the aligned national Customs Management Act to the COMESA CMRs.

The Secretariat produced reports on the similarities and divergences between the COMESA and EAC CETs and similarities and divergences between the COMESA and EAC Customs Laws. These two reports will be discussed by the two Secretariats and the four Member States to come up with final agreed documents for implementation

The transposition of the COMESA CET 2007 to the WCO 2012 version was finalized and has now been approved by the Council.

REGIONAL INTEGRATION SUPPORT MECHANISM (RISM)

In 2012, efforts were directed towards the revision of the Aid for Trade Strategy (2012-2015). This was approved by the Council of Ministers in November 2012. With a strong subscription to the ideals of a thriving and prosperous private sector as well as inclusive growth and broad-based human development, the specific objective of the strategy is to improve mobilization, utilization and tracking of Aid for Trade resources that address Member States' needs regarding trade facilitation, infrastructure; trade policy and regulations, and trade related adjustments. It also strengthens the focus on improved transposition and mainstreaming of regional programmes at the national level.

The Regional Integration Support Mechanism (RISM) programme was also amended through a rider to provide wider support for implementation of COMESA and EAC regional integration commitments at the national level. This was additional to the initial focus of revenue loss support that the RISM programme provided which had resulted in disbursement of about €35 million to Burundi and Rwanda. The RISM Programme is funded by the European Union under the 9th European Development Fund (EDF) with resources amounting to €78 million. Under the RISM rider, a balance of €42 million out of €78 million was available as regional integration support for the period 2012-2014. The activities were undertaken under the framework of the COMESA Adjustment Facility, which is the window through which AFT related adjustment support is provided.

The RISM rider includes 18 performance indicators that were drawn from Council Decision in 2011 and a Performance Assessment Framework (PAF) finalised in January 2012 for improved monitoring of transposition and implementation of programmes by Member States. The approval of the rider led to the finalization of the CAF/RISM guidelines, which is the basis for guiding Member States on how to access adjustment support. On this basis, the 3rd Call for Submissions was launched in August 2012 under the new RISM framework for submission of Regional Integration Implementation Programmes (RIIPs) and PAFs with a deadline of November 2012. The call was launched to the 14 COMESA Fund Member States with the exception of Swaziland that only joined the COMESA Fund in November 2012. Secretariat provided technical support to Member States to help them prepare and outline clear RIIPs and PAFs. This support included:

i. A regional workshop held in September 2012 to train Member States on the provisions of the CAF/ RISM guidelines.

ii. National workshops were held in Burundi and Kenya input in drafting the submissions for ISM support.

iii. Short term national consultants were hired for drafting of the RIIPs in Burundi, Kenya, Rwanda and Mauritius.

iv. Missions undertaken to Burundi, Seychelles, Uganda and Zimbabwe

In response to the 3rd Call for Submission, a total of ten countries – Burundi, Comoros, Djibouti, Kenya, Mauritius, Rwanda, Seychelles, Uganda, Zambia and Zimbabwe – submitted RIIPs for consideration by the RISM Advisory Committee. This reflects a response rate of 71% of the 14 eligible Member States. Out of the ten, nine countries – Burundi, Comoros, Kenya, Mauritius, Rwanda, Seychelles, Zambia, Uganda and Zimbabwe – had their RIIPs approved with a total expected disbursement of €9,748,054 to be made in 2013.

Progress was also made in mobilizing additional resources for the RISM consolidation programme to be funded under the 10th EDF envelop. The Project Identification Fiche (PIF) was approved and the Action Fiche submitted for consideration in the last quarter of 2012. The RISM consolidation programme is expected to be approved in 2013 and will provide an additional €33 million to be accessed by Member States in 2014 and 2015.

The RISM programme has contributed to improved national coordination among various institutions involved in the implementation of regional programmes amongst the nine countries whose submissions were approved in December 2012. The programme is structured alongside the formalization of the National Inter-Ministerial Coordinating Committees (NIMCC) by the Member States.

As at 01 December 2012, fifteen countries had signed the COMESA Fund Protocol and fourteen had submitted their instruments of ratification. In 2012, Comoros signed and ratified the COMESA Fund Protocol while Swaziland submitted their instruments of ratification. Twelve countries had made their full contributions to the COMESA Fund. This includes Zimbabwe who made their final contribution in November 2012. This brings the total contributions to US $5,780,000 and represents 57.8% of the total assessed contributions of US $10 million which is meant to support the setting up of the COMESA Infrastructure Fund (CIF).

Table 11 below shows the status of signature, ratification and contribution to the Fund as at December 2012 and also highlights the indicative annual nominal allocations for the COMESA Fund Member States that were eligible to benefit from 2012 allocations under the third call for submissions, and the actual allocations of the nine countries with approved submissions in December 2012.

Table 11: Status of RISM Membership

Member States	Contribution Ratios	Status of Member State Eligibility			Indicative ANA 2012	ANA for Approved RIIPS
		Signed	Ratified	Paid		
Burundi	2.8				823,601	823,601
Comoros	0.9				618,152	618,152
Djibouti	0.9				618,152	-
D R Congo	6.5				1,223,688	-
Egypt	11.5				-	-
Eritrea	0.9				-	-
Ethiopia	5.2				-	-
Kenya	11.5				1,764,345	1,764,345
Libya	11.5				-	-
Madagascar	4				-	-
Malawi	3.6				910,107	-
Mauritius	7.1				1,288,567	1,288,567
Rwanda	2.8				823,601	823,601
Seychelles	0.9				618,152	618,152
Sudan	6.1				-	-
Swaziland	3.0				-	-
Uganda	4.1				964,172	964,172
Zambia	5.2				1,083,117	1,083,117
Zimbabwe	11.5				1,764,345	1,764,345
Total	100	15	14	12	12,500,000	9,748,054

REGIONAL CUSTOMS TRANSIT GUARANTEE

The Regional Customs Transit Guarantee, popularly known as the RCTG CARNET, was developed under the auspices of the Protocol on Transit Trade and Transit Facilities (Annex I of the COMESA Treaty). This transit regime was 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. The RCTG Carnet was rolled out in December 2011 in the Northern Corridor Countries of Kenya and Uganda for good transiting from port of Mombasa into Uganda after a successful pilot test, validation and verification of the modalities of operation of the RCTG Scheme. Currently, selected companies and forwarding companies namely; KUEHNE & NAGEL, SDV-TRANSAMI and SEDAG-INTERFREIGHT are involved in the issuance of RCTG Carnets and over 500 Carnets have been issued with an average bond value of US $561,000.

The Secretariat in collaboration with Revenue Authorities of Kenya and Uganda are in advance stages of including small and medium enterprise clearing and forwarding companies in operations of the scheme. The operations have been expanded to include the Member States of the Northern Corridor of Rwanda and Burundi. Rwanda commenced the operations of the RCTG CARNET in May 2013, for transit goods from Kenya and vice versa. Commencement of operations of the RCTG Carnets in the North-South corridor countries of DR Congo, Malawi, Tanzania, Zambia and Zimbabwe as well as in the Horn of Africa corridor comprising of Djibouti, Ethiopia and Sudan is expected before the end of 2013. It is envisaged that the implementation of the RCTG CARNET will significantly assist Member States, particularly landlocked countries, in the reduction of transport and

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transit costs through eliminating the cost fees of insurance bonds and bank guarantees, collaterals tied up with financial institutions. This would result in less documentation requirements and hence simplify the processes and minimize revenues leakages on customs and delays at borders during customs clearance.

YELLOW CARD

The COMESA Yellow Card as a regional motor vehicle third party insurance protection has continued receiving wide usage by most inter country travelling motorists in the region and beyond. This is evidenced in the increased number of Yellow Card sales recorded by most Member States in 2012. The most notable activities on the operations of the scheme in the region for the period under review include among others; the increase in the number of insurance companies participating in the selling of the COMESA Yellow Card cover, the number of annual Yellow Cards sold, annual insurance premiums collected by insurance companies and the number of claims compensations paid to road accident victims under the scheme.

During the year 2012, about 197 insurance companies were involved in the operations of the scheme and issued over 134,000 Yellow Cards to the travelling motorists. The estimated annual premium income generated was at US $6.7 million; the processed claims were over 357; and the paid claims exceeded US $750,000.00

Tables 12 and 13: Comparison of Yellow Card claims performance for 2011 and 2012

Table 12: 2011 claims performance

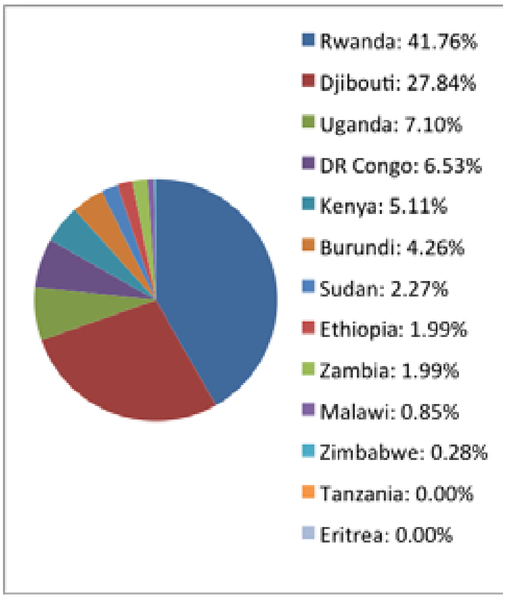


Table 13: 2012 Claims performance

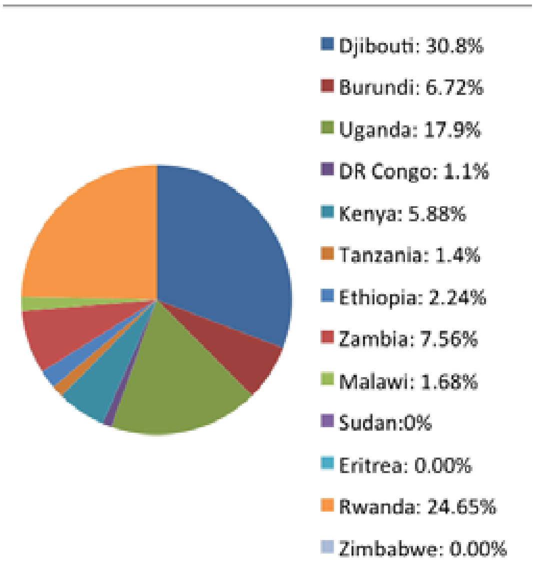


Table 14: Yellow Card Production Figures by Country

National Bureaux	No. of Cards issued	Premium collected in Local currency	Premium in US Dollar
Burundi	9,626	195,389,449.00	132,327.00
DR Congo	5,735	-	335,210.69
Djibouti	644	33,870,576.00	190,284.00
Ethiopia	26,620	20,177,517.59	1,137,316.96
Eritrea	Nil	-	-
Kenya	13,476	118,198,601.94	1,407,126.21
Malawi	578	9,094,238.33	28,870.60
Rwanda	7,636	80,356,640.00	128,488.39
Sudan	57	-	7,941.10
Tanzania	15,599	1,169,570,352.33	738,365.12
Uganda	14,111	2,113,473,519.00	818,224.36
Zambia	25,192	3,020,877,852.81	604,175.57
Zimbabwe	14,410	-	857,913.80
Total	**133,687**		**6,386,243.80**

THE COMESA-EAC-SADC TRIPARTITE TRADE ARRANGEMENT

COMESA continues to work tirelessly to implement the Tripartite FTA, initiated by the Heads of State and Government of the three RECs who agreed to establish a Tripartite FTA and eventually a Tripartite Customs Union. The Tripartite FTA will cover trade among all the 26 countries in the Tripartite Arrangement, while the customs unions in the region would apply only to trade with third countries that are not members of the Tripartite Arrangement. The good performance of the RECs in their trade liberalisation programmes, including COMESA, would continue to provide a solid basis for the Tripartite FTA and Customs Union.

The November 2012 Council of Ministers' Meeting in Kampala, Uganda noted that the Ministerial Task Force was established to work with Member States to finalize the outstanding issues for implementation during the transition period. The outstanding activities are to be addressed in 2013. The work ahead of the Tripartite Trade Negotiation Forum includes:

a. Finalising consideration of the guidelines on selection of observers and participation in the meetings of the TTNF;

b. Commencing on the text based negotiations for the Tripartite FTA as per the approved schedule;

c. Considering the recommendations of the working groups on the Draft Agreement establishing the Tripartite FTA;

d. Considering the recommendations on negotiation of tariff liberalization;

e. Considering the recommendations of the Technical Working Group on Customs;

f. Considering the recommendations of the Technical Working Group on Rules of Origin;

g. Considering the recommendations of the Technical Working Group on NTBs, SPS and TBT.

The TTNF will then forward its recommendations to the ministerial meeting to be held on 8-10 July 2013 in Mauritius, for it to provide guidance and leadership in order to ensure that the negotiations are completed by June 2014 in accordance with the roadmap for the negotiations.

SMALL SCALE CROSS BORDER TRADE FACILITATION

The implementation of the Simplified Trade Regime (STR) is on-going in seven[1] out of ten Member States that agreed to pilot the programme with facilitation from the secretariat. The secretariat has managed to help establish up to twenty-two Trade Information desks within the seven Member States through provision of office infrastructure, staffing and operational resources in order to help support the majority of small traders moving goods in the region. To date, the programme has seen a rise in the number of transactions utilizing the STR averaging about 1000 traders per month with an average of US $580 consignments translating into a trade volume of over US $500,000 a month.

Given the nature of this business, it is evident that the trade volume currently recorded through the STR represents a small share of total small scale cross border trade in the region. A survey carried out by the Cross Border Desk in the secretariat in 2011 and a follow up assessment of the STR in 2012 revealed that for most of the borders the number of traders crossing is in the region of 10,000 to 30,000. Although not all these trader are dealing in 'originating' products, this assessment validates the fact that STR as a trade facilitation tool is underutilized.

Having noted this deficiency under the STR, the secretariat is currently in its first year of piloting the implementation of the Passenger and Cargo Manifest system between Zambia and Zimbabwe with the aim of ensuring comprehensive data capture for small trade as well as enabling expedited clearance of passenger carrying vehicles at border stations. The system records at least 1000 transactions between the two countries in a month.

Member States have since revised the STR threshold value upwards from US $500 to a minimum of US $1,000, reduced the processing fees to under $1 and have dispensed of the certificate of origin. The review of the Common list of products is the only remaining item to be implemented by Member States, the consequences of which include restrictive business for small traders owing to the limited number of products on the current list. As for the PCMS there is ongoing effort to link the system with the currently proposed COMESA virtual trade facilitation system which will help mitigate data management and transmission challenges.

1 *Burundi, Kenya, Malawi, Kenya, Uganda, Rwanda, Zambia and Zimbabwe*

PART: 3
MACRO ECONOMIC DEVELOPMENT

DEVELOPMENTS IN THE COMESA MONETARY INTEGRATION PROGRAMME

The objective of COMESA Monetary and Financial Integration Programme is to create a zone of macroeconomic and financial stability in order to enhance the COMESA economic integration agenda. Under the programme, Member States committed themselves to a process whereby they would implement policy measures aimed at achieving macroeconomic convergence and introduction of currency convertibility. The programme is intended to prepare the ground for a Common Market and eventually culminate in the establishment of the COMESA Monetary Union.

This section elaborates on the benefits and implications of macro-economic stability for the COMESA regional integration agenda, macro-economic developments in the region; progress in the implementation of the COMESA monetary and financial integration agenda; challenges of achieving macro-economic convergence in the region and recommendations to enhance that convergence.

The Benefits

The benefits of the macro-economic convergence programme of COMESA, among others, are the following:

- A stable macro-economy provides the framework for an improved supply side performance;
- A stable low inflation encourages higher investment which is a determinant of improved productivity. Investments are long-term decisions that require a minimum level of forecasting clarity. Firms are reluctant to invest in an environment in which the stance of future policies is unclear or is not credible.
- Control of inflation helps to maintain a country's competitiveness for exporters;
- Stability breeds higher levels of consumer and business confidence;
- The maintenance of steady growth and price stability helps to keep short term and long term interest rates low, and thus reduces debt servicing costs of people and business with bank loans to repay; and
- A stable macro-economy helps to anchor stable expectations and this can act as an incentive for an economy to attract inflows of foreign direct investment.

The following are implications of stable macro-economy for the COMESA Regional Integration Agenda:

- Ensures competitiveness of the member countries' economies.
- On the trade side, removing supply side constraints through modernizing financial infrastructure; fostering implementation of various international standards and practices in the financial, fiscal and monetary sectors that would ensure regional harmonization, and improving the business environment. All these have significant impact on the effectiveness of the COMESA FTA and the Customs Union.

- Enhance implementation of the Common Market Stage of the COMESA Regional Integration agenda. This will enable Common Market to respond to economic signals and achieve unfettered mobility of labour and capital. This will, in turn, result in a more efficient allocation of resources.

MACRO-ECONOMIC DEVELOPMENTS IN 2012

The following section outlines the macro-economic stability in the region in 2012, based on the assessment of the following indicators:

i) Real GDP growth;

ii) Fiscal Deficit (Excluding Grants) to GDP ratio;

iii) Inflation;

iv) Monetary Policy;

v) Current Account of Balance of Payments; and

vi) Net External Reserve Positions

Growth Performance

Achieving greater economic growth is the major economic policy challenge facing the Member States. Sustained high growth is needed to improve living standards, reduce unemployment, and provide jobs for the growing labour force. Improving the investment performance in both human and physical capital is an important determinant of the region's ability to grow. While there are important differences among countries in the region, investment levels have generally been low both in absolute terms and relative to other developing countries. The central concern is, therefore, to move the economies into a virtuous cycle of higher investment and higher growth. The key factors here are: maintaining stable macro-economic conditions; investing effectively in infrastructure and social sector; strengthening the institutional base; ensuring peace in the region; and concurrent reduction in country risks.

The assessment of growth performance in the region in 2012 shows a growth rate of 5.4 percent in 2012, down from 5.7 percent in 2011 but well above the world average of 2.2 percent. Despite continued fiscal consolidation in industrialized economies, slower than expected recovery from a weakened global financial system, depressed commodity prices, and continued low confidence in the policies of advanced economies, the region's economic growth remained strong reflecting the increasing resilience of the economies of the Member States. However, the region still relies heavily on output of primary commodities. Big investment largely remains concentrated in a number of Member States in capital intensive extractive industries with few forward and backward linkages with the rest of the economy. As a result they have low employment intensity - the ability to generate jobs. Thus the region suffers from downside risks of high unemployment and inequalities. Wider diversification from primary commodity production to the non-primary commodity sectors is, therefore, needed.

In many countries, growth was underpinned by a variety of factors, namely:

i. Strong demand and high prices for non-oil commodities and strong performance in agriculture, services and other sectors;

ii. Growing domestic demand, especially private consumption, as a result of rising incomes and urbanization;

iii. Increased private investment;

iv. Increasing public spending, particularly on major infrastructure projects and the provision of public services;

v. Increasing trade and investment between emerging and developing economies. This helped to mitigate the impact of the recession in Europe;

vi. Increased foreign investment in extractive industries;

vii. Increasing diversification of national economies into non-primary-commodity sectors such as manufacturing, telecommunications, banking and services;

viii. Despite slowdown in the global economy, many Member States benefitted from foreign capital. Further, while overall FDI inflows declined, those originating from emerging economies, particularly for extractive industries actually increased and remittances remained high, supporting investment and demand in several Member States; and improved macro-economic management and prudential macro-economic policies.

Growth prospects for 2013 remain robust with average real GDP growth projected at 5.9 percent. On top of the key growth factors that underpinned the region's economic performance in 2012, recent discoveries of natural resources will boost prospects for growth. Robust domestic demand, especially private consumption and buoyant fixed investment in infrastructure and extractive industries, as well as high government spending will remain key drivers of economic growth in the region in the medium term.

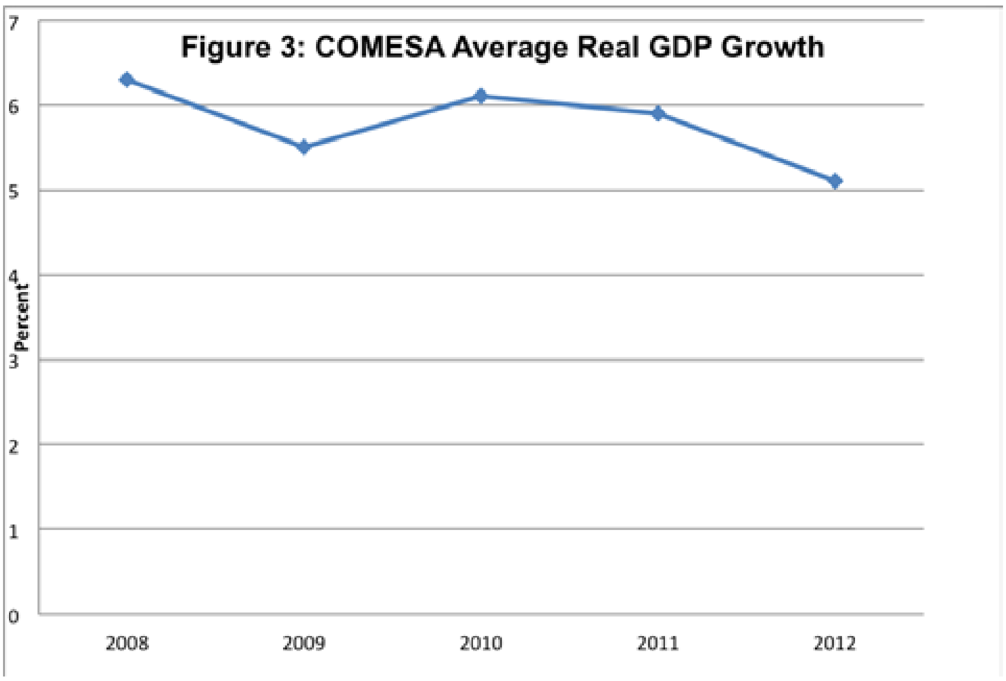
The down side risks for economic growth include, among others, weak institutional capacity, huge infrastructure deficit, and slowing global growth (including major emerging countries) and the Euro debt crisis. Table 15 below depicts real percentage GDP growth in the region over the past five years:

Table 15: Real Percentage GDP Growth

Country	2008	2009	2010	2011	2012	2013 (projections)
Burundi	5.0	3.5	3.8	4.2	4.0	4.5
Comoros	1.0	1.8	2.1	2.2	2.5	3.5
Congo DR	5.6	7.5	7.2	6.9	7.1	8.3
Djibouti	5.8	5.0	3.5	4.5	4.8	5.0
Egypt	7.2	4.7	5.1	1.8	2.2	2.0
Eritrea	-9.8	3.9	2.2	8.7	7.0	3.4
Ethiopia	11.2	10.0	8.0	7.5	7.0	6.5
Kenya	1.5	2.7	5.8	4.4	4.7	5.8
Libya	5.4	-0.1	2.5	-61.0	104.5	20.2
Madagascar	7.1	-4.1	0.4	1.8	1.9	2.6
Malawi	8.3	9.0	6.5	4.3	1.9	5.5
Mauritius	5.5	3.0	4.1	3.8	3.3	3.7
Rwanda	13.4	6.2	7.2	8.3	7.7	7.6
Seychelles	-1.9	-0.2	5.6	5.0	2.8	3.2
Sudan	3.2	3.0	5.2	2.7	-4.4	1.2
Swaziland	3.1	1.2	1.9	0.3	-1.5	0.0
Uganda	7.7	7.1	5.6	6.7	2.6	4.8
Zambia	5.7	6.4	7.6	6.8	7.3	7.8
Zimbabwe	-18.3	6.3	9.6	9.4	5.0	5.1
COMESA	6.3	5.5	6.1	5.9	5.1	5.8

Source: IMF Regional Economic Outlook Sub Saharan Africa May 2013; IMF Regional Economic Outlook Update Middle East and Central Asia May 2013, IMF Article IV Staff Reports

Figure 3 below indicates the average real GDP growth in the COMESA region over the same period:



Fiscal Policy

Policy makers in the region have recognized the consequences of fiscal imbalances: low savings, inflationary pressures, a build-up of domestic and external debt, and unstable macroeconomic environment that is not conducive to private investment. They understand the implications of these adverse developments for the achievement of their principal policy objectives—higher and sustainable economic growth, employment creation, and an improvement in the standard of living of the population. There is also an increasing awareness of the need to address the vulnerable nature and inflexibility of the structure of their budgets, particularly in the context of adverse exogenous developments. In the past few years, COMESA Member States implemented important fiscal reform measures, leading to tangible progress in reducing the fiscal imbalances and improving the structure of expenditure and revenue.

In 2012, the region's average fiscal deficit, excluding grants, narrowed slightly to 5.9 percent of GDP from 6.1 percent in 2011. Many Member States maintained accommodative fiscal policies owing to the significant requirements of public investments in areas of infrastructure and employment creation.

As part of the desire to reduce dependence on external assistance and mobilize domestic resources, tax efforts picked up in many Member States. Therefore, supported by strong economic growth, many Governments widened the tax base and improved tax collection and administration. The recent discoveries of minerals in a number of the Member States are also expected, in the medium term, to further expand fiscal space as well as public spending.

In the way forward the stance of fiscal policy should be improved further, to make it sustainable and credible to achieve the following:

- Enhance macro-economic stability, increase savings, and promote capital accumulation;
- Ensure that budget deficits do not crowd out productive private investment;
- Public expenditure should aim to raise the rate of economic growth by supporting the accumulation of both physical and human capital. Typically, this involves spending on basic services such as education, health, and infrastructure that complement efforts by the private sector;
- Revenues should be mobilized in a manner that minimizes the distortionary effects of taxes on the returns to factors of production and on international trade and does not render public finances vulnerable to exogenous shocks

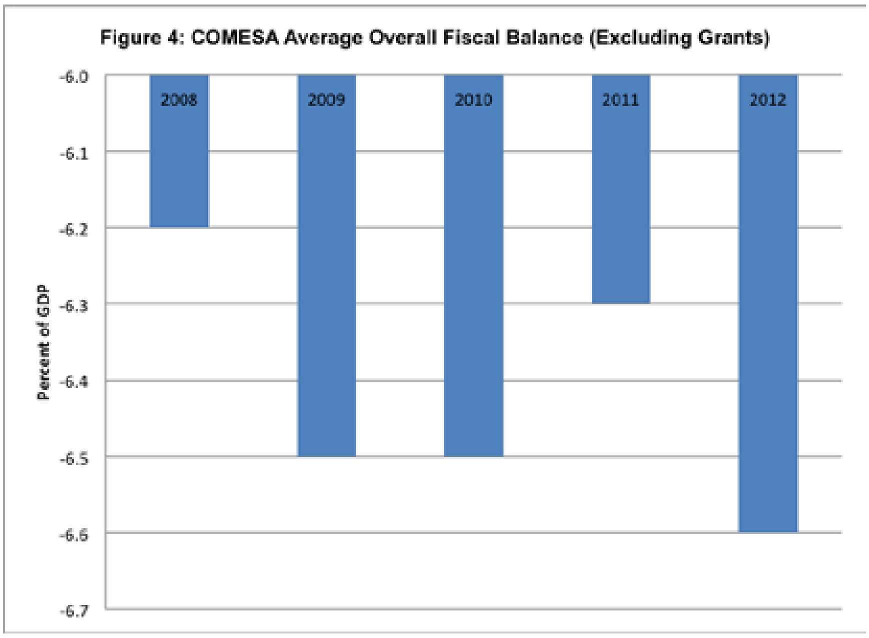
The table below depicts the overall fiscal balance, excluding the grants given to the Member States in the last five years.

Table 16: Overall Fiscal Balance, Excluding Grants (Percent of GDP)

Country	2008	2009	2010	2011	2012	2013 (Projections)
Burundi	-27.7	-24.5	-15.8	-14.9	-19.8	-16.4
Comoros	-13.0	-9.1	-7.8	-6.0	-5.4	-11.1
Congo DR	-6.4	-10.1	-9.1	-10.3	-10.7	-10.3
Djibouti*	1.3	-4.6	-0.5	-0.7	-2.7	0.8
Egypt*	-8.0	-6.9	-8.5	-9.6	-10.7	-11.3
Eritrea	-24.0	-17.3	-21.3	-19.4	-14.7	-13.0
Ethiopia	-6.9	-5.2	-4.6	-4.8	-3.0	-4.3
Kenya	-5.4	-6.2	-6.3	-5.7	-6.6	-6.1
Libya*	25.2	-3.0	8.9	-15.4	20.8	18.4
Madagascar	-5.4	-4.2	-1.5	-4.8	-4.0	-4.4
Malawi	-6.0	-5.1	-1.6	-3.5	-17.3	-16.6
Mauritius	-3.4	-5.2	-3.2	-3.2	-2.5	-2.5
Rwanda	-10.0	-11.4	-13.1	-13.1	-12.5	-12.7
Seychelles	2.0	-1.3	-1.7	0.1	-3.7	-1.4
Sudan*	-0.6	-5.1	0.3	0.2	-5.0	-4.0
Swaziland	-1.3	-6.7	-11.7	-5.8	3.5	-2.3
Uganda	-5.6	-5.2	-9.7	-5.3	-5.7	-4.9
Zambia	-4.9	-5.4	-4.8	-2.9	-6.0	-5.8
Zimbabwe	-2.7	-3.4	0.9	-1.7	-0.9	0.2
COMESA	-6.4	-6.6	-6.6	-6.1	-5.9	-5.9

*Source: IMF Regional Economic Outlook Sub Saharan Africa May 2013; IMF Regional Economic Outlook Update Middle East and Central Asia May 2013, IMF Article IV Staff Reports Note: *Data for country includes grants*

Figure 4: below indicates the average overall fiscal balance (excluding grants) in the COMESA region over the same period:



Monetary Policy

In line with the general trend towards deregulation and liberalization, most COMESA member countries moved towards adopting indirect instruments of monetary control; removing distortions such as credit ceilings, among others. While such efforts attest to the relatively widespread use of indirect instruments of monetary policy, in many cases market mechanisms have not operated fully in the allocation of liquidity or the determination of interest rates. As a result, many Member States experienced very wide interest rate spreads.

The safety and soundness of financial institutions has become an important issue worldwide and also in the COMESA region in the wake of the financial crisis. Bank supervision and regulation has been improved with many countries having taken steps to conform to international norms.

A review of developments in the Monetary Policy stance in 2012 demonstrates that monetary policies varied depending on the individual circumstances in the Member States, but generally remained focused on controlling inflation and operating in an environment continuing to face risks from the global economic downturn. A number of central banks in the region pursued accommodative monetary policies owing to declining inflation from improved rainfall and increasing agricultural production, but also to stimulate domestic demand, owing to the fact that a solid global recovery is unlikely to happen soon. Others, like Kenya and Uganda, had to operate differently due to inflationary pressures caused by exchange rate depreciation. These economies saw their currencies devaluing, while facing inflation, which led to a tightening of monetary policies.

Inflation

Inflation, especially at very high and variable levels, distorts relative prices, creates uncertainty, and contributes to inefficiencies in the allocation of resources. Empirical studies have shown that countries with high and variable inflation rates invest and grow less rapidly than countries with low inflation.

Average inflation in the region dropped in 2012 to 13.1 percent, compared to an average inflation rate of 17.5 percent in 2011. The ease in inflation is attributed to the prior tightening of monetary policies in the Member States, and to improved weather conditions in Eastern Africa.

The region's average inflation is expected to decline in 2013, provided global food and energy prices decline or stabilize and the improved weather conditions continue. According to IMF projections, inflation levels will continue to vary widely among Member States, but are overall expected to continue the downward trend in 2013 with four countries projected to meet the COMESA primary convergence criteria of not more than five percent while the majority will manage to keep inflation in the single digits.

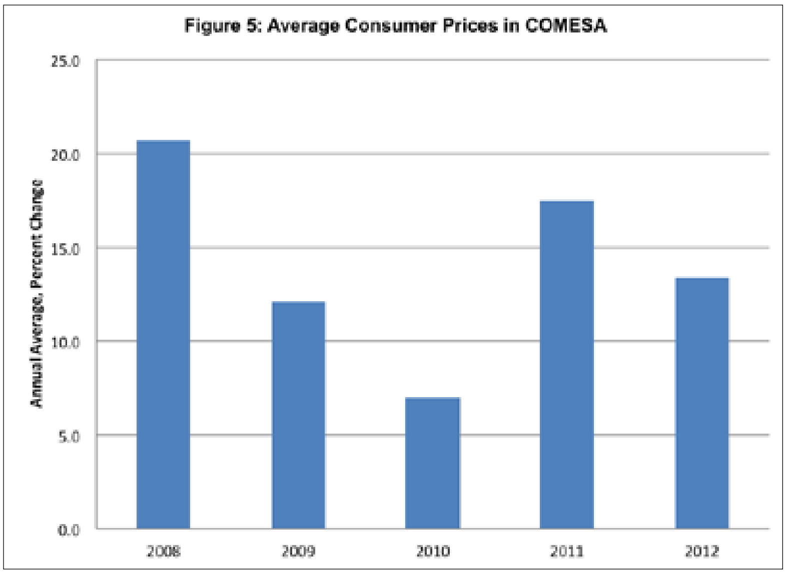
Table 17: shows the average annual percentage consumer price increases for the region for the past five years.

Table 17: Consumer Prices (Annual average %)

Country	2008	2009	2010	2011	2012	2013 (projections)
Burundi	26.0	4.6	6.5	9.6	11.8	9
Comoros	4.8	4.8	3.9	6.8	6.0	4.3
Congo DR	18.0	46.2	23.5	15.5	9.3	6.8
Djibouti	12.0	1.7	4.0	5.1	3.7	2.5
Egypt	18.3	11.7	11.1	10.1	8.4	10.9
Eritrea	19.9	33.0	12.7	13.3	12.3	12.3
Ethiopia	44.4	8.5	8.1	33.1	22.8	8.3
Kenya	15.1	10.6	4.1	14.0	9.4	5.2
Libya	10.4	2.4	2.5	14.1	6.1	2
Madagascar	9.2	9.0	9.2	9.5	6.5	7.0
Malawi	8.7	8.4	7.4	7.6	21.3	20.2
Mauritius	9.7	2.5	2.9	6.5	3.9	5.7
Rwanda	15.4	10.3	2.3	5.7	6.3	4.9
Seychelles	37.0	31.7	-2.4	2.6	7.1	4.6
Sudan	14.3	11.3	13.0	18.1	35.5	28.4
Swaziland	12.7	7.4	4.5	6.1	8.9	8.1
Uganda	12.0	13.1	4.0	18.7	14.1	5.5
Zambia	12.4	13.4	8.5	8.7	6.6	6.5
Zimbabwe	157.0	6.2	3.0	3.5	3.7	4.5
COMESA	22.3	12.1	7.0	17.5	13.1	7.1

Source: IMF Regional Economic Outlook Sub Saharan Africa May 2013; IMF Regional Economic Outlook Update Middle East and Central Asia May 2013, IMF Article IV Staff Reports

Figure 5: below indicates the average annual consumer price changes in the region over the same period:



Developments in Current Account of Balance of Payments

The current account of balance of payments deficit (excluding grants) remained largely unchanged in the COMESA region, averaging about 8.9 percent of GDP in 2012 as compared to 8.3 in 2011. The average deficit for the COMESA region stood at 8.23 percent of GDP for the period 2008 to 2012. The lack of significant improvement in the current account deficit in Member States can be attributed to persistent trade imbalances due to a combination of declining export demand and relatively inelastic import bills for fuel and food products faced by most Member States.

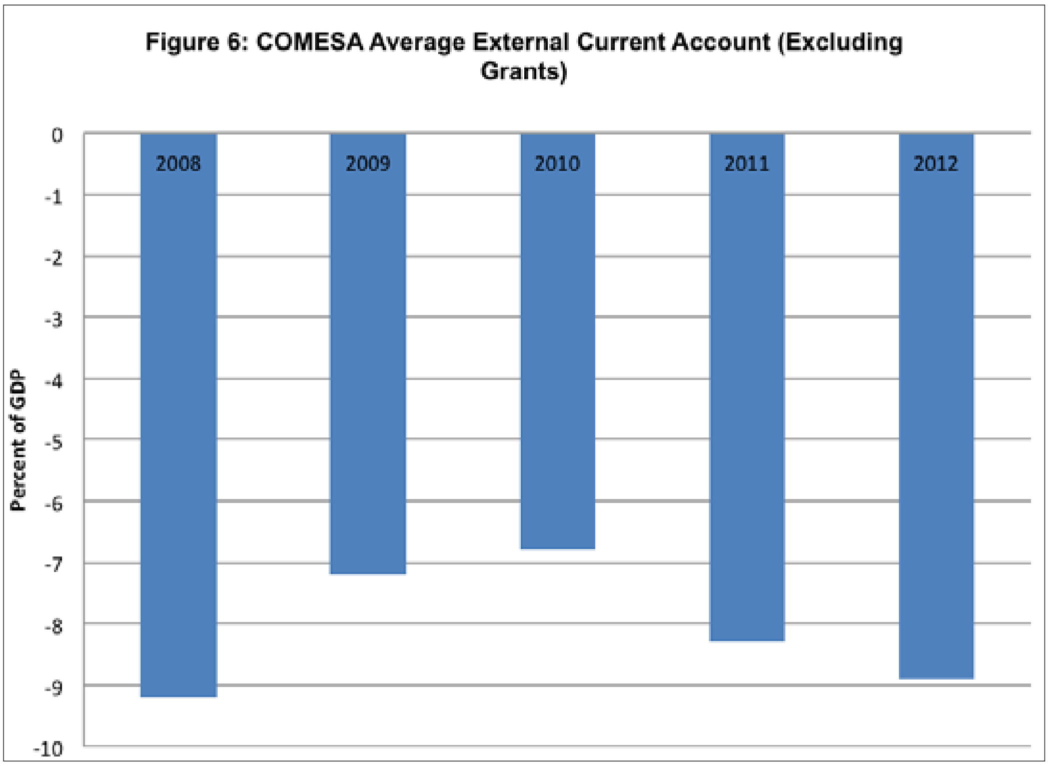
The external current account deficit is not expected to improve in 2013 unless the global economy recovers strongly.

Table 18: Current Account of Balance of Payments (excluding grants as a % of GDP)

Country	2008	2009	2010	2011	2012	2013 (Projections)
Burundi	-21.5	-13.9	-29.5	-25.6	-26.3	-24.2
Comoros	-13.1	-10	-14.6	-9	-5.4	-9.6
Congo DR	-24.7	-21.6	-14.8	-16.7	-16.8	-16.3
Djibouti*	-24.3	-9.3	-5.8	-12.6	-13.4	-11.0
Egypt*	0.5	-2.4	-2.4	-1.5	-3.1	-2.1
Eritrea	-8.3	-10.2	-10.8	-2.6	1.1	1.5
Ethiopia	-10.5	-9.9	-10.4	-5.3	-9.9	-11.5
Kenya	-6.5	-5.7	-6.4	-9.6	-9.1	-7.8
Libya*	42.5	14.9	19.5	9.1	35.9	25.8
Madagascar	-21.4	-21.2	-9.7	-7.6	-8	-5.5
Malawi	-20.8	-14.2	-17	-12.3	-18.9	-15.9
Mauritius	-11	-8.5	-10.9	-13.4	-10.7	-10.4
Rwanda	-14.4	-17.2	-17.5	-19	-20.1	-19.8
Seychelles	-23.8	-15	-22.6	-25.2	-27	-19.7
Sudan*	-1.5	-9.6	-2.1	-0.4	-11.2	-6.9
Swaziland	-11.6	-18	-20.8	-19.5	-17.2	-20.8
Uganda	-9.4	-11	-12.9	-14.5	-12.7	-14.1
Zambia	-9.4	1.8	5.6	0.7	-3.9	-3.1
Zimbabwe	-32.1	-32.9	-29.1	-39.4	-27.6	-26
COMESA	-9.2	-7.2	-6.8	-8.3	-8.9	-9

*Source: IMF Regional Economic Outlook Sub Saharan Africa May 2013; IMF Regional Economic Outlook Update Middle East and Central Asia May 2013, IMF Article IV Staff Reports Note: *Data for country includes grants*

Figure 6 below indicates the average external current account (excluding grants) in the region over the same period:



Reserves

In 2012, net external reserves levels remained unsatisfactory in a number of Member States, at an average coverage level of three months of imports of goods and services. The majority of countries did not meet the agreed upon COMESA convergence criteria of not less than four months of imports of goods and services, needed to ensure comfortable balance of payments position and space for macro-economic adjustments in unpredictably changing economic environments.

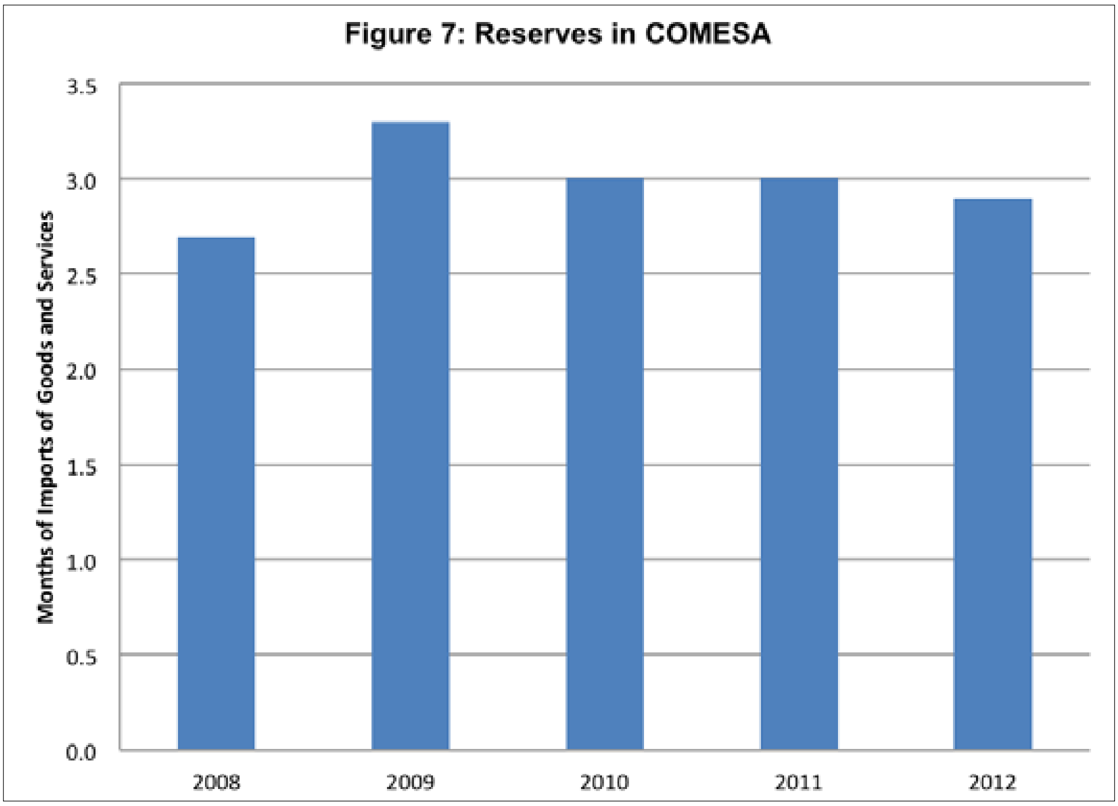
The table below indicates the reserves in Member States (that is the months of imports of goods and services available in a given financial year) for the last five years.

Table 19: Reserves (Months of Imports of Goods and Services)

Country	2008	2009	2010	2011	2012	2013(Projections)
Burundi	6.4	4.4	4.1	3.4	3.8	3.6
Comoros	5.3	6.6	5.7	6.0	7.0	7.5
Congo DR	0.1	1.2	1.3	1.4	1.6	1.7
Egypt	6.7	5.8	5.8	5.5	5.4	5.3
Eritrea	1.6	2.2	2.3	2.0	3.4	4.1
Ethiopia	1.1	2.2	2.5	2.8	1.7	1.7
Kenya	3.0	3.4	3.2	2.9	3.7	3.4
Libya	40.9	38.1	78.3	41.6	39.1	40.0
Madagascar	3.0	4.2	3.7	3.9	3.5	3.6
Malawi	2.4	1.9	3.1	1.5	1.5	2.4
Mauritius	4.1	4.3	4.8	4.5	4.2	4.2
Rwanda	4.7	5.4	4.5	5.1	5.2	4.6
Seychelles	0.7	2.0	2.1	2.3	2.5	2.5
Sudan	2.1	1.5	0.6	1.2	1.5	1.6
Swaziland	3.8	4.4	3.3	2.6	3.5	3.2
Uganda	5.0	5.7	4.5	4.0	4.6	4.3
Zambia	3.2	4.0	3.3	3.0	3.5	3.3
Zimbabwe	0.2	1.7	1.0	0.9	0.8	0.8
COMESA	2.7	3.3	3.0	2.9	3.0	2.9

Source: IMF Regional Economic Outlook Sub Saharan Africa May2013; IMF Regional Economic Outlook Update Middle East and Central Asia May 2013, IMF Article IV Staff Reports

Figure 7 below shows COMESA region's total reserves above in the same period:



Progress in the Implementation of the Monetary Integration Agenda

The 18th Meeting of the Committee of Governors of Central Banks was held in Kigali, Rwanda on 11-12 December 2012. This meeting was preceded by the meeting of the Experts on Finance and Monetary Affairs in the region. In this meeting, the Governors emphasized the need for speedy utilisation of the Regional Payment and Settlement System (REPSS). The Governors fully agreed that the following benefits will be obtained by the speedy operationalisation of REPSS by Member States.

i. It guarantees prompt payment to the exporters – the money is available on the following day after the importer deposits the required amount at a Central Bank;

ii. The system builds trust amongst traders, and would lead to an increase in intra-regional trade;

iii. It drastically reduces the cost of making intra-regional trade transactions;

iv. The system levels the playing field by getting all commercial banks to deal directly with one another, without having to go through banks outside the region;

v. The requirement by the exporters for confirmation of the letter of credit by a first class international bank falls away as Central Banks are directly involved in REPSS and provide all the assurances required by the exporter to have its commercial bank deal directly with the importers' bank. The savings made by Member States for channeling intra-COMESA import transactions through REPSS where no confirmation of letter of credit is required have been estimated at US $67 million.

vi. Subsequent to trust building and confidence amongst traders of the region and their commercial banks, REPSS ultimately gets trade transactions to be effected on open account. This will bring about significant savings estimated at US $333.2 million for Member States.

The Governors noted the following progress made by Member States towards achieving the agreed upon macro-economic convergence criteria:

i) The fiscal criteria was missed by 10 out of 19 countries;

ii) The inflationary criteria was missed by 14 countries;

iii) The performance of the Member States in respect of compliance with the secondary criteria as regards to the use of indirect monetary policy instruments, moving towards market determined exchange rates; adherence to the 25 Core Principles of Bank supervision and Regulation and adherence to the Core Principles for Systematically Important Payment Systems were in the right direction.

The Governors agreed that the COMESA Multilateral Fiscal Surveillance Framework is a useful instrument that will assist the region to achieve fiscal discipline which requires avoiding disharmonies between fiscal and monetary policies in order to make the region a zone of macro-economic stability.

The Governors also noted that a number of Central Banks in the region had started implementing the COMESA Financial System Development and Stability Assessment Framework. In this regards, a number of countries established the financial stability unit or committee; and some had started producing financial stability assessment reports, as well as implementing the SHIELD rating system.

They also underscored that this is crucial for the achievement of the COMESA Customs Union and the Common Market. In this regard, they noted that the implementation templates and guidelines of the COMESA Multilateral Fiscal Surveillance Framework were developed and validated by the Joint Meeting of the COMESA Fiscal Affairs and Monetary Affairs Committees. The tools will be submitted to the Joint Meeting of Ministers of Finance and Central Bank Governors for endorsement in 2013.

The Governors also reviewed the implementation status of the COMESA Monetary Integration Programme and approved the 2013 work plans of the Monetary and Exchange Rates Policies and Financial System Development and Stability Sub-Committees. They also approved the Medium Term Strategic Plan for COMESA Monetary Institute for the period 2013-2017.

Challenges in Implementing the Macro-Economic Convergence Criteria

Progress towards macro-economic policy convergence by the Member States as indicated above demonstrates moderate performance. Twelve (12) Member States out of 19 missed the fiscal criteria of fiscal deficit excluding grants to GDP ratio of not more than five percent. The performance of Member States in respect of compliance with the secondary criteria as regards to the use of indirect monetary policy instruments; moving towards market determined exchange rates; adherence to the 25 core principles of bank supervision and regulation; and adherence to the core principles for systematically important payment systems were in the right direction.

The dynamic nature of the international development environment, the debt situation, and strong pressures for reducing poverty and investment in social sectors has impacted on countries' ability to meet targets, particularly with respect to budget deficits. However, overall, countries have made tremendous efforts in reducing inflation, with many of them maintaining single digit inflation levels. Initiatives towards debt cancellation and rescheduling have also contributed a great deal to reducing the debt stock, Budget deficits also remain a key challenge as governments have had no choice but to resort to borrowing to cover gaps between revenues and recurrent and capital expenditures.

More specifically, the following are some of the challenges faced by member countries in the implementation of macro economic convergence criteria in COMESA:

i. Insufficient coordination between fiscal and monetary policy;

ii. Undiversified nature of the financial markets and instruments;

iii. Weak monetary transmission mechanisms;

iv. Lack of timely , accurate and high frequency data;

v. Disharmony in concept and methodology of compiling macroeconomic statistics;

vi. Lack of technical and institutional capacity; Heavy reliance on few export commodities which greatly expose member countries to economic shocks and may limit their ability to cope with these shocks;

vii. Variation in the degree of external sector openness;

viii. A high degree of exposure to external shocks such as drought, increase in oil prices etc;

ix. Iinsufficient national ownership of the programmes; and

x. Lack of formal mechanisms for the enforcement of penalties on poor performers.

Conclusions

Notwithstanding the positive outlook, the COMESA region's overall dependence on commodities makes it vulnerable to commodity price shocks. The region, therefore, needs structural transformation and diversified products with value addition as a means of mitigating the impact of volatility and fluctuations linked to unprocessed commodity exports. The importance of accelerated industrialization can also not be over-emphasized as this will help to cushion against these effects. Also, the trade barriers, unsound investment policies, and technological challenges beyond institutional and infrastructural issues, have to be resolved.

Recommendations:

i. Implementation of policies that will move the economies in the region into a virtuous cycle of higher investment and higher growth;

ii. Continuation with the macro-economic stabilisation objectives by implementing the COMESA Multilateral Fiscal Surveillance Framework;

iii. Diversification of exports in order to reduce vulnerability of member countries to Terms of Trade shocks;

iv. Enhancement of harmonisation of concepts, methodologies and statistical framework for compilation of macroeconomic statistics;

v. Enhancement of national ownership of the programmes by mainstreaming the macroeconomic convergence benchmarks into the national planning and decision making framework;

vi. Embarking on improving trade linkages by reducing trade barriers to stimulate regional growth and pursue increased economic co-operation;

vii. Promoting efficient allocation of resources through increased reliance on competition and market forces to: deepen the financial markets and diversify instruments; strengthen the financial situation of intermediaries; enhance prudential regulation and supervision. All these will create a dynamic financial system which can help mobilize domestic savings as well as intermediate higher foreign capital without putting domestic financial stability at risk.

viii. Designing effective risk-sharing and compensatory mechanisms to facilitate implementation of union wide macro-economic policies.

ix. Facilitating free factor (capital and labour) mobility among Member States by intensifying financial system integration. For example, capital market integration is expected to both lower the cost of financial capital and foster a reallocation of capital from capital abundant to capital scarce countries;

x. Ensuring financial system stability by implementing the COMESA Framework for Assessing Financial System Stability;

xi. Designing innovative means of financing the regional integration agenda of COMESA; and

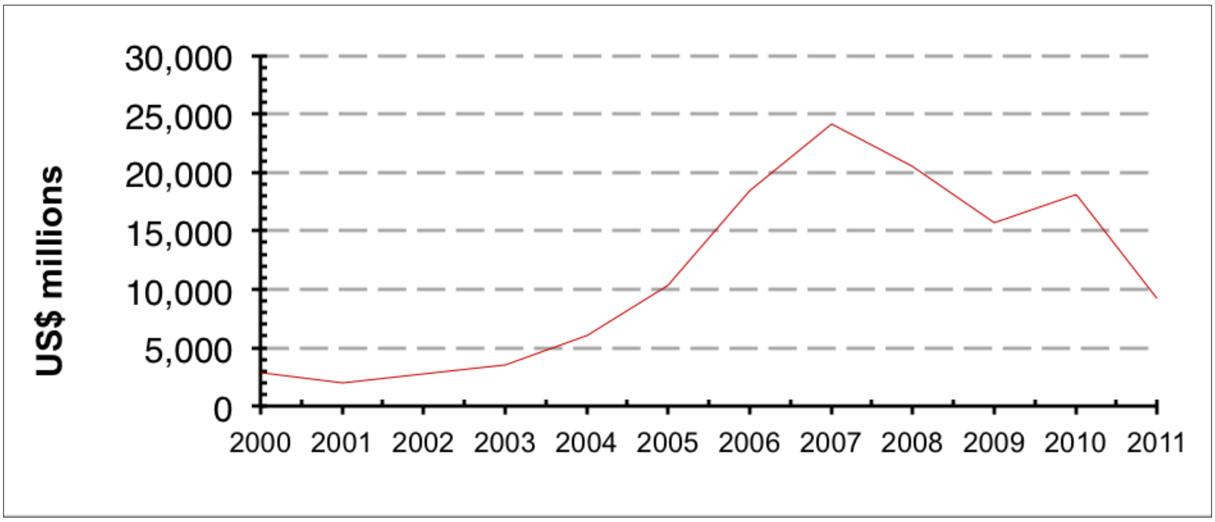
xii. Strong commitment by the Member States to the implementation of all the above policies.

Inward Foreign Direct Investment

Following the recovery in FDI inflows, the political unrest in both Libya and Egypt did impact FDI performance in 2011. For Egypt in particular, the period witnessed a retreat in net investments, a decline in Greenfield FDI as well as a decline in FDI in the real estate sector. Hence overall COMESA inward FDI decreased by 49% in 2011 compared to its 2010 levels. Without the impact of this unique set of circumstances, COMESA, as a collective region, would have registered net positive growth in FDI inflows. Among the countries that experienced the most significant growth in FDI in 2011 are Rwanda (151%), Zimbabwe (133%), Ethiopia (117%), and Kenya (79%). In addition to Egypt and Libya, both Sudan and Congo DR recorded declines in FDI inflows.

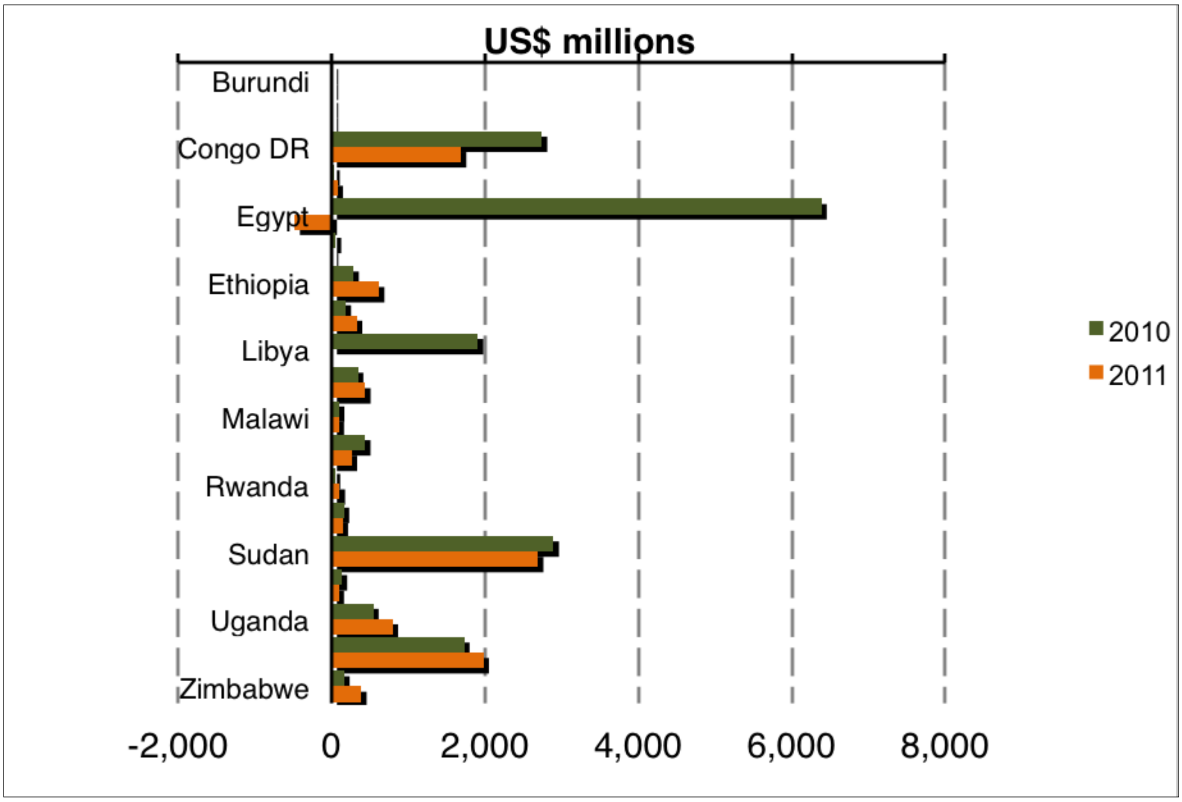
In terms of total COMESA FDI inflows, Sudan, Zambia and Congo DR accounted for the highest shares of 29%, 21% and 18% respectively in 2011.

Figure 8: Total COMESA Inward FDI 2000-2011



Source: COMESA and UNCTAD

Figure 9: COMESA Country FDI Inflows, Millions US$



Source: COMESA and UNCTAD

Table 20: Inward FDI Flows by Country

	007	2008	2009	2010	2011	Growth rate (2010-2011)
Burundi	0.5	3.2	0.3	0.8	3.4	337.7
Comoros	7.7	4.6	13.8	3.9	6.8	73.0
Congo DR	1,808.0	1,726.8	-243.2	2,742.3	1,686.9	-38.5
Djibouti	195.4	228.9	99.6	36.3	78.7	116.9
Egypt	11,578.1	9,494.6	6,711.6	6,385.6	-482.7	-107.6
Eritrea	-0.1	-0.2	0.0	55.6	18.5	-66.7
Ethiopia	215.2	107.0	226.9	285.7	619.0	116.6
Kenya	631.5	85.1	139.9	184.3	330.3	79.2
Libya	3,850.0	3,180.0	3,310.0	1,909.0	0.0	-100.0
Madagascar	321.3	499.7	525.9	344.2	438.9	27.5
Malawi	124.4	195.4	49.1	97.0	92.4	-4.8
Mauritius	339.1	382.9	247.8	437.7	263.2	-39.9
Rwanda	82.3	103.4	118.7	42.3	106.2	150.9
Seychelles	126.5	129.8	118.4	159.8	144.7	-9.5
Sudan	2,436.3	2,600.5	2,662.1	2,894.4	2,691.7	-7.0
Swaziland	37.4	105.7	65.6	133.5	92.2	-30.9
Uganda	792.3	728.9	841.6	543.9	796.9	46.5
Zambia	1,323.9	938.6	694.8	1,729.3	1,981.7	14.6
Zimbabwe	68.9	51.6	105.0	165.9	387.0	133.3
COMESA	**23,938.6**	**20,566.6**	**15,688.0**	**18,151.6**	**9,255.8**	**-49.0**

Source: COMESA and UNCTAD

The ratio of inward FDI to GDP measures the extent of globalization through FDI. Among the countries that recorded the highest ratios in 2011 were Seychelles (14.3%), DRC (10.8%) and Zambia (10.3%).

Intra - COMESA FDI Inflows

It is now more evident than ever that investors from Europe, US and Asia are investing in Africa. The Ernest and Young survey has demonstrated that between 2003 and 2011, intra-African FDI projects in Africa grew at 23 percent annual compound rate. Since 2007, that rate has increased to 32.5 percent, more than double the growth in investment from non-African emerging markets and almost four times faster than FDI from developed markets.

With companies like MTN and Shoprite among the first to venture further north, South Africa has led the way in intra-African investment. Nigeria's Dangote cement is investing US $5 billion with projects planned in Cameroon, Senegal, Ethiopia, Zambia and South Africa. Kenya and Nigeria banks have also expanded into the region. As Ecobank, Nigeria; and the United Bank for Africa have operations in 18 other African countries.

Focusing on our region, a number of COMESA countries have introduced and sustained survey based FDI estimates. These surveys have provided a basis for the estimation of intra COMESA and intra African FDI flows. The years reported in Table 18 represent the national surveys conducted between the time period starting in 2007 and ending in 2011. In order to assess the size of intra regional FDI inflows, Table 18 presents period averages of FDI for the years that each reporting country reported FDI source data. Egypt's average FDI inflows from the COMESA region amounted to US $51.77 million during this time frame.

The majority of the FDI received by Egypt was contributed by Libya, especially prior to 2011. Inflows into Egypt from Libya in 2011 fell by 96% when compared to the previous year of 2010. COMESA originating FDI into Egypt was 100 percent of all African originating inflows over the years 2007 and 2011. Results from the Kenya 2010 Foreign Investment Survey indicate that South Africa was the largest African investor in Kenya followed by Tanzania, Mauritius and Uganda.

Zambia's FDI inflows from COMESA amounted to US $68.52 million between 2007 and 2010 mostly from Libya followed by Mauritius. Average FDI inflows into Madagascar amounted to US $49.86 million between 2007 and 2010, mainly from Mauritius. FDI inflows into Malawi from COMESA and South Africa were worth US $19.7 million and US $20 million respectively in 2010. Tanzania contributed US $10 million to Malawian FDI inflows in the same period. Average inflows into Swaziland between 2007 and 2010 were in the region of US $46.30 million all sourced from South Africa.

The bulk of intra African FDI inflows for Egypt, Madagascar, Rwanda, Uganda and Zambia were from COMESA followed by South Africa as a source.

Table 21: Intra COMESA and Intra African FDI Inflows for Selected COMESA Member States (Value in million US$)

Destination Country	Periods Covered	COMESA	EAC/SADC	South Africa	Rest of Africa
Egypt	2007-2011	51.77			1.88
Kenya	2007-2008	5.82	8.92	45.66	-0.22
Madagascar	2007-2010	49.86		0.49	
Malawi	2010	19.70	10	20	
Mauritius	2007-2011			147.56	
Rwanda	2010	76.43			
Swaziland	2007-2011			46.30	
Uganda	2007-2010	70.94		56.09	
Zambia	2007-2010	68.52	-1.70	42.67	

Source: COMESA

Outward FDI

Among the reporting countries, FDI outflows registered a decline of 58 percent in 2011.[2] Understandably, both Libya and Egypt reported significant declines in outflows in 2011. FDI outflows from Kenya and Mauritius declined by 48% and 31% respectively, in the period under review.[1]

However, Zambia did report an increase in outflows of 5%. These were increases in FDI assets in parent companies by resident companies mainly the mining sector.

2 A number of COMESA countries do not report FDI outflow data and this section only covers reporting Member States.

Table 22: Outward FDI Flows (Millions US$)

	Years				
	2007	**2008**	**2009**	**2010**	**2011**
Burundi	-	-	-	-	-
Comoros	-	-	-	-	-
Congo DR	14	54	35	7	0
Djibouti	-	-	-	0	0
Egypt	665	1,920	571	1,176	626
Eritrea	-	-	-	-	-
Ethiopia	-	-	-	-	-
Kenya	36	44	46	18	9
Libya	3,947	5,888	1,165	2,722	233
Madagascar	-	-	-	-	-
Malawi	29	50	48	90	72
Mauritius	58	52	37	129	89
Rwanda	-	-	-	-	-
Seychelles	18	13	5	6	8
Sudan	-	-	-	-	-
Swaziland	23	8	7	4	10
Uganda	-	-	-	1	-
Zambia	-	-	270	1,095	1,150
Zimbabwe	3	0	0	43	14
Total	**4,793.3**	**8,028.8**	**2,184.4**	**5,296.3**	**2,266.9**

Source: COMESA and UNCTAD

Inward FDI Stocks in COMESA

It should be noted that the inward FDI stocks increased by 5% in 2011, over the 2010 levels. Significant increases in FDI stock levels were observed for Congo DR (40%), Rwanda (34%), Zimbabwe (21%) and Madagascar (20%).

2011 inward stocks as a percentage of GDP were highest for Seychelles (158%), Djibouti (71%), Zambia (57%) and Madagascar (44%).

Table 23: COMESA Inward FDI Stocks, Millions US$

	2006	2007	2008	2009	2010	2011
Burundi	0.7	1.1	4.7	5.1	5.8	7.5
Comoros	25.1	32.8	37.4	51.2	55.1	61.9
Congo DR	800.5	1,520.5	2,520.5	3,058.0	3,994.0	5,590.0
Djibouti	322.3	517.7	751.7	851.7	878.5	956.5
Egypt	38,924.7	50,502.8	59,997.4	66,709.0	73,094.6	72,611.9
Eritrea	383.1	382.9	382.7	382.7	438.3	456.0
Ethiopia	3,366.0	3,588.0	3,696.6	3,918.0	4,102.0	4,102.0
Kenya	1,163.9	1,893.0	1,988.6	2,104.8	2,282.9	2,618.1
Libya	4,085.5	7,935.0	11,115.0	14,425.0	16,334.0	16,334.0
Madagascar	743.8	1,773.4	2,786.6	3,947.8	4,452.0	5,359.4
Malawi	1,017.3	1,315.4	2,583.5	820.7	960.7	938.6
Mauritius	910.0	1,249.1	1,632.0	1,879.9	2,309.8	2,583.2
Rwanda	103.2	170.4	273.7	392.4	434.7	583.0
Seychelles	954.9	1,193.5	1,323.4	1,441.8	1,601.6	1,745.5
Sudan	11,225.5	13,661.8	16,262.3	18,046.8	20,110.6	22,046.6
Swaziland	831.0	889.3	541.9	809.0	977.8	880.8
Uganda	2,668.6	3,460.9	4,189.8	5,031.4	5,575.2	6,367.5
Zambia	6,024.8	7,603.9	6,634.1	9,221.4	10,950.7	12,931.7
Zimbabwe	1,423.1	1,492.0	1,543.6	1,648.6	1,814.5	2,201.5
Total	**74,974.1**	**99,183.5**	**118,265.3**	**134,745.2**	**150,372.9**	**158,375.6**

Source: COMESA and UNCTAD

PART: 4

STATUS OF IMPLEMENTATION OF INFRASTRUCTURE PROGRAMMES

PART: 4
STATUS OF IMPLEMENTATION OF INFRA-STRUCTURE PROGRAMMES

The infrastructure programmes in COMESA currently comprise transport, energy and Information Communications Technology (ICT). This part of the report covers these sectors sequentially along three themes namely: Policy and Regulatory Harmonisation, Facilitation and the Development of Physical Infrastructure.

Transport

Transport plays an important role in the COMESA integration programmes since it is the means by which goods are conveyed for both intra-regional and international trade, and for the movement of passengers. The following is the update on the transport sector in the reporting period, as classified into the policy and regulatory harmonization, facilitation and the development of physical infrastructure:

Policy and Regulatory Harmonisation

Policy and regulatory harmonisation is a key component to the development of both regional infrastructure in transport and also transport facilitation. The COMESA Transport Policy was developed in conjunction with the Transport Strategy and Priority Plan (TCS/PIP) that was completed and adopted by Council in 2010. This policy provides a framework for the development of national policies, which enhance the regional agenda that aims at providing seamless regional physical connectivity and the smooth facilitation of transport services that are not impended by regulatory, licensing, administrative and operational bottlenecks to cross border and transit transport services. The dissemination of the COMESA transport policy is expected to be carried out continuously so as to inform Member States and service providers so that it is clearly understood and incorporated during policy development or reviews.

Transport Facilitation

Transport facilitation encompasses the adoption and implementation by Member States of various instruments that have been collectively developed over the years in order to remove non physical barriers that impede the free flow of transport services in the various modes of transport. Transport facilitation obtains in areas such as licensing of service providers to undertake cross border and transit transport and the application of harmonized standards.

(a) Facilitation of Civil Aviation

Air transport being one of the important modes of transport for both passengers and freight in the COMESA region, has witnessed significant progress in the last two decades. Legal Notice No 2 of 1999 launched the implementation of air transport liberalisation programmes. This was based on the Yamoussoukro Decision (YD) which was adopted by the OAU the predecessor to the African Union.

There are 16 Member States currently implementing Phase One of Legal Notice No. 2 include and include Burundi, Djibouti, DRC, Comoros, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Sudan, Seychelles, Uganda, Zambia and Zimbabwe. Eleven Member States namely; Burundi, Djibouti, Egypt, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia and Zimbabwe are granting the fifth freedom traffic rights to COMESA air carriers.

The COSCAP project is intended to address the issue of aviation safety and in order to achieve this, a programme of capacity building to develop human skills and establish appropriate institutional and regulatory regimes in line with ICAO guidelines. However funding for this project has not been secured and resource mobilisation is ongoing.

(b) Facilitation of Road Transport

A wide range of road transport facilitation instruments have been developed over the years to harmonise regulatory, licencing, technical standards and administrative issues across member states in order to remove barriers to free flow of cross border and transit transport and trade. Among the important transport facilitation instruments developed and adopted by Council are the following:

- COMESA Carrier License;
- Harmonised Road User Charges;
- The Axle Load Limits, Gross Vehicle Mass (GVM) and Vehicle Dimensions;
- Application of the COMESA Virtual Trade Facilitation System(CVTFS)
- Third Party Motor Insurance (Yellow Card); and
- Implementation of One Stop Border Posts (OSBP)

During the reporting period, various Member States of the Northern Corridor adopted the Gross Vehicle Mass (GVM). In addition, work was initiated on the development of the COMESA Virtual Trade Facilitation System (CVTFS) and the CEMES. The pilot studies for the CVTFS were launched on the Djibouti and Northern Corridors in 2012.

The application of the facilitation instruments including the employment of one stop border posts procedures on road transport, has been found to make substantial savings on the cost of transport as it is estimated that for each day of delay of a loaded truck along the Northern Corridor, it may cost up to US $500 in direct and indirect costs to both transporters and shippers. The implementation of the various trade and transport facilitation is expected to reduce the cost of doing business to both the transporter and the shipper on one hand and also to reduce the cost of maintenance of public infrastructure. It has been estimated that for some landlocked countries the cost of imports could be reduced by up to 40 percent.

High costs may be incurred in road maintenance or rehabilitation which may arise due premature degradation of road pavements and bridges due the lack of observance by truckers of the harmonised axle load limits and Gross Vehicle Mass (GVM) along the regional road links. The lack of capacity by road authorities to oversee and enforce the standards has contributed substantially to this situation. Below is the status of road transport facilitation programmes as at December 2012:

A US$10million grant was received from AfDB to enhance the safety of air space navigation in the region; and to modernise systems and equipment for air traffic management

Table 24: Status of Implementation of Road Transport Facilitation Programmes (December 2012)

Country	HRTC	Axle Load Limit	Max. Length 22.0m	CCL	COMESA Transit Plates	Overload Control Certificate	MWG	HFX	Performance (%)
Burundi	Yes	Yes	No (18)*	No	No	No	No	Yes	37,5
Comoros	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Congo D R	No	Yes	No (18)*	No	No	No	Yes	Yes	37,5
Djibouti	Yes	Yes	No(18)	No	No	No	No	No	25,0
Egypt	No	Yes	No(20)	No	No	No	Yes	No	-
Eritrea	Yes	Yes	Yes	Yes	Yes	No	Yes	No	75,0
Ethiopia	No	Yes	No(18)*	Yes	Yes	No	Yes	Yes	62,5
Kenya	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	87,5
Madagascar	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Libya	No	Yes	NA	No	No	No	No	No	-
Malawi	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	87,5
Mauritius	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rwanda	Yes	Yes	No (18)*	No	No	No	No	Yes	37,5
Seychelles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sudan	Yes	Yes	No (18)*	No	No	No	Yes	No	37,5
Swaziland	No	Yes	Yes	Yes	No	No	Yes	Yes	62,5
Uganda	Yes	Yes	Yes	Yes	No	No	Yes	Yes	87,5
Zambia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	87,5
Zimbabwe	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	87,5
Total no. of countries to Implement	16	16	16	16	16	16	16	16	
No. of Countries Implementing	10	13	5	8	6	0	11	10	
Percent Implementation	62,5	81,3	31.3	50.0	43,8	0	56,3	62.5	

As indicated above, the implementation of many of the road transport facilitation instruments has varied successes as some countries have not been able to operationalise them. During the reporting period, efforts were employed to enable countries that were facing challenges in implementing the instruments to do so by assisting them to develop the necessary legal instruments and building both institutional and human capacity.

(c) Facilitation of Railways

In a number of cases where the operations of the railways had been concessioned and the concession performances had failed to bring the expected improvements in the services, measures have been undertaken to reverse the situation.

On the Kenya-Uganda network which had been concessioned to Rift Valley Railways the concession agreement has been revised and new investors brought injecting additional capital and reaching conditions precedent in order to access funding from the World Bank and other funding agencies.

In the case of Zambia Railways where the concessionaire had failed to meet the stipulated concession targets the Zambian Government terminated the concession altogether.

(d) Maritime and Inland Water Transport Facilitation

As a region reliant on international trade involving the rest of the world, the region naturally depends heavily on sea transport and hence the maritime transport sector is vital in the conveyance of the region's sea borne regional and international trade. As in the previous reporting period, the global maritime transport sector remained dominated by foreign shipping lines and shipping continued to face considerably adverse conditions due to the effects of the global financial crisis which has resulted in low freight rates and increased lay up for both container and bulk carriers.

In terms of commercial shipping, the COMESA shipping lines such as Ethiopian Shipping Lines, Sudan Shipping Lines and a number of Egyptian shipping Lines continued to provide services along their traditional routes albeit with limited growth in the volumes of freight cargo. Kenya National Shipping Line continued to trade as a slot charterer where it obtains capacity from existing carriers along the major global routes.

A study on both ports and shipping services covering the western Indian Ocean region was launched in 2012 to review the status of both infrastructure and facilities in order to identify the challenges faced in the provision of efficient and competitive services especially between the island and mainland states. This study, which is funded under Trademark Southern Africa (TMSA) covers the entire ESA region and is coordinated by the Indian Ocean Commission (IOC)

Development of Regional Transport Infrastructure

(a) Air Transport Infrastructure

In order to increase efficiency in the use of the airspace and also enhance safety of air navigation in the region, a programme of air space integration in COMESA and the larger Eastern and Southern Africa region is being developed through the Communications, Navigation and Surveillance Air Traffic Management (CNS/ATM).

In this respect, funding to the tune of over US $10 million was made available by a grant from the AfDB. When complete, this project will provide for seamless air traffic management by modernising both the equipment and systems applied in air traffic management.

In the area of airports, major expansion projects involving the expansion of capacities in terminals are ongoing in airports in Nairobi, Kenya, Cairo, and Sharm El Sheikh in Egypt. Runway rehabilitation has been undertaken in Harare, Zimbabwe. Djibouti is drawing up plans to develop a new airport, which will include a dedicated cargo centre.

(b) Road Infrastructure

The road sector constitutes the primary mode of transport for goods and people in the COMESA region and hence continues to receive sustained attention through road infrastructure development and road transport facilitation programmes.

During the reporting period, COMESA has continued to promote the development of road networks through construction of missing regional inks, upgrading and rehabilitation of existing links and increasing the capacity of current links where traffic volumes have surpassed the design volumes. In this regard, major road projects have been undertaken along the major transport corridors as follows:

On the Djibouti Corridor:

* Upgrading of the Azezo/Metema segment linking Ethiopia to Sudan completed;
* Construction of the Carrefour /D'Arta segment commenced; and
* Upgrading of the Kurmurk ongoing

On the Lamu Corridor:

* Upgrading of the Isiolo/Merile River segment upgraded;
* Upgrading of the Marsabit/Turbi segment commenced;
* Detailed engineering designs and tender documents for the Merile River/Marsabit segment completed;
* Detailed engineering designs and tender documents for the upgrading of the Turbi/Moyale segment completed; and
* Detailed engineering designs and tender documents for the rehabilitation of the Moyalr/ Agremariam segment completed;

On the Northern Corridor, work was ongoing on the rehabilitation of various segments in Kenya and Uganda.

On the North/South Corridor, the following road projects were ongoing:

* The engineering designs and tender documents for the rehabilitation of the Serenje /Nakonde road commenced through EDF funding;
* Expression of Interest floated for the rehabilitation of the Chirundu/Escarpment segment on the Zambian side with funding the Tripartite Trust Fund; and
* Detailed engineering designs and preparation of tender documents completed

(c) Railways Infrastructure

Although the railways in the region remain an important component of surface transport their share of both freight and passengers has continued to decline over the last thirty years losing their share primarily to road transport. This is primarily due to the fact that there has been lack of investment in the networks characterised by deferred maintenance in infrastructure on the permanent way, signalling and rolling stock. This has been a serious omission notwithstanding the fact that rail is the most cost effective mode of transport for the long distance haulage and for low value freight.

There are however several projects in the pipeline for the construction of new railways along corridors such as Djibouti, Lamu, Nacala and the reconstruction of legacy railway networks along the Northern, Central and the Benguela corridors. During the reporting period, the following developments in railway have been realised:

* The Preliminary design of the Lamu Corridor (LAPSSET) railway network on the Kenya side completed;
* The Prefeasibility study on the Great Lakes Railway completed;
* The reconstruction of the Ethio/Djibouti Railway as standard gauge network commenced;
* Further studies funded by the AfDB on the Kagera railway project linking Isaka to Musongati and Kigali continued; and
* Agreements signed between the mining company (Vale of Brazil) and Malawi and Mozambique for the development of a modern heavy traffic railway linking Tete to Nacala port for the export of the Moatize coal.

(d) Corridor Development and Management

The development of physical infrastructure in transport and trade and transport facilitation in the region has continued to be addressed through the Corridor approach. This entailed the designation of regional corridors where physical infrastructure in roads, railways, ports, inland terminals and border posts are given priority and kept in good condition through construction, and effective maintenance and management.

During the reporting period, projects have been developed covering various corridors in the ESA region and focusing on the implementation of harmonised policies, regulations, trade and transport facilitation.

In 2012, work continued under the auspices of the Tripartite on the North South Corridor, the Northern and Central corridors and the Djibouti Corridor on the development of physical infrastructure, including the establishment of one stop border posts and the corridor management institutions. On the Northern Corridor, priority projects were further scoped and a database containing GIS functionality developed

(e) Maritime and Inland Water Transport

With regard to the development of ports facilities, projects were initiated or were ongoing in Djibouti, Mombasa and Dar-es-Salaam to provide additional capacity for container handling. In the port of Mombasa, the dredging project was completed while progress was made in the construction of berth No 19. In addition, work commenced in Mombasa Port, on the construction of the second maritime container terminal.

Regarding inland water transport, the Shire-Zambezi Waterways Project received funding from the African Development Bank to undertake more comprehensive studies to prepare for investment in requisite infrastructure in order to serve the growing traffic demands expected to arise from the exploitation of the coal deposits in Moatize (Tete) and the expected import cargoes to meet the needs of the mining industry. These studies are expected to commence in the first quarter of 2013.

On the Lukuga Barrage Project the consultant submitted the Draft Hydrology and the Environmental and Social Impact Assessment (ESIA) reports which were reviewed by a stakeholders, but slow progress was made in completing the project due to lack of data from some of the riparian countries. This has now been addressed and the consultant is expected to complete the studies and deliver the required outputs in the early part of 2013.

The ongoing inland water transport projects include the expansion of the Mpulungu Harbour, Bujumbura Port funded under AfDB and the rehabilitation of ports facilities on Lake Victoria.

Key Strategies on the Development of Regional Transport Infrastructure

Following Lusaka and Nairobi infrastructure investment conferences covering the key corridors in the COMESA-EAC-SADC region, work continues to update the priority infrastructure projects in transport, energy, trans-boundary water and ICT.

The challenges of resource mobilization have been prevalent and hence the need expanding the sources of funding. The COMESA Infrastructure Fund operationalisation of the COMESA Infrastructure Fund, the hiring of consultants to prepare the necessary instruments for its establishment, including transaction advisors, was launched. In addition the Projects Preparation and Implementation Unit (PPIU) were set up.

During 2012, a number of achievements were made in the areas of policy and regulatory issues and facilitation covering transport, ICT and energy sub-sectors as follows:

* Launch of the Infrastructure Projects Preparation Unit (IPPU);
* Continued implementation of the Aid for Trade Pilot Programme for the North-South Corridor;
* Preparation of the COMESA Infrastructure GIS Layer;
* Pre-feasibility study for the Great Lakes Railway network with submission of the First Draft Report produced.
* The detailed design for the Lukuga Barrage with the Hydrology and ESIA reports submitted.
* Tenders launched for the detailed designs for the Serenje Nakonde road; and
* Continued work on the development and enhancing of OSBPs in Chirundu, Malaba, Gatuna, Kasumbalesa, and Nakonde.

Key Challenges in the Transport Sector

The following were the key challenges faced in the development of transport infrastructure:

* Resource scarcity in the preparation of projects, and in the implementation of physical infrastructure;
* Structuring of regional projects to facilitate joint project preparation, design, funding contracting and implementation;
* Inadequate legal and institutional frameworks to enhance/facilitate private sector participation in the regional infrastructure development programmes; and

Slow pace in the implementation of the agreed facilitation instruments to overcome the constraints arising from the national regulatory and administrative procedures.

ENERGY

Energy plays a critical role in the development process, not only as a domestic necessity but also as a factor of production whose cost directly affects prices of other goods and services and the competitiveness of enterprises. Moreover, as the COMESA region's economy and trade continue to grow, energy will be critical element to support and sustain the achieved growth.

Efficient energy provision reduces the cost of doing business, and the strategic objective being pursued here is to effectively address constraints related to the improvement of energy infrastructure in the region in order to foster physical regional energy connectivity and integration as well as enhance competitiveness.

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

The regional Association of Energy Regulators for Eastern and Southern Africa (RAERESA) was officially launched in March 2009. The main objectives of RAERESA include capacity building and information sharing; facilitation of energy supply policy, legislation and regulations; inter regional cooperation; and regional energy regulatory co-operation.

During the last three years, RAERESA managed to implement a number of activities, which were contained in its work programme, such as organization of the annual general meetings, organization of a number of meetings of the Portfolio Committees on Electricity, Oil and Gas, Renewable Energy and Environment and Energy Efficiency; and also implementation of a number of training workshops.

Moreover, a number of baseline surveys were undertaken such as the renewable energy database, the status of accessibility and affordability of electricity in the COMESA region.

In the oil sub-sector the status of accessibility and affordability of oil and gas in the COMESA region which is in progress, and the status of the energy efficiency and environment in the electricity sector in the COMESA region, which is also in progress.

(i) Energy Facilitation

On energy facilitation, the Status of Accessibility and Affordability of Electricity in the COMESA region, a study was carried out by Egypt and was adopted by the 3rd Annual General Meeting of RAERESA held in September 2012 in Lusaka.

The main objective of the report was to facilitate the development of recommendations on issues affecting the economic efficiency of energy interconnections and energy trade among members. The report contains three chapters. Chapter 1 focuses on countries' general information as well as electricity system. Chapter II provides information on accessibility and affordability data. Chapter III outlines conclusions and recommendation.

The report could provide the countries with the main information that would be required to enhance the electricity sector and to facilitate investments regarding new technologies to increase the total generated power.

Main findings of the study include the following:

* The average percentage of population with access to electricity is 40.1%, based on the data that was provided by only ten countries, also, high percentage of population with access to electricity in a certain country doesn't mean that the country has a large area, for example, the percentage of population with access to electricity in Mauritius is 99% despite its area being 1,865 Km^2, whereas, the percentage in Congo is 9% and its area is 2,345,442 Km^2;

* Most of the countries have designed their electricity tariff based on social-cross subsidy tariff, and they do not have programmes for lifting subsidy yet but they are looking forward to having it in its electricity systems;

* There are some barriers that make it difficult to some countries to gain the electricity access, the barriers which are hindering the access to electricity are, mainly, shortage of supply, limited availability of the network, high contracting costs and high electricity tariffs; and

* On the subsidy issue, most of countries do not have it yet, but they are looking forward to having it

in their electricity systems, and also the tariff structure doesn't have elements of cross subsidization and also the lifetime tariff reduces the burden on consumer.

(ii) Energy Infrastructure

Power Generation

COMESA installed capacity was projected to increase from 48,730 megawatts in 2010 to 68,346 megawatts in 2015, and 95,859 megawatts in 2020. The annual growth rate of the installed capacity is estimated to be around 7% annually which would be required to meet the annual growth rate of population with access to electricity which is estimated to be around 6.6% and also the economic growth.

In order to meet the growing electricity demand in the COMESA region, a number of generation projects are either under construction such as Itezhi-Tezhi Power Project (120 megawatts) and Kariba North Bank Extension Project (360 megawatts) in Zambia and Gibe III (1870 megawatts), Chemoga Yeda (280 megawatts), Halele Worabesa (420 megawatts) in Ethiopia; or being developed such as Batoka Gorge Hydro Power Project (1 600 megawatts) in Zambia and Zimbabwe; Ruzizi III (145 megawatts) and Ruzzi IV (390 megawatts) for Burundi, DRC and Rwanda; Inga hydro power project (3500 – 40,000 megawatts) in DRC.

Other generation projects include Wanie-Rukula (288 megawatts) between Democratic Republic of Congo and South Sudan; Mandaya (2000 megawatts), Karadobi (1600 megawatts), Border (1200 megawatts), Baro I (500 megawatts) and Genji (200 megawatts), Renaissance (5000 megawatts) in Ethiopia; Karuma (700 megawatts), Murchinson Falls (750 megawatts) and Ayago (550 megawatts) in Uganda; Rusumo Falls (63 megawatts) in Burundi, Rwanda and Tanzania; and Large Geothermal projects in Kenya.

There are also a number of power interconnection projects which COMESA and the Tripartite are fast-tracking their implementation. These include: Zambia/Tanzania/Kenya (ZTK); the Ethiopia/Kenya and Zimbabwe-Zambia-Botswana-Namibia (ZIZABONA) and are elaborated below:

a) Zambia/Tanzania/Kenya (ZTK) Power Transmission Project

The COMESA-EAC-SADC Tripartite, which is fast-tracking the implementation of Zambia/Tanzania/Kenya power interconnection project, has secured funding for the Project Management Unit (PMU) for the project, for three years, under the 10th European Development Fund, a European Union funded programme.

In this regard, the Implementing Agreement was signed between the Common Market for Eastern and Southern Africa (COMESA) and the Ministry of Mines, Energy and Water Development of the Republic of Zambia, on the implementation of the Zambia-Tanzania-Kenya (ZTK) Interconnector Project, under the 10th European Development Fund, a European Union funded programme. The funds under the agreement that was signed between the COMESA and the Ministry of Mines, Energy and Water Development of the Republic of Zambia, on the implementation of the Zambia-Tanzania-Kenya (ZTK) Interconnector, are intended to finance activities of a Project Implementation Unit (PIU) for the ZTK Interconnector Project whose major objective is to manage the project during implementation until the formation of the Special Purpose Vehicle (SPV), which will subsequently take over the responsibilities of PIU. The total funding under this agreement amounts to about Euro 4.4 million.

Following the signing of the Implementation Agreement, the Ministry of Mines, Energy and Water Development of the Republic of Zambia, which has been monitoring and coordinating the project on behalf of the three Governments, submitted the work plan and budget. An amount of Euro 964,632.00 was subsequently disbursed in favour of the project in order to facilitate the expeditious implementation of the project.

b) The Ethiopia/Kenya Power Interconnection Project

The World Bank had already approved the amount of US $684 million for Ethiopia/Kenya Power Interconnection project (US $243 million for Ethiopia and US $441 million for Kenya) while the African Development Bank (ADB), had approved US $348 million, (US $232 million for Ethiopia and US $116 million for Kenya). However, it should be noted that securing such a considerable amount of funds would make a huge progress towards the physical construction of the project.

c) Zimbabwe-Zambia-Botswana-Namibia (ZIZABONA) Interconnection Transmission Project

The proposed Zimbabwe-Zambia-Botswana-Namibia (ZIZABONA) Interconnection Transmission Project linking the power grids of Zimbabwe, Zambia, Botswana and Namibia, has been included in North-South Corridor (NSC) and has therefore, become one of the Tripartite power transmission projects.

So far three countries, namely Namibia, Zambia and Zimbabwe, had signed the ZIZABONA Inter-Governmental Memorandum of Understanding (IGMOU). Botswana also confirmed support to the project and would be ready to sign the IGMOU as soon as the no objection is obtained from its Cabinet.

The ZIZABONA Investors Round Table (IRT) was held in Swakopmund, Namibia on 12 July 2012. The overall intention of undertaking this Investors Round Table (IRT), which was organized by The Southern Africa Power Pool (SAPP), in conjunction with the Government of Namibia, ZIZABONA Member Countries (namely Zimbabwe, Zambia, Botswana and Namibia) and the SADC Secretariat, was to show case the project to potential investors.

The Transaction Advisor for the project packaged it, and the following key milestones have since been completed and discussed with the project sponsors:

(i) Market study report including identification of power and anchor customers to underpin the project;

(ii) System studies including defining the project scope, technical viability and prefeasibility studies

(iii) Transmission charges methodology and indicative charges;

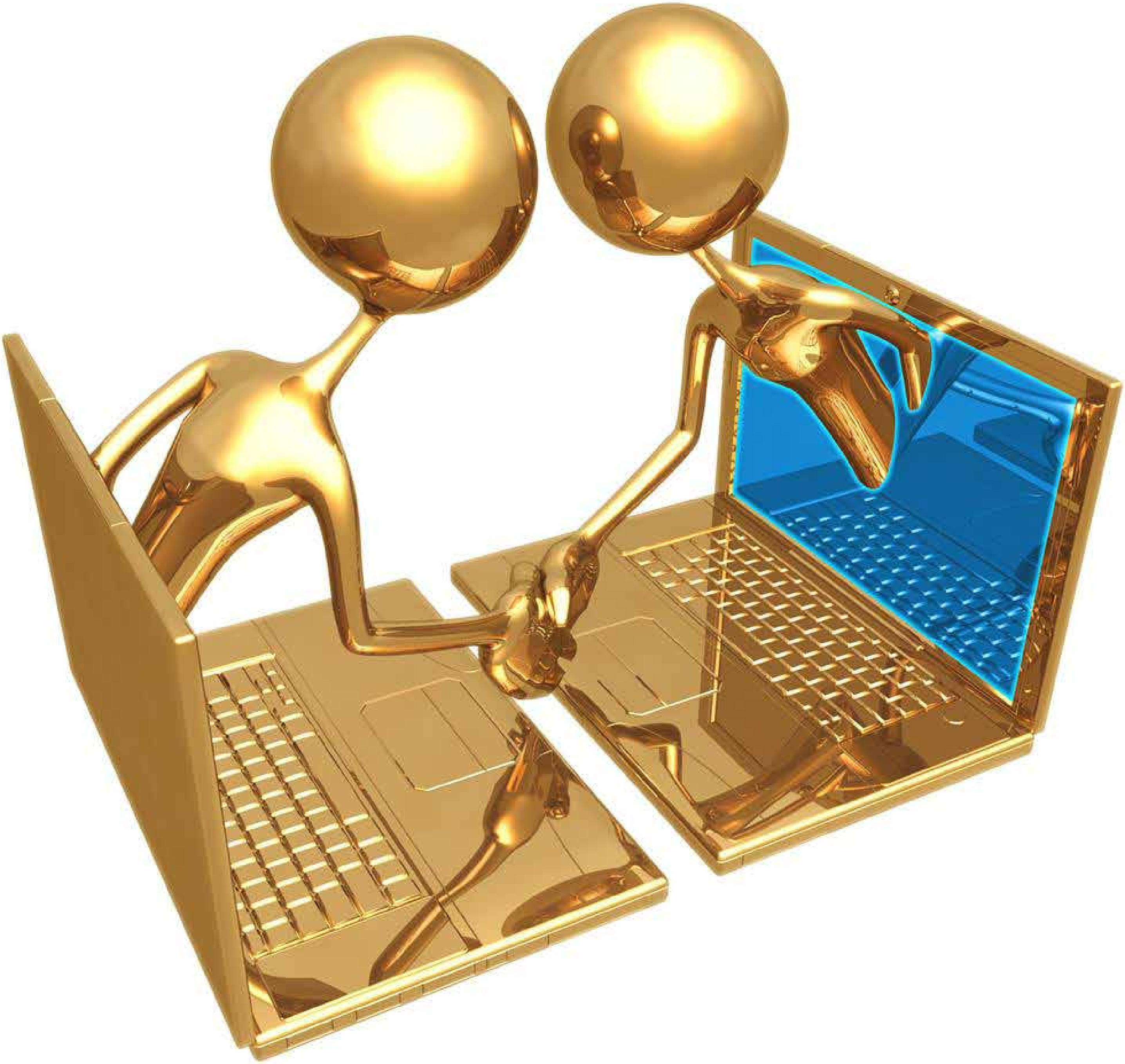
(iv) Project packaging including implementation strategy, proposal for an SPV and the associated shareholding arrangements; and

(v) Financial modeling and proposed financing structures, and Preliminary Project Information Memorandum (PIM).

The interest shown by various potential financiers and their expressed support for ZIZABONA as a regional initiative and the willingness to support the proposed implementation should be noted with appreciation.

It is worth noting that the Investors Round Table took note of the preliminary interest from Development Bank of Southern Africa (DBSA) which made a preliminary indication of about US $50 million. African Development Bank expressed potential financing of 40 percent of debt requirement, with remaining parts to be explored with Africa Finance Partners. AFD (France) expressed possible interest of US $30-50 million. European Investment Bank (EIB) viewed ZIZABONA as a high priority project that EIB would want to engage with, including undertaking detailed due diligence. EIB would consider the size of funding comparable to other European agencies. Stanbic Bank also expressed strong support ZIZABONA project.

In addition to the financier interest, the sponsors would continue to engage with other potential financiers to achieve the best possible financing solution for project in order to achieve the funding requirement which is estimated to be US$ 223 million.



INFORMATION AND COMMUNICATION TECHNOLOGY

(i) Policy and Regulation Harmonisation in ICT

The COMESA Model Policy and Bill were developed and adopted by Council in 2003 and these have been used by various member states when developing their national ICT policies.

Through the Association of Regulators for Information and Communications in Eastern and South Africa (ARICEA) a number of policy guidelines have been developed and implemented. These include licensing, universal access, interconnection, spectrum management and monitoring. It also facilitated study at national level to speed up the ICT sector reform process. While the Secretariat has provided secretarial services for ARICEA since its establishment, a host agreement for the association has also been finalized and adopted by the Council.

(ii) Information and Communications Technology

Mobile telephony is a robust and growing industry in Africa generally, and in the region; and it is projected to grow further as the mobile telephone service providers continue rolling out value added services and also by enhancing quality and coverage of networks. Increased competition among the different mobile service providers has resulted in more competitive calling rates. Indeed, mobile telephone service inventions have revolutionised the way people conduct business. For example, mobile money transfer services have enabled transfer of money and payment transactions that go beyond the traditional and tedious banking processes. This has in effect captured a sizeable population to do business using IT based solutions. For example, in Uganda in the last two years, mobile banking has accumulated more customers than all the commercial banks have attracted in the past 50 years, making value added services in telecommunications a great opportunity for investment in the region.

(iii) Mobile Telephony

Mobile telephony is a robust and growing industry in Africa generally and the COMESA region in particular. It is projected to grow further as the mobile telephone service providers continue rolling out value added services and also by enhancing quality and coverage of networks. Increased competition among the different mobile service providers has resulted in more competitive calling rates.

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(iv) Very Small Aperture Terminal (VSAT) for Northern Corridor Revenue Authorities

The VSAT for Northern Corridor (Mombasa to Kampala and, Kigali to Bujumbura) countries is being installed to enhance connectivity and inter-connectivity between and among customs administrations, immigration and other stakeholders. The project is intended to install VSAT stations at the border posts along the Northern Corridor and have them linked to the customs authorities' headquarters in the Member States. The services to be provided are data and voice. Five VSAT terminals have been installed and commissioned at border posts in Uganda. The five VSAT terminals were installed at Malaba, Busia, Entebbe, Katuna and Mpondwe border posts in Uganda. The terminals have already been tested, commissioned and operationalised

(v) COMESA Geographical Information System database

The Transport and Infrastructure Network GIS layer has been developed as part of a comprehensive COMESA Geographical Information System. This system has already been uploaded on the cloud. It has been linked to the COMESA website so that it can be accessed by the public at: www.comesa.int. The system will have data concerning the priority investment plan; and it will be updated regularly and in future Member States can update their data on-line.

(vi) COMTEL Project

The current approach on COMTEL is to set up a virtual network using the existing national backbone fiber optic links. The Secretariat has liaised with operators such as Telecom Egypt and Zambia Telecom Company but none showed commitment in implementing the project. The project implementation requires an operator to lead the implementation process. As most of the national operators have been privatized, it has become more difficult to get them involved in the regional projects. The new concept of having a traffic clearing house and internet peering points is easier in terms of financing. This is currently estimated to cost around US $7 million. This amount of money can be raised by a single operator. Some operators in Kenya and Sudan have internet exchange points which can act as regional peering points. However, there is need to convince these operators to take the lead and the rest of the operators to join them. In order to progress with the new approach, Cross-connect Technology Company and Huawei have been appointed by the COMESA Secretariat to implement the project. It was emphasized that there is need for COMTEL to consider a high level secure network (Virtual Private Network) to be used for electronic banking and settlement by reserve banks and retail banks in order to promote trade and facilitate market development.

Key Strategies to Develop Regional Infrastructure

Following Lusaka and Nairobi infrastructure investment conferences covering the key corridors in the COMESA-EAC-SADC region, work continues to be done on updating the priority infrastructure projects in transport, energy, trans-boundary water and ICT

The challenges of resource mobilization have been prevalent and hence the need to expand the sources of funding.

PART: 5
STATUS OF IMPLEMENTATION OF INDUSTRIAL CO-OPERATION PROGRAMMES

THE INDUSTRIAL SECTOR CLUSTER INITIATIVE

The industrial sector in the region is dominated by SMEs. However, the SMEs are constrained by inadequate skills, inappropriate technology and limited access to finance. To this end the proposed cluster approach addresses both production enhancement and intra-regional trade issues in a pragmatic and practical way.

This entails identifying producers in a specific sector/country and linking them directly to markets and assisting them to produce competitive products. For example Ethiopia has a booming footwear industry and it should take full advantage of regional market opportunities. There is demand for good quality footwear in the region that can be met by the Ethiopian production; hence the proposed cluster will promote intra-regional trade, skills and technology development.

Cotton, leather, tourism, agro-foods, metal and pharmaceuticals have been identified as key priority sectors with the potential to build productive capacity for global competiveness. These have a significant value addition, employment creation and export potential. These sectors are being supported under COMESA programmes currently funded by CIDA, EU, DFID and USAID. Some of these sectors are also prioritised at national level, further leveraging their contribution to improving livelihoods in the region.

The table below summarises the imports from the region the external imports in the SME sector in the past year. It is clear that there is big gap between intra-COMESA and external trade activities. For example for footwear, intra imports amount to 6% of external trade:

Table 25: Intra-COMESA and External Imports by SMEs in 2012

Product	Intra-COMESA Imports (US $m)	External Imports (US $m)	Intra-COMESA Imports as % of External Imports
Footwear	5	81	6.17
Textiles and textile articles	230	6,441	0.04
Cereal and starch	64	597	0.11
Fruits and vegetables	159	420	0.38

COMESA has started the process of establishing clusters, training SMEs, developing financial linkages for provision of loans, and enhancing regional value chains to link demand and supply. It is expected that this will lead to improved productivity, quality and competitiveness of SMEs in the selected sectors; 3,000 to 5,000 jobs will be created; and there will be increased intra-regional trade by 15% of the selected clusters.

The first ever training workshop in business management for small and medium scale entrepreneurs dealing in leather, footwear and cotton and textile artisans was held at the Secretariat in Lusaka from 25-29 June 2012. This was done to promote value addition by supporting the formation of national and regional clusters in agro processing, clothing and footwear sub-sectors. The trainees described the pragmatic and practical experience, which was trainer-led and trainee-centred, as one beyond their expectation. A total of 62 entrepreneurs drawn from three clusters in Zambia, were trained.

The pilot training targeted entrepreneurs from the lower levels of the socio-economic class. That is because these are at the moment delinked from the support of various financial institutions yet they have the potential to transform the economies of COMESA in a significant manner.

Being high risk borrowers, the SMEs require a financing model informed by their capacity to repay. So, a blended financial model is proposed with the following attributes: low interest rates of 3 – 5 percent per annum; funds drawn from philanthropic pools; recycling of financial returns into new investments; and adjusting the borrowing conditions upwards in line with the market for second round borrowers.

The advantage of this financial model is that it promotes and guarantees sustainability of the initial financial investment because this money would go into a revolving fund, which can be extended to many other project beneficiaries. This is preferred to grants.

Training was also afforded to SME footwear manufacturers in Ahiti-Kabete, Nairobi, Kenya. Thirty participants were drawn from Kariokor Market in Nairobi, and they were trained in identification and selection of quality and appropriate raw materials, tools and equipment involved in the shoemaking process, principles of leather manufacture; costing; designing, stitching and finishing. This was the first time women participated in the cobbler training course, a previously male dominated trade.

The Secretariat also trained farmers in the eastern province of Zambia in business management and other skills to enable them manage their farms properly so that they can add value to their cassava produce. The training, conducted for cassava farmers from Chitukuko and Kalupili co-operatives, was held on the outskirts of Petauke District.

Apart from being a food security crop, cassava has become very important in many industrial applications worldwide. Some of the current applications include: bakery, beverage, sweeteners for alcohol and sweet industries, adhesives, corrugated boards, gums, wallpaper, foundry, well drilling, paper industry, animal feed, textile industry, wood furniture, particle board, bio fuels, dusting powders, pharmaceuticals, plastics, packaging, stain remover, concrete stabilizer and moisture sequester. Further, the effect of reducing raw material costs by using cassava based inputs as substitutes to wheat flour or corn starch have also significant potential because it can increase the performance of related industries.

It is, therefore, in this regard that COMESA has continued to promote the cassava sector through the cluster programme for increased value addition, job creation and trade. The cassava cluster programme is being piloted in 10 countries namely Burundi, Congo DR, Kenya, Ethiopia, Rwanda, Malawi, Madagascar, Uganda, Zambia and Zimbabwe.

In 2012 the Secretariat trained a total of 230 cassava farmers in business management and cassava processing. The main objective of the training was to provide farmers with hands-on knowledge and skills to process the prioritized high quality cassava products (HQCPs), namely: chips, quality cassava flours, cassava starch for industrial use, and animal feeds using simple technologies. The business training was tailored to build the capacity of farmers in cassava business management. The topics covered during the training included business planning, record keeping, marketing, product costing and pricing and financial management.

Further, COMESA provided cassava processing equipment to Rwanda, Kenya and Uganda. Among the equipment included cassava chippers, granters, slicing machines and cassava dryers.

As clustering entails working with all value chain actors to support the farmers clusters established, the programme identified at least 15 big industrial in the 10 pilot countries who would be potential buyers of cassava semi processed products from the farmers hence guaranteed market. Artisans and companies producing cassava processing equipment were also identified to support the clusters with appropriate equipment to ensure competitive products that can enter regional and international markets. Other support institution brought on board to support the cassava farmers clusters are standards assurance organizations, development banks, financial institutions, food science institutions, academic institutions and research institutions, export boards and civil society.

The region's current cassava production is estimated to be 28 million metric tons with the main cassava producing countries in the region being Democratic Republic of Congo (21 million Mt), followed by Uganda (4.0 million Mt) and Madagascar (2.5 million Mt). In terms of imports, the region imported starch and malt worth US $254 million dollars however this high import dependence may be reduced by supporting the production of the critical mass of cassava, increased value addition with appropriate technology through the COMESA cluster programme.

Table 26: Summary of SME Cluster Implementation for 2012

Country	Agro processing	Footwear	Textile & Garments	Agro processing	Footwear	Textile & Garments	Male	Female	Funds Spent	Implementing partners
Burundi	To train 50 in 2013	n/a	n/a	Provide in 2013	n/a	n/a				Ministry of Trade, Ministry of Agriculture, CAPAD, Farm Concern International, Bureau of Standards
Congo DR	To train 2013	n/a	n/a	Provide in 2013	n/a	n/a				Direction Régionale du Développement Rural de Haute Matsiatra (DRDR- HM , FOFIFA Centre Research, Ministry of Agriculture, Ministry of Trade
Eritrea	n/a	0	0	n/a	n/a	n/a				
Ethiopia	To train 50 in 2013	-	50	To provide in 2013	n/a	n/a				COMESA/LLPI, Ethiopia Leather Industries Association (ELIA),Women Entrepreneur's Association , Konimix Company, Textile Industry development Institute, Maa Garment, Ethiopia Textile and Garment Manufacturers Association, Ministry of Economic Development
Kenya	50	35	50	P	N/a	n/a	27	23	$15000 on 2 trainings and equipment	COMESA/LLPI, Kenya Leather Development Council; Kabete Technical College, Farm Concern International (KARI), World Vision Kenya, Ministry of Industrialization, Ministry of Agriculture
Uganda	50	25	50	P	0	P	28	22	$14500 on 2 trainings and equipment	COMESA/LLPI, Ministry of Trade and Industry, Ministry of Agriculture, Cranes Training Centre and Common Facility, Footwear & Leather goods Association, Food Technology and Nutrition, Makerere University , Uganda Small Scale Entrepreneurs Association, Textile development Agency
Malawi	To train 50 in 2013	50	65	0	0	0				COMESA/LLPI, Malawi Chamber of Commerce and Industry, World Vision – Malawi, Ministry of Trade and Industry, Malawi SME Association
Rwanda	Trained 50	0	n/a	P	n/a	P	17	33	$5000 on training	COMESA/LLPI, Ministry of Trade, Rwanda Development Agency (Masaka Incubation Centre), Farm Concern International
Sudan	n/a	0	n/a	n/a	n/a	n/a				COMESA/LLPI, Technical College (omunduman), Leather Association
Zambia	Trained 150	40	60	To supply in 2013	0	n/a	92	68	$16000 on 3 trainings	COMESA/LLPI, ZDA, National Service Training Centre Kitwe, Afri- Care Zambia Lusaka Technical School, Evelyn Colleague
Zimbabwe	To train 50 in 2013	0	25	0	0	0				COMESA/LLPI, Ministry of SMEs / Ministry of Trade and Industry, Ministry of Agriculture, Afri- Care Zimbabwe, Leather Institute of Zimbabwe
Madagascar	To train 68	n/a	n/a	0	n/a	n/a				Direction Régionale du Développement Rural de Haute Matsiatra (DRDR- HM) FOFIFA Centre Research, Ministry of Agriculture, Ministry of Trade
Total	**300**	**85**	**300**				**154**	**146**		

Key: n/a – not a target country, 0 – activity in progress, P – Equipment procured

INTELLECTUAL PROPERTY

The Second Meeting of the Intellectual Property Experts considered and approved the Model provisions on Public Health and IP Enforcement. The provisions provide a guide for formulating and implementing intellectual property enforcement provisions that address the problem of spurious, falsified and sub-standard medicines (counterfeits) without hindering access to good quality and essential medicines, particularly generics in the region. They also cover the definition of counterfeiting, criminal liability for counterfeiting, powers of seizure and responsibilities of storage, goods in transit, rules of evidence and presumptions, liability for loss or damage to goods and regional cooperation.

The model provisions for the implementation of the TRIPS (Public Health Amendment of 30 August 2003), were also considered, and these provide guidelines for formulating and/or amending national legislations to implement the 06 December 2005 TRIPS amendment on the Import and Export of medicines under compulsory licenses for countries with no or insufficient manufacturing capacity in the pharmaceutical sector. For a country to be able to utilize this flexibility, it has to deposit an instrument of acceptance with the WTO Director General. There are six key elements that need to be incorporated into national legislation in order for a country to be able to implement the amendment, namely:

a. Definitions;

b. Grounds for issuing compulsory licenses;

c. Modification of compulsory licensing provisions implementing Article 31 (f) of TRIPS;

d. Modification of compulsory licensing provisions implementing Article 31 (h) of TRIPS;

e. Rules on re-export of products imported under Article 31 (b) regime; and

f. Provisions on notifications.

The meeting also deliberated on the following issues and made recommendations for the consideration and approval of the COMESA Council of Ministers:

i. The intellectual property issues that need to be considered in developing and promoting clusters and science parks in the COMESA region;

ii. Who owns the intellectual property rights in cases where public funds are used to conduct the research, and of institutions whose staff carry out the research that results in developing IP assets;

iii. Investigating and understanding the actual role of patent law in innovation and determining how the IP laws deal with different elements such as the research, exception, the scope of rights.

iv. The Model IP Provisions for addressing Biopiracy and Misappropriation of Biological Resources and Associated Traditional Knowledge, which provides guidance for formulating and/or amending national patent legislations to introduce a disclosure requirement in order to prevent bio-piracy and/or misappropriation of biological resources and associated traditional knowledge;

v. The role of COMESA in the cultural industries - it was recognised that COMESA had an important role to play in promoting the strategic use of intellectual property to promote this critical sector, which has significant potential to contribute to development in the region.

The Council of Ministers' Meeting of 19-20 November 2012 approved the model provisions; and made the decision that they should be adopted and utilized in all Member States.

It was also noted that issues of intellectual property were being discussed by intellectual property experts who have not been constituted into a formal committee like other technical committees in COMESA. The merits and demerits of establishing a committee as opposed to an ad hoc experts meeting were discussed and it was decided by the November 2012 Council of Ministers' meeting that a committee on intellectual property should be established to prepare a comprehensive implementation programme in the sector and report to the Intergovernmental Committee.

It should be noted, however, that the Intellectual Property Programme is constrained by lack of funding to further its operations; and so it was emphasised that further partnerships, including in the context of the WIPO Development Agenda, should be explored by COMESA to enrich the work on these issues.

SCIENCE, TECHNOLOGY AND INNOVATION

The Policy Organs' meetings leading up to 2012 laid emphasis on the theme of harnessing science and technology for development; after realizing the importance that science and technology as well as innovation, play in the development of nations. The limited use of science and technology in the region was a hindrance to development as it led to COMESA Member States being raw material based. The goal is to advance into a region which is knowledge and technology driven.

On 28 June 2012, the Ministers responsible for Science, Technology and Innovation met in Zambia, to update Member States on the implementation of the Council decisions on science and technology, identify science and technology institutions for designation as regional ones and discuss the outcome of the Harvard Kennedy School executive training program on Innovation for Economic Development (IFED).

The meeting decided that in addition to allocating not less than 1% of GDP to research and development, measures should be taken to prioritize:

i. Applied research;

ii. Scholarships for engineering and science education,

iii. Mobilization of the vast amount of already existing knowledge,

iv. Harnessing and absorption of existing innovations; and

v. Establishment of departments in Intellectual Property Offices and any relevant ministries, dedicated to monitoring of expiring patents so that the patents can be put to immediate use upon expiry.

The Ministers recognized the critical urgency of putting in place mechanisms for harnessing and mobilizing existing knowledge from around the world, and of doing this in a structured manner that benefits all COMESA Member States. There is need for adequate absorptive capacity in the Member States that can be deployed to put the knowledge to immediate practical use. In this regard, the Ministers decided to establish a COMESA Innovation Council.

Also, workshops should be organized for the Diaspora to invite them and provide them a vehicle for supporting the COMESA STI parks and cluster programmes.

The institutions of higher learning should be oriented towards producing job-creators rather than job-seekers, following the models of the entrepreneurial university, and in this regard, ministers responsible for education should be mobilized to the effort of accordingly reshaping teaching methods in institutions of higher learning in COMESA; and the ministries and public corporations dealing with activities related to the STI parks and cluster programmes should be encouraged to include training programmes in their priorities and make budgetary allocations, which should support the establishment of specialized institutions of higher learning to support the programmes in partnership with Government and Industry.

It was also decided that Member States should establish offices of Chief Innovation Advisors as well as broad cross-sectoral national advisory committees to assist harness and provide advice on knowledge and innovations that could be diffused into the economies.

The second meeting of Ministers responsible for Science, Technology and Innovation (STI) was held on 18 September 2012 at the Silver Springs Hotel, Nairobi Kenya. The main objective of the meeting was to deliberate on STI agenda items for the summit of the Heads of State and Government and to formally consider proposals on the designation of COMESA regional STI parks and regional clusters and centers of excellence as well as consideration of the establishment of the COMESA Innovation Council and Innovation Award.

The meeting decided that high priority be given to the investment and implementation of projects in green technology and that a holistic programme be developed to enable Member States to collaborate in research, development and innovation in green technology; and that the following institutions be designated as regional centers of excellence:

g. Kenya University of Nairobi Science and Technology Park and FabLab; and the Egerton University Agro Park.

h. Malawi: the Lilongwe University of Agriculture and Natural Resources, and the Biwi Industrial Park.

i. Swaziland: the Royal Science and Technology Park.

j. Egypt: the Technology Innovation and Entrepreneurship Center (TIEC) and Information Technology Institute (ITI) under the Ministry of Communication Information Technology.

k. Sudan: the National Renewable Energy Center, the National Research Center, and the Applied Science Academy in the Africa City of Technology.

l. Uganda; the e-Governance Academy.

The Member States with designated regional centers of excellence should work with the Secretariat to develop business plans which will be used to mobilize funding for the centre.

During the reporting period, the Ministers also adopted the terms of reference for the Innovation Council, and appointed the following eight nominees as Members of the Innovation Council:

i.	Prof. Meoli Kashorda	-	Kenya
ii.	Prof. Venasisus Baryamureeba	-	Uganda
iii.	Prof. Marie Claire Yandju	-	DRC
iv.	Dr Dhanjay Jhurry	-	Mauritius
v.	Prof. Silas Lwakabamba	-	Rwanda
vi.	Prof. Aggrey Ambali	-	Malawi
vii.	Dr Jonathan M. Tambatamba	-	Zambia
viii.	Prof. Lydia Makhubu	-	Swaziland

The members of the Innovation Council are expected to use their stature, experience, knowledge, and their repertoire of contacts to provide advice to Member States relating to existing and new knowledge and innovations, and best ways of applying this knowledge. The Council will also be responsible for choosing winners of the COMESA Innovation Award, which should be given annually. Operating under the auspices of the Secretary-General, the Council will be available to any Member State that may wish to seek its assistance; and it will ensure that scientific and technological aspects of development are integrated in the functioning of COMESA. It also serves as an advisory council to the committee on Science Technology and Innovation, Members States and the regional centers of excellence, among others.

The Secretariat was requested to send out letters as well as the requirements for nominees to the Innovation Council from the private sector to all Member States and convene a meeting of the Bureau to select the candidate. This will be done in 2013.

The COMESA Innovation council at its inauguration in April 2013 in Kampala - Uganda

PART: 6
IMPLEMENTATION OF AGRICULTURE PROGRAMMES

PART: 6
IMPLEMENTATION OF AGRICULTURE PROGRAMMES

THE COMPREHENSIVE AFRICAN AGRICULTURE DEVELOPMENT PROGRAMME (CAADP)

CAADP seeks to support country-driven agricultural development strategies and programmes by, amongst others, establishing clear commitment to deliver on: investing 10 percent of national budgets in the agricultural sector and achieving a six percent growth in agricultural domestic product. The CAADP agenda further seeks to change the way stakeholders in the sector do business by critically reviewing and transforming institutional arrangements, related policies, and human capacities and competencies.

The activities of 2012 focused on: support to CAADP Implementation at country level; strengthening regional planning and policy formulation; facilitating monitoring and evaluation of regional strategic objectives; facilitating regional communication and information sharing; capacity building at the Secretariat, national and regional level; and strengthening regional partnerships. These strategic functions are also meant to operationalise the COMESA Agriculture Development Strategic Framework (2010-2014).
The implementation progress is as follows:

COMESA mobilized technical, financial and organizational support to assist Member States in enhancing country level implementation. To date, fifteen Member States have officially launched the CAADP implementation process. Eleven (11) of these have signed their National CAADP Compacts and these are: Rwanda, Burundi, Ethiopia, Swaziland, Uganda, Malawi, Kenya, Zambia, Democratic Republic of Congo, Seychelles and Djibouti. Six (6) countries have finalized the design of their national agriculture and food security investment plans (NAIPs). These are Rwanda, Ethiopia, Uganda, Kenya, Malawi and Burundi. Other Member States are also advancing towards finalization of their National Compacts and NAIPs.

Four (4) countries have successfully accessed funding from the Global Agriculture and Food Security Programme (GAFSP) for implementation of investment programmes. These are Rwanda, Ethiopia, Burundi and Malawi. Member States have been encouraged to seek alternate sources of funding, with support from COMESA, to bridge the funding gap in their NAIPs. Meanwhile, the AUC and NPCA have launched implementation of the Grow Africa Initiative, a resource mobilization tool with a focus on supporting and encouraging private sector investment in the agricultural sector, within the context of CAADP. Member States have been encouraged to express their interest to participate in this initiative, through which funds have been set aside to fulfil the objectives of the programme.

Table 27: CAADP Progress at Country Level

Country	CAADP Process Milestones
Burundi	*Compact Signing*: August 2009; *National Agriculture Investment Plan (NAIP) Technical Review*: August 2011; *Business Meeting*: March 2012 GAFSP recipient in May 2012 – US $30 million to improve water management and irrigation in drought-prone regions Budgetary Allocation to Agriculture (2013): 8%
Comoros	*Compact Signing*: Compact not yet signed. Agriculture sector stocktaking exercise in progress. Budgetary Allocation to Agriculture: Data not available
Democratic Republic of Congo	*Compact Signing*: March 2011; *NAIP Technical Review*: April 2013; *Business Meeting* planned for July/August 2013 Budgetary Allocation to Agriculture (2012): 5.0%
Djibouti	*Compact Signing*: April 2012; Finalizing NAIP. *Business Meeting* planned before end 2013 Budgetary Allocation to Agriculture (2013): 4.2%
Egypt	The country has not yet launched the CAADP process. Budgetary Allocation to Agriculture (2003 – 2010 average): 3.2%
Ethiopia	*Compact Signing*: September 2009; *NAIP Technical Review*: September 2010; *Business Meeting*: December 2010 *GAFSP recipient* in November 2010 – US $51.5 million to develop the untapped potential of well-endowed areas, including strengthening key advisory services, encouraging farmer organizations, and improving small scale infrastructure *Grow Africa* beneficiary – support to the "Agricultural Growth Project" *New Alliance for Food Security and Nutrition* beneficiary. Budgetary Allocation to Agriculture (2011): 19.7%
Eritrea	Launched the CAADP process in September 2012. *Compact Signing*: Compact not yet signed Budgetary Allocation to Agriculture: Data not available
Kenya	*Compact Signing*: July 2010; *Investment Plan Technical Review*: September 2010; *Business Meeting*: September 2010 *Grow Africa* beneficiary – contribution towards the Lamu Port – South Sudan – Ethiopia Transport Corridor (LAPSSET) as a driver of agricultural growth in Northern Kenya Budgetary Allocation to Agriculture (2011): 5.1%
Libya	The country has not yet launched the CAADP process Budgetary Allocation to Agriculture: Data not available
Madagascar	Launched the CAADP process in November 2011. Compact not yet signed, planned before end 2013. Agriculture sector stocktaking exercise concluded in April 2013 Budgetary Allocation to Agriculture (2011): 3.4%
Malawi	Compact Signing: April 2010; Investment Plan Technical Review: September 2010; Business Meeting: September 2011 *GAFSP recipient* in May 2012 – US $39.6 million to promote irrigated rice and horticulture production as well as crop diversification and value chain development for selected commodities. Earmarked for *New Alliance for Food Security and Nutrition* Budgetary Allocation to Agriculture (2011): 12.6%

Country	CAADP Process Milestones
Mauritius	*CAADP official launch* is planned before end 2013 Budgetary Allocation to Agriculture (2003 – 2010 average): 3.4%
Rwanda	*Compact Signing*: March 2007; *Investment Plan Technical Review*: December 2009; *Business Meeting*: December 2009 (more than 100% pledged by various cooperating partners to bridge the NAIP financing gap) Rwanda has completed implementation of the first NAIP and is currently developing a second NAIP covering the period 2013 – 2017 to be launched in December 2013 *GAFSP recipient* in June 2010 – US $50 million to implement hillside irrigated agriculture and bolster productivity in an environmentally sustainable manner *Grow Africa* beneficiary – promotion of agri-business investment in priority commodity value chains using the "Food Basket" approach Budgetary Allocation to Agriculture (2011): 10.2%
Seychelles	*Compact Signing*: September 2011. Preparation of NAIP in progress Received from NEPAD a grant of US $168,000 for the second phase of the Mariculture Master Plan to be undertaken by the Seychelles Fishing Authority (SFA) Budgetary Allocation to Agriculture (2003 – 2010 average): 1.5%
Sudan	*Compact Signing*: Planned for July 2013 Budgetary Allocation to Agriculture (2007): 7.0%
Swaziland	*Compact Signing*: March 2010. Formulation of NAIP in process Budgetary Allocation to Agriculture (2007): 3.7%
Uganda	Compact Signing: March 2010; *NAIP* Technical Review: September 2010; Business Meeting : September 2010 Budgetary Allocation to Agriculture (2011): 5.0%
Zambia	*Compact Signing*: January 2011; *NAIP Technical Review*: April 2013; *Business Meeting*: May 2013 (approx. $480M pledged by various cooperating partners to bridge the NAIP financing gap) Budgetary Allocation to Agriculture (2012): 12.8%
Zimbabwe	*Compact Signing*: Compact not yet signed (planed for September 2013). Preparation of both Compact and NAIP in process Budgetary Allocation to Agriculture (2012): 8.43%

During the period under review COMESA engaged the SADC and EAC Secretariats with regard to the proposed design of a broader regional agriculture development and investment plan. Following these consultations, the SADC Summit endorsed the proposal for a Tripartite Regional Agricultural Policy and Investment Framework. Dialogue between COMESA and EAC has continued into 2012. COMESA also expedited the recruitment of a regional CAADP process facilitator and a policy analyst, whose roles will include finalization of the COMESA Regional CAADP Compact and facilitation of dialogue on the Tripartite Regional Agriculture Development and Investment Framework.

A monitoring and evaluation specialist was recruited to support Member States in the operationalization of the CAADP M&E Framework at the national level. The process of developing a COMESA-wide CAADP M&E system has been initiated, in collaboration with NPCA, including developing standard tools for assessing country capacities in M&E and tracking the country CAADP process benchmarks. COMESA has also provided technical backstopping support to Member States in formulating results frameworks for their National Agricultural Investment Plans.

Various capacity strengthening initiatives, covering thematic areas, have been undertaken during this reporting period, in collaboration with regional and international CAADP partners. These include: AUC; NPCA; FAO; GIZ; USAID; University of Zambia; ASARECA; University of Pretoria; World Bank and CILSS-ECOWAS. COMESA facilitated the participation of its Member States in such capacity building related activities, and also mobilized technical and organizational support to add value to various stages of the CAADP implementation process at country level. This enhanced peer learning and exchange of experiences.

The main challenge is the need to scale-up financing for implementation of programmes through funding sources such as the GAFSP and the newly launched Grow Africa Initiative.

Agricultural Information and Food Security Issues

The Ministers of Agriculture, Environment and Natural Resources made the decision that Member States should incorporate the Food and Agricultural Marketing Information System (FAMIS) component on data collection into their national processes and link it, where possible, to the CAADP process at both the national and regional levels. They also instructed the Secretariat to explore the possibility of FAMIS being managed by private sector entities, such as the chambers of industry and commerce and the commodity exchanges. The Secretariat should provide technical assistance and build capacity of national focal points in charge of FAMIS.

The implementation of the above three decisions requires a definition of a new intervention for the Food and Agricultural Marketing Information System. The Secretariat acknowledges the important role that information and communication technologies (ICTs) play in agricultural value chains. Different types of ICT have different strengths and weaknesses when applied to particular interventions. At the same time, the Secretariat understands that the technology should not overshadow the people and institutions who are involved in the process of the same value chains.

To achieve the above, the following has been done so far:

To promote livestock development: the collation of information on livestock and related policies, animal health strategies and legislations is being carried out by the Reinforcing Veterinary Governance in Africa (VET-GOV) project. The VET-GOV project is carried out by AU-IBAR, OIE and FAO in all regional economic communities. During stakeholders' workshop held in Zambia, Tanzania and Nairobi participants from COMESA Member States were enlightened on reinforcing veterinary governance in Africa project. Presentations were given by the head of veterinary services. These included the status of animal resources in their country and its socio-economic importance, status of veterinary services, animal diseases of economic and human health significance, diseases surveillance system and status of laboratories and their services.

Each country presented national livestock and related policy focusing on animal health strategies and veterinary legislations. In their deliberations they stated that the prevailing institutional environments in their countries need to be updated and improved to realize affordable, accessible and sustainable quality veterinary services. They agreed to work with the regional and international organizations (COMESA, AU-IBAR, FAO and OIE) on the improvement of livestock policies, animal health strategies and veterinary legislations. Agreement was also reached to harmonize their policies and strategies at regional level to improve livestock and fisheries production. Most of the Member States indicated that they have undergone PVS evaluation by the World Organization of Animal Health (OIE) and were encouraged to share their PVS reports so as to work on the gaps with regional and international organizations.

On fisheries development: fisheries are one of the most significant renewable resources that COMESA countries have for food security, livelihoods and economic growth based on sustainable resources management plans and there is significant potential for value-added production. As populations in COMESA countries continue to grow, the future benefits that these resources can provide will require balancing the increasing demands on fisheries, with capacity of oceanic, coastal and fresh water fish stocks to sustain those harvests.

The COMESA Fisheries Strategy was adopted by Fourth Joint Ministers of Agriculture, Environment and Natural Resources held in Ezulwini, Swaziland on 21 – 22 July 2011. The overall objective of the COMESA Strategy is to contribute to an increased level of social, economic and environmental development and deeper regional integration in the COMESA region. The ultimate beneficiaries of the programme will be fishermen, coastal communities, cross-border traders Associations, processors and wider populations of COMESA region. It is furthermore expected that diverse stakeholders groups will draw specific direct and indirect benefits from the programme.

The strategy is guided to mainstreaming the fisheries strategy on the COMESA programmes of: climate change, food security, marketing information systems; trade, gender, SPS and standards and quality assurance. Jointly with NEPAD's Planning and Coordinating Agency (NPCA), COMESA is mainstreaming the fisheries strategy on the post compact investment plan; for immediate finance by donors.

The trade component of the strategy mainly focuses on developing national strategies and policies, improvements in production and supply of fish. COMESA is collaborating with the EU funded programme, the SmartFish, to implement the trade component of the strategy. The main beneficiaries are: Burundi, Comoros, Djibouti, DR Congo, Kenya, Madagascar, Malawi, Mauritius, Seychelles, Uganda, Zambia and Zimbabwe. Jointly with SmartFish, COMESA held a trade exhibition on 26-27 April 2012 in Lusaka, to promote regional trade by providing a forum for producers, buyers and other support agencies to connect and share ideas to enhance fisheries' trade throughout the region. The event provided a vital understanding of the market potential for fisheries products in the region.

ALLIANCE FOR COMMODITY TRADE IN EASTERN AND SOUTHERN AFRICA (ACTESA)

ACTESA has continued to work with small scale farmers in partnership with private and public institutions in regularizing policy on staple foods, through policy outreach and research, creating market access, and building the capacity of the small scale farmers to enable them compete in the domestic, regional and international markets.

One of the milestone achievements of the Regional Approach to Biotechnology and Bio-safety Policy in Eastern and Southern Africa (RABESA) project has been the drafting of a regional bio-technology and bio-safety policy on commercial planting of Genetically Modified Organisms (GMOs), trade in GMOs and emergency food aid with genetically modified content. In addition to the national consultations conducted previously in 16 Member States, additional consultations on the draft COMESA bio-safety policy were carried out in Mauritius and Comoros, in the reporting period, bringing the activity to completion.

A regional workshop was held on 08 – 09 May 2012, in Lusaka, Zambia to review and validate the incorporation of the feedback into the revised draft policy on Commercial Planting, Trade and Emergency Food Aid Involving Genetically Modified Organisms. In the regional validation workshop, bio-safety regulatory authorities, scientists, policy makers and experts from 15 Member States attended and validated the policy for submission to the Committee of Ministers responsible for agriculture.

In addition, two policy briefs were prepared and disseminated. These are: highlights of key contributions from Member States on the COMESA draft regional bio-safety policies and guidelines; and the modern biotechnology in the European Union: Perceptions vs. Reality. More than 500 copies of each were distributed in various biotech-related fora and during the national consultative meetings.

Through the support of USAID, ACTESA managed to forge strong partnerships with African Seed Trade

Association (AFSTA) on seed development in the region, working with national seed trade associations in eight (8) countries of: Madagascar, Burundi, Ethiopia, Malawi, Zambia, Kenya Uganda and Zimbabwe. The Alliance for Seed Industries in Eastern and Southern Africa (ASIESA), the public-private multi-stakeholder partnership was also established within the seed value chain of Eastern and Southern Africa (ESA). The official launch was on 17-18 May 2012 in Nairobi, Kenya. The ASIESA will strive to enhance business competitiveness of seed companies and seed distribution enterprises in the region, and improve inter-regional seed trade and access to regional markets through technical support for regulatory harmonization and implementation; and work with stakeholders to improve farmer knowledge and demand for high quality seed that leads to farm and national agricultural productivity improvement. From the ASIESA launch, country specific seed activities were outlined in the eight targeted countries and are being planned for implementation as outlined above.

Through the support of EU, the COMESA seed trade regulations and standards were harmonised via consultations with the private seed sector that were represented regionally by AFSTA and at national level by the national seed trade associations; the national plant protection organisation within the ministries of agriculture; as well as various media organizations. The draft COMESA Seed Trade Harmonisation Regulations will be tabled before the COMESA Technical Committee on Agriculture and Environment, in 2013.

Between October 2012 and September 2013, ACTESA will facilitate approval of the COMESA Seed Trade Harmonisation Regulations and also create awareness on the existence of the draft seed regulations before and after their approval. The awareness creation workshops will also dialogue on alignment of the national seed laws to the seed trade regulations in preparation for domestication.

Further, ACTESA in partnership with IFDC and USAID are developing a strategy to address issue of inputs in the staple food productivity among small-holder farmers. Other partners like FAO, AFAP and IFPRI are exploring a possibility of joint fertilizer procurement; and a feasibility study is underway on the same.

The Eastern and Southern Africa Regional Food Balance Sheet (ESA-RFBS) was designed to provide accurate and reliable information on the region's food supply and demand status. Supported by initial seed money from the Alliance for Green Revolution in Africa (AGRA), it is expected to promote more informed policies and decision makings on food security by governments and food-aid agencies, and sound decisions by private actors (producers and traders), and thereby improved regional food security.

Implementation of the RFBS commenced in February 2012 following the signing of a new grant agreement with AGRA. Two core project officers (Trade Analyst and Data Entry Specialist) who will be involved with the day-to-day running of the project were recruited and joined ACTESA at the beginning of July 2012. Key equipment (laptop computers, printer, fax machine, mobile phone sets) that are required for effective execution of the project were procured. In addition, an MoU was signed between Famine Early Warning System Network (FEWSNET) and COMESA on the transfer of the informal cross border trade monitoring system from FEWSNET to ACTESA.

Addressing Sanitary and Phytosanitary (SPS) Trade Barriers

It has been noted that the multiplicity of standards coupled with variations in conformity assessment procedures instituted by Governments as official controls (for example inspections, sampling and testing protocols and certification processes) to manage food safety problems or prevent the spread of pests, plant and animal diseases are often unnecessarily restrictive to trade. When unjustified controls persist, they translate into non-tariff barriers. While Member States have at the highest level endorsed a number of decisions to eliminate NTBs, there is growing evidence that SPS related trade barriers have persisted in the midst of an expanding Free Trade Area (FTA).

COMESA has taken two approaches to address this problem: the first approach recognizes that varied capacities amongst COMESA countries to harmonize SPS measures with international standards and/or negotiate equivalence agreements may itself constitute trade barriers. In this regard, COMESA is supporting a number of countries to negotiate market access agreements whilst applying harmonization and equivalence approaches.

The second approach is the annual convening of a regional platform; the regional SPS sub-committee, where existing SPS and market access issues are discussed and solutions are explored before the issue becomes a full blown dispute. Whilst exploring solutions at regional level, countries that are members to the WTO reserve the right to bring such issues to the SPS Committee, which is the highest policy organ of the WTO with the mandate to resolve SPS disputes, bilaterally or through the dispute settlement mechanism of the WTO. The fact that COMESA countries have not brought SPS issues to the WTO SPS committee is strong justification for effective regional mechanisms. COMESA continues to strengthen the Regional SPS subcommittee to become an effective mechanism for addressing SPS issues and eliminating SPS trade barriers.

Through the tripartite framework, COMESA, EAC and SADC are currently negotiating the SPS Annex which is the legal instrument of the Tripartite FTA Agreement to address SPS related NTBs. The Tripartite SPS Annex seeks to go beyond the broad principles followed in the WTO SPS Agreement and reduce the differences in national standards and conformity assessment processes that impede intra tripartite trade. In future Tripartite States will seek to act through the SPS Annex of the Tripartite FTA Agreement as well as through the World Trade Organization (WTO), to protect human, animal, or plant life or health. The Secretariat will continue to support COMESA Member States to participate effectively in the tripartite negotiations whilst aligning national SPS systems and measures with approaches agreed in the Tripartite SPS legal instrument.

Standardization and Quality Assurance (SQA)

In 2012, the Standardization and Quality Assurance activities gained their momentum from the work plan developed by the annual meetings of the SQA Committee and its sub-committees. The implementation of the work plan for 2012 generated the following key results:

- The Regulators in the Energy Sector held a meeting in Nairobi, Kenya, in May 2012 to validate the interconnection codes and power transmission standards in support of the Technical Regulations in this Sector. The Eastern Africa Power Pool (EAPP) Interconnection Code and eight (8) Power Transmission Standards were validated by seven Member States as COMESA harmonized standards with the support of the EU and the USAID/ EA and in collaboration with the Eastern Africa Power Pool and Southern Africa power Pool. A decision was made to subject the IC&PTS to wider validation involving other Member States;
- The draft terms of reference for updating COMESA harmonized Standards were reviewed, finalized and approved, and a consultant engaged;
- The draft terms of reference for the development of a Strategic Plan for Standardization and Quality Assurance were reviewed, finalized and approved;
- COMESA harmonized standards were placed on the COMESA website and National Bureaus of Standards were provided with a collection of all COMESA harmonized standards on a CD;
- Draft questionnaires on Standards, Metrology and Conformity Assessment were reviewed, finalized, approved and circulated for generation of information from the Member States;
- The Principles and Procedures for the Development and Harmonization of Tripartite Standards were edited and the document finalized as Final Version 1.0. This version was subsequently circulated widely for comments;
- A matrix of the activities of the SQA Sub committees were reviewed and updated; generated activities were discussed and agreed, including approach in the review of Tripartite FTA Annex 9 on TBT to inform the Tripartite process; and
- COMESAMET and COMESAMEL structures were operationalized with Zambia and Swaziland elected as chairpersons for COMESAMET and COMESAMEL respectively. Eritrea and Djibouti were elected vice chairpersons for COMESAMET and COMESAMEL respectively.

* The Chairpersons for COMESAMET and COMESAMEL appointed to represent COMESA in the tripartite Coordination Committee on Metrology matters.
* The meeting of the COMESA-EAC-SADC Tripartite Accreditation Expert Working Group was held in Pretoria, South Africa, on 16 – 17 May 2012, and an accreditation model for Africa was developed. The model recognized the existing regional accreditation cooperation, namely: East African Accreditation Board (EAAB) and Southern African Development Community Accreditation (SADCA).
* The draft document on the modalities for Mutual Recognition of Test Reports and Certificates issued by Certification Bodies (COMESA/OP/01) was reviewed.

CLIMATE CHANGE ADAPTATION AND MITIGATION

The COMESA Climate Change unit coordinates the programme on climate change mitigation and adaptation in the COMESA-EAC-SADC region. The five-year initiative that started in July 2010 it is a successor to the COMESA climate change initiative that had been running since December 2008.
Under the leadership of COMESA, US $100 million was mobilized for the implementation of the COMESA-EAC-SADC tripartite climate change programme. The tripartite programme, launched at the 17th Conference of Parties (COP 17), in Durban South Africa in December 2011, has been designed to run from 2012-16. More than 75 percent of the grant is to support climate smart agricultural activities in the 26 COMESA-EAC-SADC Member States.

The three RECs have jointly developed a five year programme whose overall objective is to address the impacts of climate change through successful adaptation and mitigation actions aimed at building socio-economic resilience of communities through Climate-Smart Agriculture (CSA). Some programmes are jointly carried out by the three RECs, but each REC also initiates activities depending on its implementation and absorption capacity. By the end of the year 2012 COMESA was the only one with a fully fledged Climate Change Unit.

It is worth noting, however, that due to the nature of the programme and tripartite spirit, the REC is not obliged to limit its operation to its members; and it is envisaged that by 2017 climate change should no more be seen as an environmental issue but mainstreamed in as many as possible relevant national and regional sectors.

In order to formalize operations, the Tripartite Agreement for the Implementation of the Programme was signed on 15 July 2012 on the margins of the 19th African Union Summit of Heads of State and Government in Addis Ababa, Ethiopia. The Heads of the three RECs: Mr Sindiso Ngwenya, Dr Richard Sezibera and Dr Tomaz Augusto Salomão signed the agreement on behalf of COMESA, EAC and SADC respectively. The signing of the Tripartite Agreement after the Rio+20 Summit held under the auspices of the United Nations Conference on Sustainable Development (UNCSD), held from 20-22 June 2012 in Rio de Janeiro, Brazil, demonstrates the RECs' collective efforts to address climate change in the region within the framework for follow up action agreed by the Rio+20 Summit.

Promotion of Climate Smart Agriculture (CSA)

Starting with the predecessor programme that became operational in 2009, the programme has worked to promote CSA starting with conservation agriculture. Following the increased resources obtained in 2011 it became evident that taking into account the fact that even COMESA; that has a fully fledged Unit; had no capacity to work with individual farmers. There was need, therefore, to partner with non-state actors that are on the ground for implementation of adaption to climate change mechanisms.

In the year 2012 COMESA sub-contracted some of its on ground activities to a number of regional organizations that deal directly with farmers and/or land management in Eastern and Southern

Africa. These include: the African Conservation Tillage Network (ACT), East African Farmers Federation (EAFF), Golden Valley Agricultural Research Trust (GART) World Agro forestry Research Centre (ICRAF), Participatory Ecological Land Use Management (PELUM) and South African Confederation of Agricultural Unions (SACAU). These institutions were selected after a thorough due diligence based on their expertise, as well as the kind of stakeholders they serve. Activities started in late 2012 and will continue in 2013 and beyond. COMESA, on behalf of the tripartite, will monitor progress of activities and funds will be released following evidence based performance.

Climate Smart Agriculture (CSA) Investment Framework

The CSA sustainability depends on buy-in by Member States as well as farmers. As a result, during the period under review, COMESA supported the design of the CSA investment framework. In March 2012, the COMESA Secretariat facilitated consultations with climate smart agriculture stakeholders in Kenya, Malawi, Zambia and Zimbabwe, and by December 2012 Kenya, Malawi and Zimbabwe had designed their climate smart agriculture investment framework.

To increase buy-in into CSA, in April 2012, COMESA in collaboration with the FAO Regional Office for Southern Africa, co-organized and co-funded a regional Climate Smart Agriculture meeting and study tour in Zambia. The meeting was attended by delegates from 25 of the 26 ESA Member States, all the technical implementing partners, representatives of the three RECs and the three donors also attended.

By the end of the year 2012, the programme was close to concluding the designing of a result facility, which is a funding mechanism to support transformative climate smart agricultural projects in the SADC-COMESA-EAC region. The facility falls within the governance of the tripartite climate smart agricultural programme. The objective of the results facility is: to increase the adoption of CSA practices in East and Southern Africa. It is expected that the facility will be fully operational in the first quarter of 2013.

Management of Municipal Waste

In September 2012 COMESA commissioned a study in the first model capital cities on municipal waste management. This purpose of the study was to: identify the main conceptual, policy and institutional drivers of the waste management system and assess whether and how climate change is or can be part of it; provide an understanding of the generation of waste, the types of waste, solid waste management system in the city; its structure, governance, actors, process of collection, removal and disposal; provide information and hard data on waste quantities, costs, what works and gaps in the system; it must establish the geographical, social and sectoral coverage of the system; and deliver practical models for the municipal waste management with particular focus on waste to energy, carbon trading and community participation.

The study revealed the opportunities that will arise from modern waste management for the good of the cities. It showed that there was significant potential for Member States to develop renewable energy projects from solid waste that would bring carbon credits of up to US $3 million, revenue that could be used for development projects. This is an example of the latent potential for revenue generation through carbon sequestration, abatement and reduction.

Piloting the Carbon Market

In 2012, COMESA started piloting projects that will be put on the carbon market. The first pilot project is the Rwanda Corrective Services (RCS) bio-gas project. Rwanda Corrective Services management has installed toilet linked biogas digesters in 10 of its 14 prisons and are using the bio-gas for cooking in place of wood fuel. Using fuel-wood as a source of energy leads to increased deforestation. Cutting of trees from natural forests for fuel-wood is avoided by using biogas which also mitigates the emission of greenhouse gases in the process. COMESA has hired a consultant to help RCS assess the possible options and allow for an informed decision on sustainability of the project. The consultant will conduct a project consultancy from identification to project registration up to successful marketing of the carbon credits. It is expected that the project will be on the carbon market in the second half of the year 2013; and we intend to use the Rwandan experience to advocate for similar investments in other Member States.

Negotiations on Inclusion of Agriculture in the UNFCCC Process

At the 17th Conference of Parties (COP 17) of the United Nations Framework Convention on Climate Change (UNFCCC) in Durban in December 2011, the parties agreed on a decision that advances the quest for inclusion of agriculture in the UNFCCC process. The decision which is contained in paragraphs 75-78 of decision 2/CP17 provided a framework, under the Subsidiary Body of Scientific and Technological Advice (SBSTA), for parties to exchange views on issues relating to agriculture with a view to adopting a decision at the eighteenth Conference of the Parties (COP18) that was held 26 November – 07 December 2012 in Doha, Qatar. The negotiations resulted in a decision on agriculture, and were facilitated by COMESA. This is the first time that the UNFCCC has adopted a decision on agriculture.

In the same decision, Parties were requested to make submissions on those issues in agriculture that they would like to exchange views on under SBSTA. To ensure that Member States responded to the request, in February 2012, COMESA facilitated two sub-regional meetings in Arusha and Johannesburg for Eastern and Southern Africa regions to identify key issues related to agriculture. At the conclusion of the two meetings, participants agreed on a submission to be made to the UNFCCC Secretariat identifying priority areas for Africa as well as the scope of an agricultural nationally appropriate mitigation action. The submission was officially submitted to the UNFCCC Secretariat by the 2012 Chair of the African Group of Negotiators (AGN), Swaziland on behalf of Africa.

In addition and building on the common submission made by the AGN Chair, several COMESA Member States made independent submissions to reinforce this common position. Indeed the submission made by Swaziland on behalf of the Africa Group formed the basis of negotiations during the 36th SBSTA session held in May 2012 in Bonn, Germany and later at COP18 in November/ December 2012 in Doha.

PART: 7 CROSS CUTTING ISSUES

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GENDER AND SOCIAL AFFAIRS

We recognise that the achievement of COMESA's goals of regional integration and the attendant economic empowerment of the people cannot be fully achieved without the full participation of all men, women and youths.

In the year 2012, COMESA Secretariat continued to advocate for the policy of gender mainstreaming in order to foster gender equality and equity in all programming for regional integration and co-operation and also achieve sustainable socio-economic development. The COMESA Gender Policy is constantly used as a reminder to Member States in fulfilling their obligations and commitments to gender equality and equity which they entered into when signing the various international and regional instruments such as the Convention on the Elimination of All forms of Discrimination Against Women (CEDAW), the African Union Charter and its Optional Protocol on the Human Rights of Women and Girls; the Declaration on Social Summit for Sustainable Development, the AU Solemn Declaration on Gender equality in Africa, Beijing Platform for Action, the SADC Gender Declaration, the Millennium Development Goals, just to mention a few.

Therefore, in pursuit of advocacy for gender equality and equity in the region, the Thirty-First meeting of the COMESA Council of Ministers held in Kampala, Uganda from 19-20 November 2012, made landmark decisions on gender equality and empowerment of women. Council endorsed the decisions of the Sixth Meeting of Ministers responsible for Gender and Women's Affairs which included setting of measurable benchmarks for ensuring that new programmes such as the industrial cluster development initiatives in the sectors of leather and footwear, cassava processing, and clothing and textiles manufacturing; climate change initiatives, and other programmes, should adopt a gender parity principle.

In this regard, the Secretariat was urged to provide technical assistance to Member States that are promoting small and medium enterprises (SMEs), in the areas of business management, processing and modalities for accessing loans; and mobilizing artisans into groups so that they could benefit from the expertise, regional markets and other resources.

Other milestones of key policy decisions on promoting gender equality, equity and women empowerment in the region was the commitment by the Ministries responsible for Gender and Women's Affairs to designate focal point persons whose tasks would include following up on the implementation of COMESA gender policies at national level; and developing a compendium of female experts in the field of COMESA's regional integration programmes. This list would then be submitted to the Secretariat for reference during recruitment of professional staff; and the Secretariat is to adopt an Affirmative Action Policy in the recruitment of professional staff.

In addition, there has been intensive advocacy on the implementation of the Ministerial and Council Decisions on the increased integration of female farmers in agricultural and climate change interventions according to the 80 percent gender parity benchmark. To achieve this, the Secretariat conducted capacity building training for programme/project managers with financial support of the United States Agency for International Development (USAID) on Gender Responsive Budgeting (GRB) and Gender and Monitoring and Evaluation, from the 05-08 July 2012 in Livingstone, Zambia.

The main objective was to build the capacities of programme officers in integrating a gender responsive design and ensuring gender responsiveness in all stages of activity implementation, specifically in budgetary allocations and impact assessment. The training was attended by 22 professionals drawn from the USAID Programme Management Unit (PMU), Trading for Peace (TFP), CAADP, SPS, Communications and Finance sectors that are mostly funded by the USAID.

During the year under review, COMESA set some benchmarks for other initiatives such as the establishment of the COMESA Women Economic Empowerment Fund (WEEF). It was decided that part of the Base Fund for WEEF should come from 1% of annual contributions that Member States already make towards the COMESA regular budget in order to enhance the speedy implementation of the WEEF. This decision establishes commitment and a sense of ownership of the fund by Member States. However, Member States went further to state that: "…other budgetary contributions (to the WEEF Base Fund) should be mobilized from donors and private sector foundations."

COMESA also advocated for co-operation in social development and cultural issues among its Member States in line with Article 143 and Article 110 of the Treaty. To this effect, a regional workshop was convened for Member States to discuss and agree on the key strategic pillars of the COMESA Social Charter, on the basis of COMESA's core business of trade facilitation and regional integration. The regional workshop agreed on co-operation in eight strategic pillars: namely: education, training and skills development; health; peace and security; environment; cultural issues; economic opportunities; public awareness and advocacy in social and cultural issues; and social justice and rights.

The overall goal of the Social Charter is to integrate social and cultural development perspectives into the regional integration agenda. The Charter is a fundamental building block for social rights and will, therefore, establish the major principles on which the COMESA labour laws will be modeled. Generally, it will address and engender the role of work in society; social protection, equal treatment for men and women, health protection, safety at the workplace; and other social and cultural rights and protections.

In addition, two sensitization workshops were conducted for border officials and trade information desk officers on Gender, HIV and AIDS. COMESA also officially launched the Multi-sectoral programme on HIV and AIDS during the 6th Ministerial Meeting of the Ministers of Gender which was held on 17-18 September, 2012 in Lusaka, Zambia, under the leadership of the Minister of Gender and Child Development Honourable Inonge Wina (MP) of Zambia. The overall goal of the programme is to contribute to the reduction of HIV/AIDS prevalence in the region and mitigate the negative impact of HIV/AIDS.

During the same event, the Regional Strategy for Mainstreaming Gender in Agriculture and Climate Change (RESTRAP) was launched. The strategic objective of the RESTRAP is to facilitate and promote climate smart agriculture policies, structures, and programmes and promote gender equality and equity towards sustainable development by 2015.

The Secretariat also secured funding from the United States Agency for International Development (USAID) to print the Regional Strategy and Strategic Action on Mainstreaming Gender in Agriculture and Climate Change (RESTRAP) document. The printed document when distributed would enhance visibility of COMESA and USAID as a leader in mainstreaming gender in agriculture and climate change to partner institutions and Member States. The document will contribute greatly towards practical application and impact on mainstreaming gender in agriculture and climate change interventions in the region. It is anticipated that the regional strategy will be used as a guideline for addressing practical dimensions of gender mainstreaming in agriculture and climate change programmes.

Such dimensions include market-related challenges, innovation and technological obstacles, especially in terms of conservation agriculture practices and policy constraints that inevitably impact on production activities and productivity capacities of both men and women which result in low agricultural productivity, food insecurity and poverty. These activities are cardinal to the achievement of the Millennium Development Goals (MDG) especially MDG 1 on poverty alleviation, MDG 3 on Gender Equality and MDG 7 on Environmental Sustainability.

During the year 2012, project implementation for the establishment of Business Incubator for African Women Entrepreneurs (BIAWE) project also commenced in earnest with the recruitment of the Programme Manager. This project is a two year pilot initiative whose main objective is to support women entrepreneurs by increasing the capacity of SMEs run by women in African, especially in the area of agro-processing, handicrafts and ICT. It is expected that the project will play a key role in providing credit guarantee for women entrepreneurs in order for them to improve their businesses. The project is being jointly implemented by the Secretariat and the Federation of National Associations of Women in Business (FEMCOM) under the NEPAD/SPANISH Fund for African Women Entrepreneurs.

We shall continue to advocate for gender equality, equity and women empowerment at the Secretariat and in all Member States, through the process of gender mainstreaming, and integrating social development and promoting women participation in 2013. The activities which were initiated in 2012, coupled with policy decisions, will form the basis for programme implementation in 2013. Gender mainstreaming guidelines and strategies already developed will be put to great use.

STATISTICAL DEVELOPMENT

The objectives of the COMESA Statistical programme are: to ensure that statistics in the region are produced using harmonized frameworks and/or international standards in order to ensure comparability; to enhance the quality, availability and comprehensiveness of statistics in the region; to ensure a wide dissemination of statistical outputs for use by policy makers and COMESA member States in their review and monitoring of the Common Market and to implement new, efficient and innovative methods for the production and sharing of statistics in the COMESA region.

Achievements and Impact in 2012

COMESA deepened its implementation of the 2010-2013 multiannual statistical work programme. The following sections summarize the achievements and impacts of the 2012 interventions.

Capacity Building

Capacity building through onsite training and off site training has been at the core of all statistical interventions in Member states by the Secretariat. By the end of 2012 a total of 125 Member state experts were trained in various statistical clusters. The interventions involved assisting Member states comply with the requirements of the 2010-2013 Multiannual statistical work programme.

Table 28: Member States that benefitted from the Statistical Cluster

Statistical Cluster	Countries that benefited from technical assistance and training
Merchandise trade statistics	Burundi, Kenya, Congo DR, Zimbabwe
Harmonized Consumer price indices	Seychelles, Madagascar, Zimbabwe, Zambia, Djibouti, DRC, Mauritius, Rwanda, Egypt, Sudan, Ethiopia
Infrastructure Statistics	Djibouti, Rwanda, Ethiopia, Seychelles, All Member states for regional Workshops
National Accounts	Uganda, Kenya, Rwanda, Burundi, Madagascar, Ethiopia

COMESA was also involved in capacity building for the Southern African Customs Union and the East African Community. This capacity building was in the form of technical support missions and re-fresher training in the use and management of the Eurotrace software. Re-fresher trainings were conducted in Lesotho, Namibia and Botswana and in all countries; staff from bureaus of statistics and customs administrations were involved in the re-fresher training. Within the East African Community, COMESA was involved and facilitated at a producer/ user workshop for trade statistics organized by Kenya National Bureau of Statistics and also facilitated a Trade data reconciliation workshop organized by the Regional Strategic Analysis and Knowledge Support System (ReSAKSS) in Nairobi Kenya.

Programme Impact

As a consequence of compliance to COMESA region agreements in statistics the following impact is reported for 2012;

- Nine COMESA countries now undertake regular enterprise foreign direct investment (FDI) surveys. This is in line with the Council decision for countries to improve their FDI statistics in accordance with the COMESA FDI Regulation. COMESA published the second COMESA Investment Report under the theme: "Regional Integration and Foreign Direct Investment in COMESA". This was widely disseminated at the 2012 COMESA Summit and other policy forums.

- Fifteen COMESA Member states were ready for the full implementation of internationally comparable inflation measurement through the COMESA HCPI from January 2013.

- Seventeen COMESA member states participated in the Africa Infrastructure Knowledge Program survey. The impact of this program is to increase the knowledge base on infrastructure statistics which will further enrich evidence based policy making in COMESA. COMESA met its target to publish the second COMESA Infrastructure Statistics Report which was disseminated at the 2012 COMESA summit and other policy meetings.

- Four COMESA countries successfully participated in a pilot study on development of statistics in international trade in services. The pilot revealed the potential for countries to report a core set of SITS based on the recommendations of the Manual on Statistics in International Trade in Services.

- Seventeen COMESA Member States now provide trade data to the Secretariat with the addition of Congo DR that started remitting data in December 2012. Eritrea had stalled after a system upgrade yet to be re-configured leaving only Libya that is not remitting trade data. The 2012 COMESA International Trade Statistics Bulletin was published and disseminated at the 2012 COMESA Summit and at other COMESA meetings.

- The COMSTAT data portal was re-launched with several statistical clusters available for download and analysis. The most downloaded/visited product is the merchandise trade statistics dashboards and the International Comparison Program (ICP) dashboards.

- The statistical function of COMESA also compiles analytical inputs on trade reform revenue impacts as well as tariff phase down schedules. These were compiled in 2012 and were utilized in the Tripartite negotiations process.

Partner Support to Statistics

The European Union through the Regional Integration Support Program (RISP) provided funds for a significant number of programs among them, international trade statistics, statistics on international trade in services, foreign direct investment statistics, components of the HCPI and infrastructure statistics. Support to statistics from the EU amounted to US $434,000 in 2012. The African Development Bank (AfDB) also supported a significant component of the statistical program. This was through its Statistical Capacity Building Initiative. Support from the bank was targeted at price statistics, HCPI, national accounts and infrastructure statistics (through the AIKP initiative). AfDB support to statistics in 2012 amounted to US $558,000. Trademark Southern Africa (TMSA) funded the development of the COMSTAT data portal and the COMESA open data platform. TMSA support to statistics totaled US $97,000 in 2012.

Sir James Macham, former President of Seychelles and Member of the COMESA Committee of Elders, met the former President of Zambia, His Excellency Kenneth Kaunda in Lusaka, Zambia in 2012

PART: 8
PEACE AND SECURITY

At the Twelfth Meeting of the COMESA Ministers of Foreign Affairs, which was held in Kampala, Uganda on 21 November 2012, the report and recommendations of the Peace and Security Committee were discussed and the same are reflected in the report of the Ministers of Foreign Affairs. The following are the highlights of the achievements in the year 2012.

During the reporting period, the region's peace and security dynamics ranged from positive and encouraging history-making events to periods of high tensions in a few parts of the region.

The death of His Excellency Meles Zenawi, then Prime Minister of Ethiopia in July 2012; was a sad and significant event for the region. The late Prime Minster played a very significant role in various peace processes for the Horn of Africa, one of the most volatile regions in Africa.

On a positive and historic note, however, three countries: Somalia, Libya and Egypt, made great strides in the democratisation process by installing democratically elected governments after decades of autocratic rule as noted at the 12th Meeting of the COMESA Ministers of Foreign Affairs, which was held in Uganda in November 2012 thus:

a. Somalia, a country that has been without a government since 1991 and which has been categorised as a failed state, successfully adopted a new constitution on 01 August 2012 and successfully moved from the transition period on 20 August 2012. This paved way for the election of a President, the establishment of the National Constituent Assembly and the inauguration of a Federal Parliament. Although Somalia is not a Member of COMESA, the conflict in that country has closely affected its neighbours, all of whom belong to COMESA; and indirectly affected global security through piracy and the threats of terrorism. The conflict in Somalia has often been described as the epi-centre of the conflict system of the Horn of Africa.

b. After the revolutions in Egypt and Libya in 2011, Libya held the first democratic elections in four decades and elected a General National Congress in July 2012. This followed the election of Mr Ali Zeidan as the Prime Minister. The Prime Minister then constituted a government that took the oath of office in November 2012. Egyptians held democratic elections in May 2012 and elected Dr Mohamed Morsi as President and officially handed over power to civilian rule from the Supreme Council of Armed Forces (SCAF). Efforts were also made towards enacting a new constitution and a first draft was released for comments by the public in October 2012.

Also in 2012, significant efforts were made to consolidate the peace and stabilize various countries that have emerged from conflict. These include positive efforts in the establishment of democratic institutions and reconciliation. The Twelfth Meeting of the COMESA Ministers of Foreign Affairs particularly noted the strides made in Burundi, Comoros and Libya:

c. The Burundi Government undertook a number of initiatives to enhance democratic governance, including the establishment of independent institutions, the adoption of strategies on good governance and the fight against corruption.

d. The Union of Comoros continued to make progress in the consolidation of the national reconciliation process and the Member State made a lot of positive strides towards the re-establishment of trust between the central authority and the islands' executives. The socio-economic situation, however,

His Excellency, the late Meles Zenawi, former Prime Minister of Ethiopia, passed away in 2012

remained a cause of concern and although Comoros attained eligibility to HIPC status, there is still need for post conflict reconstruction support to the country. The Twelfth Meeting of the Ministers of Foreign Affairs reiterated their call to all countries that made pledges at the Doha Conference of 2010 to honour their pledges.

e. The Minister of Foreign Affairs also commended Libya's efforts towards the reforms of the security sector. The Government of Libya has focused on the integration of the various militia groups within the national army and security forces as well as disarmament and demobilisation of former combatants. Additionally, a large number of armed militia that had been formed during the revolution, were incorporated into the national army.

On an unfortunate note, in 2012 tensions escalated in several Member States, including the DRC and this resulted into poor relations between the DRC and Rwanda. Tensions were also noted between Sudan and South Sudan and to a lesser extent; between Ethiopia and Eritrea.

Following the deteriorating situation at the eastern DRC, various attempts were made to resolve the crisis, including Extra-Ordinary Summits of the Heads of State and Governments of the International Conference on the Great Lakes Region (ICGLR) in July 2012 in Addis Ababa, August 2012 in Kampala, September 2012 in Kampala and New York and in November 2012 at the fringes of the COMESA Summit. At that time the situation had deteriorated and the rebels had occupied Goma.

The ICGLR November Summit produced a 10-Point Decisions document that among other things called on the Democratic Republic of Congo Government to listen and resolve the legitimate grievances; and also called on the M23 to stop expanding the war and talking of overthrowing an elected government and also stop war activities; and evacuate from Goma. The Summit advanced its plans towards the deployment of an Independent Neutral Force to the region.

The COMESA Ministers of Foreign Affairs did not deliberate on the situation at the DRC because of the Extra-Ordinary Summit of the ICGLR which had been convened at the fridges of the COMESA Summit. The Minister of Foreign Affairs, however, took note of that and amid the rising tensions at the eastern DRC; the Secretary-General deployed a delegation of the COMESA Committee of Elders to both countries in early November 2012. The delegation, which comprised Sir James Mancham, the founding President of Seychelles, Ambassador Bethuel Kiplagat and Ambassador Dr Mubako met in Rwanda among others: the Prime Ministers, Rt Hon. Dr Pierrre Damein Habumuremyi and Ministers including the Minister of Defence; and in DRC, among others: the Minister of Defence and Minister of Internal Security. The delegations illustrated and reiterated COMESA's support to sustainable peace in the eastern DRC and ultimately made a positive contribution to the ongoing peace processes that were aimed at restoring peace and stability in the region.

During the year, the governments of Sudan and the new South Sudan moved fast to avert conflict. In the early parts of the year, tensions escalated between the two states over their post-secession relations. The relations further deteriorated in April following occupation of the Heglig area by South Sudan and military confrontation between Sudan People's Liberation Army (SPLA) and the Sudan Armed Forces (SAF). Various efforts were made towards the resolution of the crisis leading to the withdrawal of SPLM from Heglig and also withdrawal of both parties from Abeyi. A roadmap for the resolution of outstanding issues was signed in April 2012, while in June 2012 the two parties agreed on the terms of reference for a joint military observer committee on Abyei. The Presidents of the two countries held two Summits in July and September and, with support and facilitation of Prime Minister Haile Desalgen of Ethiopia, they signed nine Agreements to cover broad areas, including security and economic matters.

The relations between Ethiopia and Eritrea also suffered for a while in mid-March 2012 after Ethiopia carried out an operation against what was described as rebel bases inside Eritrea. Overall, however, there continued to be an impasse in the peace process between these Member States. The COMESA Ministers of Foreign Affairs also expressed concern over the lack of progress in mediation efforts on the relations between Djibouti and Eritrea. The Agreement aimed at normalising relations between the two Member States was done under the auspices of the Government of Qatar in June 2010.

The Twelfth Meeting of the COMESA Ministers of Foreign Affairs also expressed concern over the delay in the implementation of the roadmap to end the crisis in Madagascar, which was signed in September 2011 under the aegis of SADC. However, most of the transitional institutions provided for by the agreement have been put in place. Significant efforts to bring about a lasting peace solution in Madagascar were made during the year. Notably two meetings were held between the President of the Transition, Andry Rajoelina and former President Marc Ravalomanana in July and August 2012, which was seen as a clear indication of their commitment towards finding a lasting solution to the political crisis in the country. The Ministers urged the COMESA Committee of Elders to support the ongoing peace process.

In 2012, a lot of progress was made during the year in the various peace and security programmes spearheaded by the Secretariat. Progress was made in the areas of the development and implementation mechanisms for the prevention and resolution of conflicts and post conflict reconstruction:

With regard to conflict prevention, the preliminary development of the COMESA Peace and Prosperity Index (CPPI) was a significant step forward in the efforts to operationalise the COMESA Conflict Early Warning System (COMWARN) with. This has been constructed to embody the aspirations of COMESA as highlighted in the Treaty and once finalised, the CPPI will provide COMESA Member States with diagnosis and response options to address structural vulnerability factors and thus ultimately support sustainable peace in the region.

The programme also made progress towards strengthening the electoral processes and electoral management bodies in the region. The Twelfth Meeting of the Ministers of Foreign Affairs adopted the outcomes of a study that identified good practices in the region regarding the political environment and electoral processes; constitutional and legal frameworks and structures of electoral management bodies. The Ministers invited the Secretariat to develop an implementation phase in order to assist Member States to implement the recommendations of the study.

In the area of post conflict reconstruction, under the Trading for Peace Programme, the Secretariat continued to support small scale cross border traders by increasing access to trade information through the establishment of two new Trade Information Desks (TIDs) at Mpondwe in Uganda and Kasindi at the DRC borders, in June 2012. The installation of the TIDs witnessed the good collaboration between COMESA and Member States in the implementation of field activities, and all programmes.

Lack of electricity has always been a challenge for a number of Trade Information Desks which have not been able to use the equipment provided by the programme. In order to address this issue, the programme continued to strengthen its existing TIDs by installation of solar power, which was done for the TID at Bunagana and Gatumba in DRC.

Trading for Peace was able to conduct sensitization sessions with small scale, cross-border traders in April 2012 in Mpondwe and Kasindi border posts in close collaboration with representatives of the central government and local government on Ugandan side and territorial and border authorities on DRC side. This led to the establishment of formal associations in Mpondwe and Kasindi for the small scale traders. This was accomplished in between May and June 2012.

Through established Trade Information Desks, the small scale cross-border traders were assisted to resolve their complaints in close collaboration with border officials/authorities and the constituted, formal associations. In particular, there was internal conflict within the CBTA of Katanga. As a result, the activities of the association were paralyzed for almost a year (from November 2011 to August 2012). COMESA and the Government of DRC jointly conducted a mission in Kasumbalesa in August 2012 to address the conflict and consequently, a new executive committee was established for the CBTA through fair and transparent elections. The organization of the election involved provincial authorities from Lubumbashi, local authorities, all heads of border services in Kasumbalesa and small scale cross-border traders.

Further efforts towards post conflict reconstruction were targeted at building the capacity of Investment Promotion Agencies (IPAs) in Comoros, DRC and Burundi in order to support the increase of investment into countries that have emerged from conflict. This was done through developing and improving websites and also training IPAs on marketing skills. The efforts resulted in increased visits to the respective websites and to the Member States, by the investors.

To support the Member States that have emerged from conflict, the War Economy Programme was able to draft model legislation on the prevention and suppression of illegal mining exploitation in the COMESA region, with the objective of addressing war economies; and support capacity building of Artisanal and Small Scale miners by developing a regional policy and also supporting the establishment of a COMESA Council of Artisanal and Small Scale Miners. The programme has also put in place a draft code of conduct for corporate governance and corporate social responsibility for the region.

In order to ensure regional collaboration and capacity among key stakeholders in investigating, tracking and prosecuting war-economy related crimes, the Programme continued to engage civil society and private sector organisations, as well as the National Assemblies/Parliaments in the region. In such engagements; national consultations; were carried out in Port Louis, Mauritius in a bid to disseminate the rules of accreditation to civil societies and private sector organisations in Member States. The aim was to have the organisations apply for accreditation on the COMESA Programme on Peace and Security.

In addition, the annual review workshop for accredited civil society and private sector organizations was help on

04 September 2012, and this meeting recommended a number of organisations for accreditation, to the Twelfth Meeting of the Ministers of Foreign Affairs. Subsequently at the Minister's meeting, seven organizations were granted accreditation. These include:

i. Association Paix Et Lait (APL), based in the Republic of Djibout;

ii. African Alliance for Women Empowerment (AFRAWE) from Egypt;

iii. Travail Et Droits De L'Homme (TDH) from Kananga, Democratic Republic of Congo;

iv. Re'seau National Femme et Developmment (RNFD), from Comoros;

v. Mauritius Council of Social Services (MACOSS), from Mauritius ;

vi. Coordinating Assembly of Non-Governmental Organizations (CANGO) from Swaziland; and

vii. Sudanese Society for Information Technology (SSIT) In Sudan.

On 05 October 2012 a workshop was held to ensure that the there is a significant role the COMESA Inter-Parliamentarian Forum on matters of peace and security, recognizing that the Parliamentarians influence policies and play an advocacy role at the grassroots level. The workshop, held in Victoria-Mahe, Seychelles, was also used to introduce the parliamentarians to the COMESA Programme on Climate Change.

With respect to security, COMESA and the other Eastern and Southern Africa RECs moved a step closer towards implementing the Regional Maritime Security Programme (MASE) after the programme went through the approval process of the European Union. COMESA will implement a component that is geared towards addressing money laundering by building the capacity of Financial Intelligence Units (FIUs) for detection and prosecution of money laundering crimes, which will include the installation of a regional secured communications system.

During the reporting period, the Immigration Programme conducted a workshop on immigration co-operation among Member States, with the ultimate aim of facilitating trade. The meeting made the following decisions:

i. Member States should review legislation in line with the COMESA Model Law on Immigration and share it via a common database to accelerate harmonization;

ii. Member States, with the assistance of the Secretariat and development partners, should develop a database, which shall be built on the example of the Interactive Map for Migration (I-MAP);

The annual meeting of Ministers Responsible for Immigration also met and made the following decisions:

i. The Secretariat should address the issue of the signatures, ratification and domestication of the Protocols with the Parliaments of the Member States; and

ii. Play a proactive role in engaging in direct consultations with Member States for the implementation of the decisions of Council on the free movement of persons and the acquisition of signatures and ratification on the Protocol that is not yet in force.

The Programme also established the Regional Consultative Process (RCP), whose purpose is to discuss migration-related issues in a cooperative manner with a view to reaching a common understanding of and, where possible, effective solutions for regional migration management. The RCP offers a structure for dialogue, exchange of information and expertise without requiring a government to enter into formal commitments. This facilitates confidence building, the identification of like-minded partners and the search for common understanding and approaches. It also allows the discussion of sensitive issues in a non-confrontational manner.

PART: 9
SUPPORT SERVICES

INTERNAL AUDIT

The Internal Audit Unit has continued to provide independent and objective assurance on the adequacy of the Secretariat's risk management, governance practices and internal controls in meeting planned objectives. Good corporate governance has its roots in sound internal controls and a robust risk management system. The Internal Audit function has the overall responsibility of reviewing the adequacy and integrity of the Secretariat's control systems for compliance with applicable laws, regulations, rules, directives and guidelines on behalf of the Audit and Budget Sub-Committee.

In order to accomplish this mission, the Unit designs an annual work plan with inputs from: management; the organizational strategic plan; Internal Audit's strategic plan; key organizational risks; and the results of prior audits. This plan is reviewed by the Audit and Budget Sub-Committee for the Council of Minister's approval.

In 2012, various audit assignments were performed, to provide assurance on the effectiveness of internal controls and determine the level of compliance with the organisation's internal and external regulations. In order to provide input to the Secretariat's restructuring process, the Unit reviewed the extent to which the current organisational structure supports good corporate governance. In consultation with management, the Unit finalized the review of COMESA work procedures and distributed these for comment and finalization.

The internal auditors also continued to receive continuous professional education during the year in order to keep abreast with the ever-changing professional requirements.

In line with its strategic plan, the Unit shall continue to enhance compliance to management policies; provide advisory and assurance services; document and disseminate organizational risks; and institute quality control within the Internal Audit function. Finally, the Unit will prepare another three year strategic plan in order to manage the risks and optimize on the opportunities that it is exposed to.

ADMINISTRATION

The Division of Administration offers key support services to the Secretariat. The division provides a high level of service and support on issues related to Human Resources, Conferencing, Procurement and General Services; and estates management, which in effect allows the other divisions and units to efficiently execute their programmes and deliver on their mandate. The Division also ensures that all the resources, i.e. both budgetary and extra budgetary funds and human and physical assets are properly accounted for in an efficient, secure and appropriately controlled environment.

Human Resource Management

The Secretariat requires adequate staff who possess the appropriate qualifications, experience and motivation. Human resource management also ensures that the personnel are continuously developing their skills, knowledge and attitude to meet the challenges of regional integration. During the year under review, the following achievements were registered:

i. The recruitment process was streamlined.

ii. The recruitment matrix was instituted to track progress, and the Unit was able to clear a backlog of filling 43 vacant positions.

iii. Support t was given to various COMESA institutions in recruiting the following officers: the CEOs of the COMESA Clearing House, PTA Bank, COMESA LLPI; and other management positions for these institutions.

iv. Human resource capacity was strengthened through the recruitment of the Chief of Human Resource and a Human Resource Expert.

v. The reconstruction of personal files after the fire that gutted the Secretariat in 2011 was done.

vi. As part of the restructuring process, the following processes were completed: writing job descriptions after the fire destroyed the records; salary and conditions of service survey; job evaluations; and the review of the staff rules and regulations is complete, awaiting presentations to Management;

vii. The computer-based Human Resource Information System (HRIS) was also instituted in the various human resource activities.

Table 29 shows the geographical distribution of professional posts at the Secretariat, per Member State:

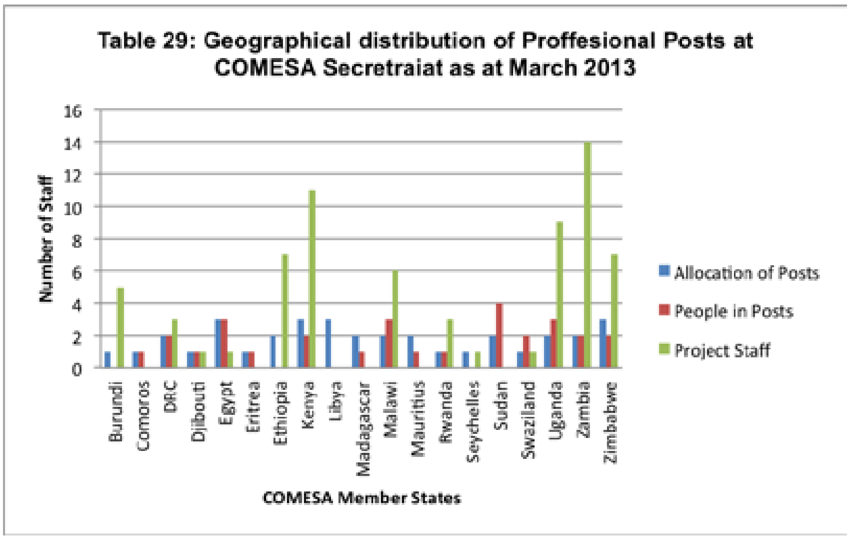
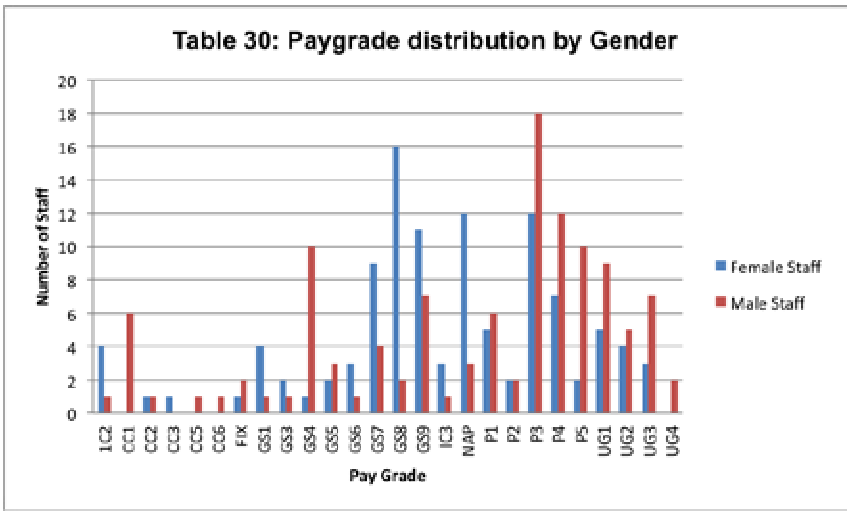


Table 30 below shows the pay grade distribution by gender, at the Secretariat.



In the reporting period, the human resource function has been faced with the following challenges:

i. Training: The training budget should be centralized so that budgeting and spending are both needs-based as opposed to the current situation where funds are allocated and spent upon staff identifying the training to attend. This will ensure adequate resource allocation to the training function, for all staff.

ii. The communication to; and involvement of staff in ongoing activities at the Secretariat should be enhanced to facilitate a stronger sense of teamwork.

iii. The lengthy approval processes should be reviewed.

iv. The decisions on renewal and extension of contracts, especially for those staff dependent on donor funding are often delayed hence affecting the human resource management processes.

v. There is also need to streamline the settlement of new staff, with special attention to relocation of new professional staff. This will facilitate easier and faster integration.

Conference Services

Conferences support services are provided to the Secretariat and Member States in the organisation and management of meetings including logistics and procurement of services required for the same. This support includes the provision of conference facilities, secretarial services, documentation, translation and interpretation, and general conference management. The services are done with utmost technical professionalism, total efficiency and time-effectiveness.

During the period under review, the Arabic Unit started work for the first time in the history of COMESA. This follows the policy decision to include Arabic as one of the official languages of COMESA. This year has witnessed the appointment of one Arabic administrative assistant and two professional Arabic translators, now constituting the Arabic translation team in the conferences services unit. For the first time in COMESA's existence, 2012 was a milestone year because the Arabic Unit participated in the Summit of Heads of States and Governments in Kampala, Uganda.

Also, in order to ensure professionalism and a high quality of work, guidelines and rules on professional quality control were drawn up, to govern the processes of outsourcing translators who are co-operating with the conference services unit and who are listed after the practical verification of their qualifications and skills. The purpose of these guidelines is to observe quality and timeliness while at the same time maintaining harmony between the out-sourced and in-house texts in style, terminology, structures, and format, among others.

A documentation clerk attended a follow-up course in documentation storage; and through the assistance of La Francophonie, the French Reviser and Director of Administration went for the IAMLAAP conference in New York in June 2012.

Challenges

In spite of its achievements to far, the conference services unit still requires a full time Arabic reviser, so that the task is not glossed over among other translation undertakings.

The unit also requires the support of an additional administrative assistant, to ensure the effective facilitation of the various meetings held by the Secretariat, and in Member States.

Procurement and General Services

The procurement unit continues to ensure that the procurement of goods, services and works is based on sound economic and financial principles such as transparency, competitiveness and cost-effectiveness. This has been in addition to arranging official travel, provision of communication and registry services, stores management and provision of official transport.

The unit was able to perform its functions of procurement planning; advising divisions and projects on the full range of procurement issues, providing support and guidance at all stages of the procurement cycle; ensuring procurement activities are processed in a timely and cost effective manner that best fulfils the requirements of the Secretariat; making transport and travel arrangements for staff and delegates; and inventory management.

Estates Management

In 2012, the estates unit continued to maintain the Secretariat's fixed assets. These include the COMESA Centre and the Executive residences as well as all the movable and immovable assets.

The unit closely supervised the rehabilitation works of the Secretariat building that was gutted by fire in December 2011. Notably, a report was presented by the Secretariat to the Policy Organs' Meetings that were held in Kampala, Uganda in November 2012, on the fire incident. The report included the actions that had been taken by the Secretariat following the fire incident which among others included:

a) Consultation with the Host Government and in particular, the Police and Fire Department;

b) Consultation with the Insurance company;

c) Action taken for the immediate removal of the debris in the gutted sections;

d) Action taken for the commencement of the initial rehabilitation works on the ground and first floors that were affected by the smoke and water from the fire engines and the rain; and

e) Action taken for the procurement of replacement equipment and furniture destroyed in the fire.

Following the completion of the initial rehabilitation works, and with the consent of the Insurance Company, the Secretariat commenced the next phase which involved the major re–construction works of the areas that was actually destroyed by the fire. This phase involved:

a) The appointment of an Architect;

b) The appointment of a Quantity Surveyor to prepare the BOQ;

c) The preparation and floating of the tender document for the works; and

d) The engagement of the main contractor.

The contractor selected was Yangts Jiang Enterprise Limited and they commenced works on 02 October 2012. The scope of the re – construction works included:

a) Breaking down the damaged walls and reconstructing new ones;

b) Hacking out damaged floors and re-laying new tiles;

c) Fitting of new windows, ceilings, light fittings, doors, air conditioners and internal finishes;

d) Re-laying of new electric cables;

e) Re-construction of the gutted roof with a change from wooden trusses to steel; and

f) Re-construction of all the plumbing works.

The completion of the rehabilitation works involves the demolition and taking down of the damaged walls; reconstruction of the walls and roof, changing from timber to steel trusses; installation of doors, ceilings, windows, electric cables, plumbing and painting, among others.

COMESA has, in the meantime, carried out all the necessary claim processing procedures in having a quantified claim quantum for all the works and purchases. In all these processes, the Loss Independent Adjusters were consulted and they provided guidance that took into account the excess charges as per the insurance policy. In addition, the claim for the re-construction of the building will be settled, less the cost of the change from wooden to steel trusses, which is considered an enhancement from the original design that was insured.

Below are the works and purchases carried out and the cost and claim details:

Firm	Work done	Contracted sum	Claim/Adjusted amount
Flame Contactors	Removal of Debris and installation of temporary roof.	K 565,780,638.00 (US $104,774)	K 471,776,185.00 (US $87,366)
Earthrow Inv. Ltd	Renovation of offices on the ground and first floors	K 432,960,000.00 (US $80,178)	K 361,023,696.00 (US $66,856)
City Worx Consult	Bill of Quantity	K 71,800,000.00 (US $13,290)	K 59,870,430.00 (US $11,087)
Yangts Jiang Ltd	Reconstruction of the all destroyed Zones	K 7,544,062,566.50 (US $1,397,048)	K 4,263,906,240.00 (US $789,612)
Office Content claim	Furniture and Equipment	K 666,869,000 (US $123,494)	Still being reviewed by Loss Adjuster

The outstanding works are expected to be completed by 14 May 2013.

PUBLIC RELATIONS

The Public Relations Unit at the Secretariat continues to enhance and maintain a good institutional image of COMESA as an organisation. It gives out information and publicises the institution's programmes regionally and internationally. This is done by providing information to stakeholders about the activities, achievements and progress on implementation. The main channels of transmitting this information is the media namely radio, television, internet and printed publications, that is, the newspapers, magazines, brochures, booklets, among others.

Taking into account the dynamics of COMESA, and the fact that the PR unit does not have control of what technical divisions do, the unit's work programme and activities have to inherently be flexible, allowing for revision, repetition and/or addition of other activities so as to achieve the desired result.

The focus now is for each division, programme and unit to have an advocacy plan in their work programme as these comprise the complex institutional operations. The PR unit packages these different events/programmes and gives them out to the general public and stakeholders as information they can benefit from.

For the first time in the institution's history, during the reporting period the Unit produced a catalogue of success stories of the implementation of various programmes in the region. This yearly production will serves as a quick guide to what the institution is doing to improve the lives of the people in the region as a whole.During the reporting period, the newsletter "e-comesa" was maintained as a weekly bulletin covering the different

COMESA events and programmes in and outside the region. This was circulated widely electronically. The unit also consistently helped organise media to cover various COMESA events in the Member States.

Video clips of COMESA events as news items held in Lusaka and around the region were put regularly on the COMESA website. Documentaries on COMESA activities have been produced and uploaded on the website including the Pre and Post Summit documentaries, coverage of climate change activities in the region, as well various business fora.

The unit continued to supply news footage and stories to TV and radio stations in Member States. Most media houses in and outside the region have continued to quote the "e-comesa" newsletter and the website posted clips.

We continued to quickly respond to walk-in, emailed and telephone queries about COMESA programmes. The Unit also organised and hosted different educational tours whereby pupils from nursery school to university level visited the Secretariat and were talked to get more details about our programmes.

The COMESA Media Awards are also an initiative aimed at provoking the interest of journalists in the region to write about regional integration. This competition was held and winners awarded from Burundi and Zimbabwe.

As a way of enhancing the publicity of the COMESA Summit, we recently initiated and managed to design and place an advert in the in-flight magazine of Kenya Airways. This has become an annual event (advert).

Table 31: Publications and Documentaries released in 2012

Publications	Documentaries
Annual Report (FR/EN)	
Weekly online newsletter (*e-comesa*)	Post Summit Documentary
Post 2011 Summit Journal	Dubai Global Business Forum
COMESA Handbook on procurement	Climate Resilient Agriculture
Gender Mainstreaming Manuals (8)	Green Agriculture
Peace and Security Newsletter	Benefiting from being a member of COMESA – A Zambian Case
COMESA Success stories magazine	Launch of Zimbabwe Leather Strategy
COMESA News magazine	COMESA International Women's Day Celebrations
Brief on the Customs Union	Maximising Yields – Nkhotuchili Women's Group
FAQs on the Customs Union	
A case for the COMESA-EAC-SADC Tripartite	
Calendars; diaries and other promotional materials	
Gender Social Charter	
Gender HIV Framework	

MONITORING AND EVALUATION

The Monitoring and Evaluation Unit is currently under the direct supervision of the Secretary General, and the unit has the following terms of reference:

i) Develop systems and capacity for monitoring and evaluation;

ii) Develop a regional integration monitoring mechanism (refinement of indicators, design of data collection tools, design of a reporting and feedback mechanism);

iii) Coordinate preparation and compilation of the COMESA work programmes and budgets;

iv) Coordinate preparation and compilation of periodic reports;

v) Provide technical support to COMESA Institutions (LLPI, CCJ, RIA, and FEMCOM) in harmonization of procedures for programming, monitoring and evaluation; capacity building and implementation of relevant Council Decisions;

vi) Coordinate preparation of country reports;

vii) Develop and implement a training programme for Member States, Secretariat staff, and COMESA institutions on results based management;

viii) Coordinate compilation of the schedule of meetings and workshops;

Monitoring and evaluation contributes to the sixth pillar of the Medium Term Strategic Plan, which is institutional development - whose main objective is to improve the capacity of the Secretariat and coordinating ministries in Member States to enable them to fulfil their respective missions; as well as support the development of COMESA institutions. In 2012, the Unit accomplished the following:

I. Developed systems and capacity for monitoring and evaluation: The main objective under this result area is to improve the capacity of the Secretariat, COMESA institutions and Member States in planning, monitoring and evaluation of the regional integration agenda and COMESA programmes.

II. With technical assistance from UNECA, fifteen staff from the Secretariat and COMESA institutions were trained on results based management principles for planning and programme implementation.

III. The COMESA 2013 consolidated work programme and budget were prepared and approved by Council; and some Member States prepared their country reports.

IV. A regional integration monitoring mechanism was developed, whose main purpose was to come up with a monitoring and evaluation system that will facilitate reporting by Member States, the Secretariat and COMESA institutions on MTSP objectives and outcomes. Arrangements for monitoring the MTSP's priorities and outcomes will be defined. The basic assumption here is that successful implementation of the MTSP will depend to a large extent on ownership by Member States of MTSP objectives and outcomes. Improving reporting of MTSP objectives and outcomes by Member States is one way of increasing this ownership.

V. Using in-house teams, a survey was undertaken to Member States to collect data on the status of domestication and ultimately the Status of Transposition Report was prepared and submitted to Council in Kampala in November 2012.

Specifically the above survey took stock of regional integration treaties, protocols, decisions, commitments, agreements and sub-agreements indicating the date of entry into force of the commitment; the document level of domestication; the implementation or transposition challenges faced by individual Member States. It also consolidated the findings, lessons, conclusions and recommendations to improve transposition. The teams involved in the exercise used a standardized template to collect information, which was obtained using focused group discussions and individual interviews, and the country officers at the Secretariat assumed the role of team leader to the respective Member States.

VI. Work on developing an on-line reporting system started in October 2012; and the finalization and roll out will be done before the end of 2013.

INFORMATION AND NETWORKING

The Division of Information and Networking continued to support the achievement of COMESA's objectives through the application of information systems and technology integration, as well as promoting the use and awareness of ICT to lead to the Knowledge Society and contribute to the region's socio-economic development. These objectives are based around Article 139 of the COMESA Treaty.

During 2012, the information technology networks and systems were re-installed and optimized to ensure high availability, following the fire that gutted the building in December 2011:

The COMESA web portal (http://www.comesa.int) has been ranked by the world known Alexa web ranking website at 120,420 compared to position 1,300,890 when the site was first launched.

COMESA's online presence has been improved through the use of social media such as Face book and Twitter. These generated increased discussions on matters pertaining to doing business in the wider region. Currently the Face book page has over 1,000 likes and over 500 Twitter followers.

The number of subscribers to the e-COMESA newsletter has increased to over 5,000 subscribers.

E-Government Programme

The elements of efficient and transparent governance have been emphasised in order that governments can improve service delivery and accountability. COMESA has developed a regional e-Government framework and developed a portal to help harmonise e-Government efforts in the region and to assist the Member States in implementing e-Government. The portal is available at http://egov.comesa.int

The Secretariat is in the process of finalising an MoU with the Government of Uganda on the setting up of a COMESA Regional e-Governance Academy. The MoU will allow for the implementation of the necessary activities that will lead to the setting up of the regional e-Governance Academy which aims to build capacity in the Member States, specifically in the area of e-Government.

E-Learning

The institution's regional e-Learning strategy was developed for effective implementation of the e-Learning programme and adopted. In ensuring that that the region has quick and easy access to varied education using online learning, COMESA has partnered with the Government of Kenya for the effectively delivery of learning online through the e-Learning system available at http://elearning.comesa.int.

The public procurement course content was converted into e-Learning modules and uploaded to the e-Learning platform for use by procurement experts in public procurement entities.

Development of new systems

The design and development of the COMESA Online Business Directory has been finalised. This system gives details of all the companies doing business in the region. The system is now being integrated with the COMESA Electronic Market Exchange System (CEMES) which will be rolled out in the Member States soon.

ICT Trade Facilitation

Funding was secured for the implementation of the ASYCUDAWorld Customs automated systems in Seychelles. The project was kick-started in April 2012 with the participation and representation of the Secretariat. The ICT Trade Facilitation Unit staff attended the technical and functional trainings with Seychelles Customs. The COMESA staff are also involved in the monitoring of the project progress and they conducted a mid-term review of the project in September 2012.

The IT division participated in the launch and preliminary activities of the COMESA Virtual Trade Facilitation System (CVTFS) which is a comprehensive trade facilitation system.

The ICT Trade Facilitation Unit continued to support Member States on ICT trade facilitation tools and projects.

PART: 10
COMESA INSTITUTIONS

THE REGIONAL INVESTMENT AUTHORITY (RIA)

As part of its mission to increase investment flows to COMESA, COMESA RIA continued in 2012 to organize and take part in promotional events which could cater to this mission.

COMESA Investment Forums: COMESA RIA has been organizing COMESA Investment Forums on an annual basis. The first edition was held in Brussels, Belgium in 2008 in partnership with the EU-ACP Business Climate Facility; the second, in Cairo, Egypt, in 2009, in partnership with the Egyptian General Authority for Investment and Free Zones; the 3rd, in Sharm-el-Sheikh, Egypt, in 2010, in partnership with the Egyptian Ministry of Investment, under the patronage of H.E. Hosni Mubarak, Former President of Egypt; and the 4th, in Dubai, UAE, in 2011, in partnership with Dubai Chamber of Commerce and Industry, under the patronage of H.H. Sheikh Mohamed Bin Rashid el Maktoum, UAE Vice-President, Prime Minister, and Ruler of Dubai.

From year to year, COMESA Investment Forums have attracted increasing numbers of business leaders and policy-makers – from 150 in 2008 to 1,500 from 75 different countries in 2011 – from around the globe, who were able to discuss through the unique platform provided, current challenges and business opportunities across the COMESA region. COMESA Investment Forums have become the most important and prestigious COMESA event internationally and have effectively contributed to the marketing of investment projects and opportunities of the region, to conveying a positive perception of COMESA as an investment destination of choice, and ultimately, to increasing bilateral trade and investment flows from host countries to COMESA.

As such, in recognition of COMESA RIA's efficiency and professionalism in spearheading the 4th COMESA Investment Forum, Dubai Chamber of Commerce and Industry called upon RIA to lead the organisation of the Africa Global Business Forum – Dubai-COMESA: Bridging the Continent to the World, on 01-02 May 2013 in Dubai, UAE, under the patronage of H.H. Sheikh Mohamed Bin Rashid el Maktoum, UAE Vice-President, Prime Minister, and Ruler of Dubai. The Africa Global Business Forum 2013 is expected to attract over 2,000 attendees from Africa, COMESA, GCC countries, UAE, Asia and Europe, and 40 African Ministers and dignitaries.

How to do Business in Africa Seminar in Turkey: COMESA RIA made a key contribution at the "Business and Investment Opportunities in Africa" event organized by the Turkish Industry and Business Association (TUSIAD) in Istanbul, Turkey, where it extended an invitation to the Turkish business community to invest in the COMESA region. The seminar strategy succeeded to draw the attention of the attendants on the potential investment opportunities in the region.

Support to UNCTAD Training on IPA Best Practices in the World Investment Forum 2012: By supporting the organization of a training workshop on "Promoting Investment Retention and Reinvestment" organized by UNCTAD during the 2012 World Investment Forum in Doha, Qatar, apart from strengthening the capacity of COMESA IPAs, COMESA and COMESA RIA gained some visibility in the World Investment Forum through all promotional materials distributed.

- Studies and Capacity-building of COMESA IPAs

In view of further increasing the ability of COMESA Member States to attract investments, COMESA RIA has continued in 2012 to work towards improved COMESA Member States business and investment climates, namely by strengthening the capacity of Member States' Investment Promotion Agencies.

VOSS Study for Seychelles: COMESA RIA has completed a study which successfully identified an ICT system linking the regulatory authorities of Seychelles through a virtual one-stop-shop. Results were discussed in sensitization seminar which was held in Victoria, Seychelles, and attended by the Vice President of Seychelles, Hon. Danny Faure, Seychelles Investment Board, government officials, as well as IPAs from Kenya, Egypt and Djibouti. As a result, Seychelles' business climate is improved by removing as bottlenecks such as unnecessary red tape and duplicated business regulatory processes.

COMESA Cross-Border Investment Study: A COMESA Cross-Border Investment Study aimed at gathering better knowledge of cross-border investments in the COMESA Region and identifying options and actions for enhancing policies in favour of cross-border investments was completed in 2012. Two sub-regional workshops and a validation workshop were held in Port-Louis, Mauritius, and Nairobi, Kenya where IPAs where able to exchange experience and validate an action plan which can be used to set-up a COMESA Regional Investment Observatory under the umbrella of COMESA RIA.

Investor Services and Aftercare Trainings: Investor services and aftercare are a core function in investment promotion to retain FDI and encourage follow-up on investments from already established investors. On-site trainings on investor services and aftercare were organized for the IPAs of Comoros, Burundi and DR Congo in the context of the Africa Peace and Security Architecture Programme (APSA), and for the IPA of Djibouti as well. As a result IPAs are better equipped to assist foreign investors, and their capacity to retain and generate new investments strengthened.

Public Private Partnerships Programme for Swaziland: COMESA RIA implemented in 2012 a capacity-building programme aiming to enhance Swazi public officials' capacity to design and implement PPP projects in Infrastructure at national and regional levels. The week-long programme held in Manzini, Swaziland, succeeded in improving the level of awareness of participants and their basic understanding of the PPP process and more specifically: PPP project life cycle, PPP project selection, preparation of business cases for PPP projects, risk allocation, value for money, output specification and payment mechanism, and PPP contract management.

Development of Investment Portals, Investor Tracking Systems, and Related Activities: IPA websites are key to entice FDI as they are regularly visited during the early long-listing stage of site selection. Throughout 2012, COMESA RIA developed investment portals according to World Bank – IFC Global Investment Promotion Benchmarking (GIPB) Best Practices for the IPAs of Burundi and Comoros (French and English) in the framework of APSA, as well as for the IPAs of DR Congo, Malawi, Djibouti, Uganda, and Seychelles. All new IPA turnkey websites were provided with content management systems, optimized so as to achieve higher traffic, equipped with investor enquiry forms, and most, provided with Investor Tracking Systems. All were trained individually on website administration and management. Also, under the APSA Programme, Comoros and Burundi IPAs were also trained on online marketing. According to IPAs, the increases in the number of visits to their websites and in the numbers of inquiries these generated, in addition to the strengthened promotional capacity of IPAs, are effectively contributing to attracting investment their respective countries. Furthermore, investor tracking systems are helping IPAs to optimize their operations by prioritizing and tracking the investors dealt with.

Regional Territorial Marketing Training: Territorial marketing refers to the focusing of scope of promotional strategy in terms of region or country; the more focused, the more effective promotional efforts can be. A regional training was held with the IPAs of Burundi, DR Congo, Seychelles, and Egypt in Cairo, Egypt, and succeeded in building the capacity of attending IPA staff in the development of territorial marketing strategies.

FDI Trends Training for Seychelles: COMESA RIA organized a training targeting the IPA of Seychelles and relevant officials on global FDI trends, competitiveness and best practices in investment promotion in Victoria, Seychelles. The training workshop succeeded in strengthening the capacity of participants on the above-mentioned topics. As a result, Seychelles IPA is better equipped with a team able to assist foreign investors and to effectively attract investment.

Investment Promotion Best Practices for Burundi: Training was organized for the IPA of Burundi in Bujumbura, Burundi, with the aim to provide some context for FDI promotion, through the historical and policy background relevant to the experience of a successful IPA. The training presented the case of Mauritius and its Board of Investment, which, in a matter of a few years, became the world's 25th best IPA and Africa's number one IPA. The training succeeded in altering the attitude of the IPA's staff with regards to investment promotion and in creating a positive approach emphasizing the importance of the policy context, all necessary ingredients in the construction of the right framework to attract FDI.

Study Tours: During the course of 2012, 2 study tours were organized from the IPAs of Comoros, Burundi and DR Congo in Egypt. During the first study tour, the staff of Comoros' IPA visited Egypt's IPA, the General Authority for Investment and Free Zones (GAFI), its One-Stop-Shop (OSS) – a best practice OSS of the region – visited an Investment Free Zone, and held meetings with key officials. A similar tour was organized for the IPAs of Burundi and DR Congo. However, in this case, a well-functioning Special Economic Zone was toured. As a result, participants understood the importance, role, and various functions of a well-functioning OSS, and of special economic zone and as per their interest to develop economic zones and OSSs at home, they benefited from the transfer of critical know-how.

Below is the summary of the capacity building activities:

No	Workshop Name	Country	No of Participants	Impact
1	Aftercare and Investment Facilitation	**Burundi**	21	IPAs and the concerned Ministries are equipped with a team able to support the Investors
2	Aftercare and Investment Facilitation	**Comoros**	18	
3	Aftercare and Investment Facilitation	**DR Congo**	23	
4	Aftercare and Investment Facilitation	**Djibouti**	20	
5	Investment Promotion Best Practices	**Burundi**	23	IPAs and the concerned Ministries have a better understanding about investment promotion strategies according to the best practices
6	Territorial Marketing	**Regional Workshop (Burundi, DR Congo, Seychelles and Egypt)**	16	IPAs are equipped with teams able to put their marketing strategies
7	Design and Implementation of PPP projects	**Regional Workshop**	18	IPAs and concerned governmental bodies are equipped with a team able to design PPP projects and strategies
8	FDI Trends Workshop	**Seychelles**	17	IPA and the concerned governmental bodies have a better understanding of the current FDI trends, and how can they intervene with better strategies
9	Better Facilitation for Investment IPA Best Practice Workshop	**In Partnership with UNCTAD, held in Qatar**	8 COMESA IPAs	IPAs and the concerned Ministries are equipped with a team able to support the Investors

Below is the summary of the RIS Publications for 2012

No	Publication Name	Languages	Impact
1	Invest in Comoros FAQ	English, French	Relevant investment and business information is provided to the private sector
2	Investor's Guide to Comoros	English	
3	Investor's Guide to Burundi	English	
4	Investor's Guide to DR Congo	English	
5	Investor's Guide to Seychelles	English	
6	Invest in Burundi FAQ	English	
7	Invest in DR Congo FAQ	English	
8	COMESA Investment Teaser 2012	English	

THE COMESA LEATHER AND LEATHER PRODUCTS INSTITUTE (LLPI)

The implementation of activities by COMESA/LLPI was anchored on its Mid-term strategy, which runs from 2010 to 2015. The main source of funding was COMESA/LLPI Core Budget and PACT II. The planned activities which were implemented in 2012 were under the six strategic objectives, of the COMESA/LLPI Mid-term Strategy. However, activities, which were successfully implemented, were under five of the strategic objectives areas, except for strategic objective one. The non implementation of the activities in strategic objective one was because funding under PACT II was not released.

It is important to note that the activities, which were implemented in 2012, laid a favourable base for COMESA/LLPI, as its relationship with Member States has significantly improved. The primary mission of LLPI is to ensure in 2013 it solidifies its campaign in winning the confidence of its member-states and expand on the membership portfolio. The activities, which were implemented during the period under review, dealt directly with enterprise development and intra-trade growth whose results rather than processes are depicted in the following table.

Future work will build on this solid foundation, as LLPI prepares to improve the performance of SMEs clusters, capacity, technology transfer intra trade and the regional value chain development. Cluster development will form the core of LLPI's work in the foreseeable future and resources will be mobilized to support this cause, as there is are 'quick wins' for the regional development agenda and is also conspicuously supported with huge empirical evidence that demonstrate the fact that clusters are important in strengthening regional value chains. Already a regional value chain strategy is in place, which will be complemented by supporting Member States to craft their strategies, with a strategic fit to the overall COMESA leather value chain strategy, thus directly addressing issues of policy harmonization. Indeed, the institution will embark on a mid-term review of its strategic plan to evaluate and realign its prerogatives for optimal performance in the remaining phases of its plan. For details see table below:

Table 32: LLPI Activities Performance Report For 2012

	Activity	Target/Expected Output	Justification	Result/Work Accomplished	Remark
S.O 1: COOPERATION IN THE TRAINING OF PERSONNEL FOR THE LEATHER INDUSTRY PROMOTED IN MEMBER COUNTRIES IN 2012					
1.1	Develop training materials and conduct training in hides/skins handling and live-stock management for 60 coordinators	Training materials developed and training for 60 coordinators in Ethiopia, Kenya and Uganda conducted (20 each)	The defects of nearly ¾ of the pre-and post slaughter defects of hides and skins are originating from poor hus-bandry and traditional handling and disease conditions.	Training materials and no. of production has been developed by LLPI.	Training not conducted due to limited funding committed by PACT II Pro-gramme
1.2	Develop training materials and conduct training for 12,000 stakeholders (farm-ers, hides/skins collectors, butchers, extension workers etc.), 2000 from each country to be trained by Trainers/ Coor-dinators.	Training materials developed and training for 12,000 stakeholders (farmers, hides/skins collectors etc.) 2,000 from Ethiopia, Kenya and Uganda conducted	Same as No. 1.1	Training materials have been developed by LLPI. However, training not conducted due to the reason mentioned in the above lines	Same as above
S.O 2: RESEARCH AND DEVELOPMENT ACTIVITIES IN LEATHER MANUFACTURE ADVANCED IN MEMBER COUNTRIES					
2.1	Identify and assess 4 new Country Units (National Country Unit/Focal Points)	4 new Country Units identified and assessed (Malawi, Rwanda, Eritrea and Djibouti)	National Country Units are core insti-tutions to organize National Leather Associations.	4 National Country Units have been identi-fied, assessed and profiles collected (Malawi, Rwanda, Eritrea and Djibouti). Fund not transferred.	
2.2	Organization of 4 Core Team meetings to discuss and monitor the implementation of PACT II Leather Component activities to ensure they are aligned to the COMESA Leather Strategy	4 Core Team Meetings organized and members discussed and monitored PACT II implementa-tion in the leather component	There are frequently serious gaps in the availability of information with regards to PACT II	4 meetings conducted, discussed and monitored the implementation of PACT II in Lusaka, Addis Ababa (2 times) and Khartoum	
S.O 3: INVESTMENT AND TRADE COMPETITIVENESS THROUGHOUT THE VALUE CHAIN ENHANCED					
3.1	Participate in the 5th Edition of All African Leather Fair (AALF),2012; Facilitate and support to about 2,000 business negotia-tions during the Fair in Addis Ababa, Ethiopia	Selected SMEs, from 8 COMESA/LLPI member countries, Government Officials, Country Unit Representatives, attended seminars, workshops and displayed their products.	Trade shows provide excellent op-portunity to establish market linkage, information exchange and technol-ogy transfer	LLPI sponsored 13 participants (Government, Officials and Country Unit representatives, from member States. PACT II covered DSA and transportation and display stands for 24 SMEs from Sudan, Uganda, Zambia and Zimbabwe.	
S.O 4: INFORMATION ON LEATHER VALUE CHAIN AVAILED AND DISSIMNATED IN THE COMESA REGION					
4.1	Attending a training course at ITC	Visit and training opportunity for two LLPI Con-sultants/ Experts, organized at ITC, Switzerland.	Further strengthening capacity of LLPI Experts	Training course was conducted at LLPI for 2 LLPI Experts by 2 ITC funded consultants.	

4.2	Develop training materials for Trade Information Service Providers offering training to 20 participants from COMESA member countries	Training materials on different topics in relation to Trade Information Service developed; 20 participants from LLPI member States attended.	There are frequently serious gaps in the availability of trade information. The training materials can contribute towards rendering the business more efficient. Leather sector related information exchange and dissemination network within the COMESA region is very weak	Training undertaken in September 2012 in Addis Ababa, Ethiopia	
4.3	Survey instrument development for trade information needs assessment. Administering questionnaire and processing data for information need assessment	Survey instrument developed and pre-tested. Questionnaire administered, data processed and Information needs of SMEs determined	To describe the nature of existing conditions with regard to trade information needs. To provide customized trade information	Questionnaire for information need assessment developed and pretested. Questionnaire administered, data processed, information needs of SMEs determined and a survey report of 18 pages produced	
4.4	Preparing detailed inventory of the leather value chain statistics of the COMESA member countries and disseminating the information	Standard format for leather value chain information collection developed. Information sources identified and relevant information collected and processed	Information is a strategic resource for efficient planning, execution and monitoring of trading operations and marketing.	Standard format developed, information sources identified, Relevant data collected and processed and validated.	
4.5	Liaise with the Trade Information Services of ITC, PACT II-RTA, to organize and conduct trainings for leather sector Information Service Providers. Launching and regularly updating the website	Contact established with ITC and training for leather sector information providers organized. Website launched and regularly updated	Strategic relation with leading institutions working on trade information is important for core competency activities of LLPI. Leather products information exchange and dissemination network within the COMESA region is lacking	Contact established with ITC, topics for the training on leather sector information providers jointly set	
4.6	Install OMESA/LLPI Head Office Local Area Network. Prepare and disseminate a leather sector electronic newsletter	Installation of the local area network undertaken. Electronic newsletter on leather and leather products prepared and disseminated	For efficient and fast communications between offices and resource sharing like printers Asymmetric Digital Subscriber Line (ADSL) broad band Internet connection. Additional means to avail and disseminate information on leather and leather products new technology	The local area network has been installed in the Head Office that connected more than 10 PCs. Newsletters are now being prepared and disseminated to stakeholders through the COMESA/LLPI Website/Portal	
4.7	Review and update the COMESA/LLPI brochure, 3rd Edition, issued July 2009	The 3rd Edition of the COMESA/LLPI brochure reviewed and updated	The institute accomplished a number of activities since last edition	4th Edition of COMESA/LLPI brochure prepared and printed.	
4.8	Supervising the installation of wireless network and assuring the proper functioning of the information system network	Wireless network installed and functioning properly	Assuring the proper functioning of the information system network is necessary to attend the intended objective	Budget for the wireless network installation was not released and no Wireless network Installation work done	

4.9	Review and update the contribution formula for LLPI member States for 2013 budget (as per Council decision)	Contribution formula for LLPI member states for 2013 budget reviewed	Criteria used for scale of apportionment determination could vary from year to year	The scale of apportionment of the 2013 budget among LLPI member States was computed and approved at the 31st Policy Organs Meetings in Kampala, Uganda in November 2012	
4.10	Design and Develop Web based Database Application that is to be used as Information Platform	Website developed	The website will serve as sustainable information exchange and dissemination platform for the leather sector.	The Web based Database Application that is to be used as Information Platform is being developed	
S.O 5: LLPI'S INSTITUTIONAL CAPACITY TO PROVIDE CONSULTANCY AND OTHER RELATED SERVICES IN THE REGION INCREASED IN 2012					
5.1	Identification, diagnostic study and preparation of projects undertaken. Submission of draft project proposals to prospective donors	Specific Project, targeting specific donors identified, prepared and submitted to prospective donors	Member countries will be supported through projects and membership encouraged to pay their dues on time	Project Concept Notes and Proposals have been prepared and submitted to our development partners, including ITC, AUC, AUSAID, CFC, UNIC, WB and their responses are awaited.	
5.2	Two LLPI professional staff participate in international trade fairs	Two LLPI staff participated in international trade fairs, contact information obtained with regional and international stakeholders.	International Trade Fairs provide an excellent opportunity to establish linkage, information exchanges and technology transfer.	One LLPI professional staff participated in Bologna Lineappelle International Trade Fair, in October 2012, sponsored by ASSOMAC	Other staff have participated in AALF 5th Edition (S.O. 3.1)
5.3	Conduct business tour to India and Italy on exchange of experiences and know-how with a view to link COMESA member countries and LLPI to CLRI/CLE of India	Core Team Members/PACT II, selected SMEs from member countries undertaken business tour to India and Italy.	Stakeholders in COMESA member countries exposed to international market and technology	A total of 32 participants drawn from member States, including SMEs, Core Team members, and Country Unit and COMESA representatives participated in the business matching tours to India and Italy in July and October 2011 respectively.	
S.O 6: CROSS CUTTING ISSUES (GENDER EQUALITY, ENVIRONMENTAL POLLUTION ETC.) IN ALL LLPI ACTIVITIES IN MEMBER COUNTRIES					
6.1	Undertake first round Strategy Workshops, 210 participants (70 each country) in Asmara, Lilongwe and Kigali	Eritrea, Malawi and Rwanda, are supported to develop their National Leather Sector	Leather strategy documents and implementation in target countries is important in the upgrading of the sector	Undertaken	
6.2	Conduct second round strategy implementation and reinforcement workshops, 45 participants (15 each country) in Asmara, Lilongwe and Kigali	Same as above	Same as above	Undertaken	

Note: The funding was from the LLPI Regular Budget and PACT II Programme. Because of non-transference of PACT II fund, particularly during the latter part of the year, it was not possible to implement some of the planned 2012 activities partially or as a whole.

THE COMESA MONETARY INSTITUTE (CMI)

In 2012, following the work plan for the CMI, the following activities were implemented. The Monetary and Exchange Rates Policies Sub-Committee and the Financial System Development and Stability Sub-Committee were held.

A new flagship joint report of COMESA and AfDB on Facilitating Multilateral Fiscal Surveillance in the COMESA region was published. The report underscores the fact that fiscal convergence is essential to COMESA's macro-economic convergence programme, and is a bridge between monetary and trade integration programmes. The report also makes concrete proposals on a generic roadmap for fiscal convergence, and makes recommendations on the role of fiscal convergence in enhancing the complimentarity between trade integration and monetary integration. It also places great emphasis on the need to ensure both regional and national ownership of the convergence programmes.

A book entitled: "Challenges of the COMESA Monetary Integration Programme", which contains research on the region's monetary co-operation is being edited before being finally sent for publication.

A validation workshop of the implementation tools of COMESA Multilateral Fiscal Surveillance Framework (MFSF) was held from 27-31 August 2012 in Nairobi, Kenya. This workshop was attended by 12 Member States, African Development Bank and the East African Community. It was intended to enable experts from Ministries of Finance and Central Banks to formulate and implement reform programmes in public finance management, which is a prerequisite for the implementation of MFSF. The workshop also validated a number of tools for implementing the MFSF, such as Fiscal Responsibility Act; the Terms of Reference for the Convergence Council and Guidelines for Excessive Slippages Procedure (ESP). The workshop further validated short, medium and long term measures for the implementation of the Framework.

A training session for trainers on modeling the impact of macro-economic shocks was held on 22-26 October 2012, in Nairobi, Kenya. The overall objective of the training was to train participants in constructing macro-models and conducting simulations in order to forecast the impact of macro-economic shocks/policies. Participants learned how to build small models, to conduct simulations of economic and policy shocks and to interpret the results, that is, their impact on the economy. Further, participants acquired the basic command of econometric techniques and tools that are essential to economic analysis, such as impulse response analysis software.

A workshop on the preparation of forward looking financial stability report was held from 29 October - 02 November 2012 in Nairobi, Kenya. Participants were drawn from 13 Central Banks in the region. This training enabled participants to prepare forward looking financial stability reports which are clear, consistent over time and cover key risks. This is an important vehicle for systemic risk assessment of the financial system in member countries. This capacity building programme will enable COMESA to create a database which could be used for producing Member States' financial stability reports. Such a database will enable Member States that have not yet started producing such reports to learn from the example of others.

A study on the impact of innovations in IT on transmission mechanism of the monetary policy was undertaken. The objective of this study was to evaluate the impact of financial innovations on monetary policy transmission mechanisms in all Member States, by considering evidence from Kenya where the mobile phone financial services are now a significant aspect of the national economy. This innovation has significant impact on monetization of the economy and thus on the stability of the velocity of money, which is crucial to ensure stability of money demand and hence the effectiveness of the monetary policy.

The Institute prepared its Medium Term Strategic Plan for the period from 2013-2017. The plan was approved by the 18th Meeting of the COMESA Committee of Governors of Central Banks.

THE COMESA COMPETITION COMMISSION (CCC)

The Competition law is contained in Article 55 of the COMESA Treaty. Competition policy can help to facilitate economic liberalization. When properly implemented, competition policy can produce more goods and services from scarce resources and provide a set of rules and disciplines that are not based on privilege and that are conducive to and responsive to efficient market place behaviour. The regional competition policy plays an important part in the overriding goal of achieving single market integration.

It is COMESA's goal to see firms outgrow their national markets and operate on a more efficient, transnational scale throughout the region. Hence, the Competition Regulations are applied by the Commission with the issue of single market integration in mind.

During the reporting period, the Competition Commission recorded the following key achievements:

* The Commission formulated the necessary enforcement rules and guidelines to direct the consumers on how they can easily access and use the regional competition law system and guide the day to day operations of the Commission and the enforcement of the regulations.

* The enforcement instruments which have been drafted include Guidelines on the Prohibition of Abuses of a Dominant Position; Application of Horizontal and Vertical Business Practices; Leniency Programme; Market Definition; Assessment of Mergers; and the rules of procedure.

* Further, rules have been drafted regarding the determination of Merger Filing Thresholds and the Revenue Sharing Mechanism of merger filing fees. The Commission has also - for the purpose of the enforcement of the regulations - drafted thirteen (13) forms to be used by the members of the public. These forms are: complaint; request for confidentiality; notice of refusal to conduct investigations; notice of investigation (complaint); notice of investigation (respondent); notice to appear; application for exemption; request for information; notice of denial to grant exemption; notice of decision to grant exemption; notice of action to be taken by the Commission; notice of merger; and notice of decision in respect of proposed merger.

* During the drafting of the above various documents, the Commission undertook four regional studies namely: the regional study on the determination of merger notification thresholds; proposal on revenue sharing formula amongst the Member States (with regard to the merger filing fees for mergers with the Common Market dimension); comparative study of the merger fees in the European Union and the Common Market; and a study on public interest in competition law (suggestions for COMESA).

* The Commission carried out essential regional sensitization programmes in order to allow for broader participation of the Member States in the drafting process of the enforcement instruments. Such workshops conducted include Workshop on the Implementation of a Regional Competition Regulatory Framework in the Common Market for Eastern and Southern Africa held in Lusaka, Zambia, and Workshop on Ensuring Seamless Competition in the Common Market for Eastern and Southern Africa: The Way Forward for the COMESA Competition Commission held in Nairobi, Kenya.

* The Commission also conducted interviews and recruited the following professional staff: Manager, Enforcement and Exemptions (P4); Manager, Mergers and Acquisitions (P4); Manager, Legal Services and Compliance (P4); and Registrar (P3).

* The Commission, in accordance with Article 8 of the Regulations, was engaged in capacity building and advocacy programmes in the Member States. Although the Commission has not received any notification of cases, it has continued to engage itself in soft enforcement through effective dialogue, holding informal consultations and co-operating with Member States on several aspects of competition law enforcement. The Member States that benefitted from the Commission's tailored

training programmes so far include: Malawi, Swaziland, Seychelles, Mauritius and Zambia.

* The Commission in its continued efforts to publicize its functions and operations has developed a website, and it has completed the translation of the COMESA Competition Regulations and Rules in all the official institutional languages namely: English, French and Arabic.

* The Commission has also conducted staff training on specific methods of competition analysis, investigative techniques, and prosecutorial or enforcement skills and procedures.

In 2013, the Commission shall commence the full enforcement of the Regulations by taking action against infringements of the law. It shall further enhance its advocacy and capacity building programmes in Member States.

THE COMESA BUSINESS COUNCIL (CBC)

The CBC Medium term Strategic Plan (MTSP) for 2011-2014 was drafted with the support of COMESA-PACT II Programme, and the focus during the reporting period has been on building productive capacity for global competitiveness, through a number of key intervention areas.

The CBC Secretariat has mobilized its own budget funding from the United States Agency for International Development (USAID); the Canadian International Development Agency (CIDA) and the International Lawyers and Economists against Poverty (ILEAP). The CBC has also increased its operational funding through private sector contributions, sponsorships and member driven activities. Below are the highlights of the CBC in the year October 2011- October 2012.

The 8th COMESA Business Forum was held in Kampala, Uganda, in November 2012. The meeting brought together over 400 business leaders and decision makers on policy to a common platform where key issues affecting the private sector were discussed.

PAMZINDA Productions, a South African broadcaster, was contracted to produce a documentary on the CBF, 2011, and began airing in January 2012 on regional multi-media/TV networks of MNET and Africa Magic all over Africa.

The Regional Private Sector Dialogue on the Gradual Relaxation and Elimination of visa fees in the region discussed and adopted the Regional Position paper on the subject, and also launched the COMESA NTB work group. The work group is formed of Ethiopia, Kenya, Madagascar, Zimbabwe, Seychelles, Egypt and Burundi. Burundi has been appointed as Chair. In 2012, the adopted position paper was used in various key technical committees, which include: NTB Workgroup technical committee; COMESA Chiefs of Immigration Meeting; WTO Trade Facilitation Workshop; and the AU Trade in Services Meeting.

Working with the COMESA Investment Promotion and Private Sector Development Division and the Trade in Services Unit, CBC has supported the Tourism Development Programme and engaged private sector stakeholders in the drafting and validation of the COMESA Sustainable Tourism Regional Framework. The First COMESA tourism forum was held in August 2012. It brought together over 80 public and private sector stakeholders, working closely with the Kenya Tourism Board and Kenya Investment Authority; as well as tourism boards, and investment authorities. The tourism sector work group was formed, composing 17 out of 19 Member States.

CBC has recruited a consultant to carry out an analysis report on the regulatory framework of the banking and insurance sector and its constraints to business in the region. The consultant has visited all Member States and has submitted the draft report. The first financial services private sector dialogue will be held in January, 2013.

The tobacco sector has formed a regional industry work group composed of the CBC membership and representatives from the national tobacco growers' associations of Malawi, Zambia, Zimbabwe, Uganda and Kenya. The group has worked on a strategic approach to facilitate their ongoing campaign on the tobacco import ban under the WHO-FCTC Article 17 and 18, and its effects on tobacco growers in the region.

In January 2012, the CBC website: www.comesabusinesscouncil.com was made operational. Ongoing efforts are being made to populate and publicize the site. The CBC has also carried out business profiling of the private sector in all Member States. Fifteen (15) countries responded and their data has been uploaded onto the CBC website as linkages. Funds have been allocated to this in 2013 to ensure a more in-depth and dynamic online tool is implemented to support linkages and accessibility of business data in the region.

On 14-22 June 2012, CBC participated in the AGOA meetings where 38 business linkages were successfully established between Rwanda, DRC and Zambia with the US Government and Corporate Council of Africa.

Following the market analysis training workshop that took place in August, 2012, the national focal persons, working together with public sector stakeholders compiled the COMESA trade profile 2011- 2012. A copy is available on the CBC website.

The full report of the CBC including: member ship development, the 2013 work plan and budget, resource mobilisation, board activities, and institutional strengthening, is available at: *www.comesabusinesscouncil.com*

THE PTA BANK

The PTA Bank has experienced tremendous growth in the last five years. By the end of 2012, its balance sheet stood at US $1.37 billion while the net profit for the nine months up to September 2012 stood at US $40.75 million, up 60 percent compared to the same period last year.

On institutional changes, Admassu Tadesse, was appointed the new President. He reported on in April 2012; and he replaced Dr Michael Gondwe, who had retired from the Bank after successfully completing ten years as President of the Bank.

Regarding business strategy, the Bank is focusing on infrastructure investments in Member States, among other business strategic initiatives. In this connection, the Bank is keenly following stakeholder discussions on the development of the COMESA Infrastructure Fund (CIF) with a view to playing a catalytic role in the operationalization of the Fund.

On resources mobilization, the Bank has continued to receive support from various international financial institutions and had mobilized significant capital to support its lending operations. It was noted in particular that in additional to the Bank debut Eurobond in 2010, the Bank concluded a syndicated loan amounting to US $150 million which attracted key investors from commercial banks from around the world.

At the same time, the Bank has embarked on new membership discussions with a number of countries including Swaziland, South Sudan, Mozambique, Angola, Botswana, Namibia and Lesotho in the context of COMESA and the Tripartite.

On the issue of the new President, the meeting noted that he had taken office and had already paid a courtesy call to the Burundi Authorities, the Headquarters of the Bank.

THE AFRICAN INSURANCE AGENCY (ATI)

The ATI continues to provide risk solutions to companies and investors doing business among the Member States, and the current environment of the global economic recession reinforces more than ever the need for its products. The institution has a solid foundation, which has enabled it to support development in the Member States even in the turbulent times of the global credit crisis; and it has continued to expand the range of its products.

It is in this context that ATI Management was authorized by ATI Board of Directors to issue insurance bonds. Insurance bonds provide security to both customers and the contractors. ATI will act either as a primary insurer or mostly as a reinsurer of insurance companies in order to provide more capacity to local insurance companies in the region thereby crowding them in.

During the period under review, ATI continued to offer the following range of products:

- Political Risk Insurance for trade & investment (short, medium and long term);
- Comprehensive Non-payment Cover for Private obligors; Sovereign obligors; and parastatal obligors;
- Inter & Intra-regional and Domestic Whole Turnover Credit Insurance with payment terms;
- Unfair calling of bonds insurance;
- Mobile assets insurance;
- Political Violence Excess of Loss Reinsurance;
- Stand Alone Terrorism & Sabotage, and;
- Bond insurance products

The sectors that were supported include: agribusiness, energy (power generation and supply of petroleum products), manufacturing, mining, telecommunications, housing finance, health, road construction, and exports of flowers and other fresh produce. The infrastructure sector showed the highest demand for ATI's products.

The Agency's equity capital also increased over the reporting period as shown in below:

i. On 23 January 2012, ATI received a total amount of US $23,583,453.09 towards capital increase for the following Member States: Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia. This was the final disbursement from the proceeds of each country's IDA Development Credit Agreement under the Regional Trade Facilitation Project; and

ii. The World Bank extended a supplementary credit and disbursed on 21 June 2012 an amount of US $8 million towards DRC's capital increase. The equity capital for DRC stands now at US $19,200,000.

The Agency's capital stock is as follows as at 31 October 2012:

ATI CAPITAL AS AT 31 October 2012

Member	2012 Number Of Shares	31/10/2012 Paid Up Capital	31/12/2011 Paid Up Capital
		US$	US$
Burundi	153	15,300,000	15,300,000
DRC	192	19,200,000	11,200,000
Kenya	283	28,300,000	28,300,000
Madagascar	1	100,000	100,000
Malawi	172	17,200,000	17,200,000
Rwanda	87	8,700,000	8,700,000
Tanzania	169	16,900,000	16,900,000
Uganda	229	22,900,000	22,900,000
Zambia	169	16,900,000	16,900,000
	1,455	**145,500,000**	**137,500,000**
COMESA	1	100,000	100,000
Atradius	1	100,000	100,000
PTA Re	1	100,000	100,000
PTA Bank	1	100,000	100,000
Africa-Re	1	100,000	100,000
SACE SpA	100	10,000,000	10,000,000
	105	**10,500,000**	**10,500,000**
Total	**1,560**	**156,000,000**	**148,000,000**

In accordance with the ATI Treaty and the Articles of Association, new share certificates were issued to certify ownership of the specified number of shares in ATI capital stock.

The Agency has, for five consecutive years, maintained Standard & Poor's long term "A Strong" rating for both its counterparty and insurer financial strength ratings; with a "Stable" outlook. In 2012, Standard and Poor re-affirmed ATI's strong rating on 17 October. This is a confirmation that ATI's capital base and business model remain robust. There is no doubt that the rating will encourage more utilization of ATI products and services by banks, importers, exporters and investors worldwide.

Membership Expansion and Partnerships Development

In order to bring the benefits of ATI's products and services to the entire African continent and to achieve greater market penetration, the Agency has been expanding its reach beyond the Eastern and Southern Africa region. The expansion strategy aims at attracting more African countries, Non-African States, International Financial Institutions, Regional Economic Communities, Export Credit Agencies and Private Corporations to become members. Therefore, the ATI is set to begin supporting investment projects and trade transactions in West Africa, beginning with Benin and Ghana who have so far fulfilled their membership requirements. The Republic of

South Sudan and the African Development Bank were admitted into ATI membership by the General Meeting of shareholders on 16 May 2012.

On 20 June 2012 the African Development Bank's Executive Board of Directors approved an equity investment in ATI in the amount of US $15 million.

Zimbabwe signed the ATI Treaty during the last COMESA Summit held in Malawi and is in the process of fulfilling the remaining membership conditions. The Agency has also initiated membership dialogue with: Angola, Cameroon, Ethiopia, Gambia, Nigeria, Senegal, Sierra Leone and Sudan. Ethiopia and Sierra Leone are at an advanced stage in the membership process.

Admission of ATI at the Berne Union

The African Trade Insurance Agency was admitted as the 50th member of the Berne Union, the leading association for export credit and investment insurers.

Due to all the above benefits and achievements of the Agency, it is highly recommended all COMESA Member States, which are not yet ATI members should join the Agency and by doing so bring the benefits of ATI's products to investors and the business communities in their respective countries.

THE COMESA CLEARING HOUSE

As intra-COMESA trade increases, the cost of making payments for the import component of this trade, through international correspondent banking relationships, also rises. It was estimated that in the reporting that cost stood at US $417 million, up from US $331.0 million in 2009 - at a conservative cost of 5% of the value of the transaction. Cross-border payments, particularly within Africa, are slow, inefficient and costly for banks and businesses; and it takes up to five (5) days to transfer funds between COMESA Member States and charges may go up to 10% of the transaction amount in certain cases.

When the region channels intra-COMESA import transactions through the Regional Payment and Settlement System (REPSS), estimates show that the region could save an amount of US$ 62.5 million in 2010, in cases where no confirmation of Letters of Credit is required.

It was such a relief in 2012 then when the Clearing House started the Regional Payment and Settlement System (REPSS) started live operations on 03 October 2012 and registered its first transaction between Bramer Bank of Mauritius and Fina Bank of Rwanda, through their respective Central Banks. This was indeed a significant milestone in COMESA's quest to achieve regional economic integration. Below is the REPPS process model, which operates in the following steps:

1. All necessary documentation has been done, including confirmation of drawing. The importer requests his local bank to effect payment through REPSS.
2. The importer's local bank prefunds its account held at the local central bank. The local bank sends a payment advice on behalf of the importer to the local central bank to effect payment to the exporter's local bank for credit of the exporter. Then, confirmation of payment is sent to the local bank.
3. The local central bank sends a payment advice to COMESA Clearing House to effect payment to the Central Bank of the exporter. A confirmation of payment processed by COMESA Clearing House is sent to the local Central Bank. If payment is rejected for any reason, an advice is sent to the local Central Bank. If payment is successful, notification of payment by COMESA Clearing House is sent

to the exporter's Central Bank.

4. By end of day, clearing takes place for all payments on REPSS. Confirmation of net amounts by currency due by/to importer's Central Bank /Exporter's Central Bank to/by COMESA Clearing House is sent to all participants. Settlement exchanges between the Settlement Bank (Bank of Mauritius) and CCH take place.

5. Notification of settlement by the Settlement Bank to CCH and participating Central Banks is done. The exporter's Central Bank's settlement account at the Settlement Bank is credited accordingly.

6. The account of the local commercial bank is credited by the Central Bank.

7. The beneficiary of the funds is credited and he is informed by his bank.

While the Central Banks of Mauritius and Rwanda are already transacting on the live system, the Central Banks of Kenya, Sudan, Swaziland, and Uganda are expected to join in 2013.

The Reserve Bank of Malawi and the Bank of Zambia also indicated their readiness to transact on REPSS by December 2012.

The REPSS provides the following benefits to importers and exporters in the Member States:

i. It guarantees prompt payment to the exporter - at the latest by the next day that the importer deposits the required amount at its Central Bank;

ii. It builds trust amongst traders that would lead to an increase in intra-regional trade;

iii. It drastically reduces the cost of making intra-regional trade transactions;

iv. It levels the playing field by getting all commercial banks to deal directly with one another, without having to go through banks outside the region;

v. The requirement by the exporter for confirmation of the letter of credit by a first class International Bank falls away as Central Banks are directly involved in REPSS and provide all the assurances required by the exporter to have its commercial bank deal directly with the importers Bank. REPSS ultimately gets trade transactions to be effected on open accounts;

vi. Payments are made through established and reliable systems. Local banks would access the payment system through their respective Central Banks, thus enabling any participating bank to make payments to and receive payments from any other participating bank. The system, operating through member countries' Central Banks and their corresponding banking systems would eliminate the complex payment chains through correspondent bank arrangements.

vii. Payments originate and are received in the formats of the financial institutions' existing payment systems resulting in minimal system modifications;

viii. There is predictability in payment timing and reduced payment cycle time as compared to other international payment alternatives; and

ix. The lower cost and quick turn-around of REPSS payments translates into savings for the importer; and

x. It provides one easy process for making cross-border payments.

The Settlement Bank, i.e. the Bank of Mauritius, holds the accounts of all participating Central Banks in the currencies of settlement. Whilst settlement is initially carried out in US Dollars and Euros, the system is, however, flexible and has been opened up to allow future use of other currencies as required. This setup enables the completion of transactions within the same day as against a waiting time of up to 5 days with the current system.

Way Forward – 2013 Outlook

It is now imperative for all the central banks in the region that have not yet signed the various agreements pertaining to REPSS and its operations to do so at the earliest; and also pre-fund their USD and EUR accounts to the tune of USD 100,000 and EUR 100,000 respectively at the Settlement Bank.

Also, all stakeholders in the region, as directed by the Fifteenth Summit of the COMESA Authority, should aggressively market and use the REPSS in order to enhance intra-regional trade.

THE FEDERATION OF NATIONAL ASSOCIATIONS OF WOMEN IN BUSINESS IN EASTERN AND SOUTHERN AFRICA (FEMCOM)

FEMCOM continues to advance its objectives of promoting programmes that integrate women into trade and development activities in the region, particularly in the fields of agriculture, agro-processing, industry, trade, services, fishing, mining, energy, transport, communications and natural resources working through the FEMCOM national business associations.

During the reporting period, the Secretariat provided additional financial resources under the consultancy budget to facilitate hiring of the short term consultants to enhance staff capacity of the FEMCOM secretariat; and also set up administration, financial and reporting systems in line with COMESA guidelines, procedures and requirements. The institution's website continues to be upgraded to ensure systematic flow for sharing of best practices among its members. However, there is great need to engage additional permanent staff in the key positions of programme manager and communications/IT expert.

Following the successful signing of the Host Agreement between COMESA and the Government of Malawi in May 2011, FEMCOM secretariat has moved with speed and requested the Malawi Government for land in order to construct office premises. This complex will also be a source of revenue generation, as well as enhance the visibility of FEMCOM in Malawi and regionally.

The sixth FEMCOM board meeting was held on 25 April 2012, at Mena House, Oberoi Hotel, Egypt.

Established Strategic Partnerships

The institution initiated long-term strategic partnerships with the Canadian and African Business Women Alliance (CAABWA), a non-profit Canadian and African association which supports African women entrepreneurs in their efforts to: participate in international trade to improve economic sustainability and growth in Africa, empower women and advance private sector development. We will benefit from the internship programmes, benchmarking of best practices and joint resource mobilization to support buyers and sellers forums for example, a first-time ever Pan African Summit and Trade Expo due in Addis Ababa, Ethiopia, in September 2014. So far, the CAABWA has provided funding for an intern to be attached to FEMCOM for a period of ten months to enhance its capacity.

The Secretariat provided technical advisory services to the Cairo International 7th African Congress for Women Entrepreneurs under the theme "Economic Empowerment and Support of Small and Medium Enterprises to Meet the Millennium Development Goals".

The institution has undertaken field visits to Malawi; and the Jomo-Kenyatta Institute of Technology in Kenya; to identify possibilities of facilitating exchange programmes related to business incubators and technology transfer.

The COMESA Secretariat mobilised 500,000 Euros from NEPAD Spanish Fund for purposes of establishing business incubators for women entrepreneurs in the region. The project will initially be implemented on pilot basis in five Member States namely: Kenya, Malawi, Swaziland, Zambia and Zimbabwe.

In collaboration with the Climate Change Initiative, FEMCOM held a consultative forum on 19 June 2012 in Lilongwe, Malawi. The meeting came up with a common understanding of the conservation agriculture project and identified specific activities to be undertaken by various stakeholders. FEMCOM will be responsible for the Women in Business in Green Economy (WiBGE) programme.

Challenges

The roles, responsibilities and lines of authority of FEMCOM should be clearly articulated to promote harmony and avoid future misconceptions.

There is urgent need to review the FEMCOM charter in order to incorporate global emerging issues such as climate change and focus on private sector interventions, including the rebranding of FEMCOM Charter, which was formulated over twenty years ago.

In 2013, focus will be on the Launch of FEMCOM; the construction of FEMCOM Complex; and the review of FEMCOM Charter to clarify the roles and responsibilities.

THE PTA REINSURANCE COMPANY (ZEP-RE)

ZEP-RE's premiums increased by 6.2%, shareholders' funds grew by 33.4% while company assets increased by 26.2% and overall profits grew by 69% in the reporting period.

* For the period ending 30 September 2012, the company had written insurance premiums of US $58,177,514.
* The assets and investments as at 30 September 2012 stood at US $106,780,666. These investments are placed in bonds and bills issued by the governments of the region, deposits in banks of the region including the PTA Bank and real estate investments, which currently comprise two commercial buildings in Nairobi Kenya.
* The company is also constructing an office building in Lusaka, Zambia and has just purchase property in Harare, Zimbabwe.
* The company is maintaining its policy of diversifying its investments further by putting in more money in other government and corporate bonds of various Member States of the region.
* The net claims incurred position as at 30 September 2012 were US $17,923,806. Since inception the company has paid out US $300 million in claims.
* Net profit realised as at 30 September 2012 was US $12,223,297.
* ZEP-RE is currently rated by B+ by AM Best. The credit ratings are important and have helped the company grow its business profile.

Participation by the Member States in ZEP-RE

Member State	Signatory to ZEP-RE Agreement	Business Cessions	Membership Participation		Outstanding Issues
			Share Subscription	Shareholders	
BURUNDI	✓	✓	✓	• SOCABU • BICOR	NONE
COMOROS	✓	✓	×	None	Share Capital subscriptions
DJIBOUTI	✓	✓	✓	Govt Of Djibouti	NONE
D.R. CONGO	×	×	✓	SONAS	Accession to the Agreement establishing the Company
ERITREA	✓	✓	✓	NICE	NONE
ETHIOPIA	×	✓	×	None	Accession to the Agreement establishing the Company and share capital subscriptions
KENYA	✓	✓	✓	• Govt Of Kenya • Kenya Re • Blue Shield Ins • Mayfair Ins • Apollo Ins	NONE
LIBYA	×	×	×	None	Accession to the Agreement establishing the Company, share capital subscriptions and facilitation of business cessions
MADAGASCAR	✓	✓	✓	CMAR Ny Havana	NONE
MALAWI	✓	✓	×	None	Share Capital Subscriptions
MAURITIUS	✓	✓	✓	Govt Of Mauritius	NONE
RWANDA	✓	✓	✓	• Govt Of Rwanda • SONARWA • SORAS	NONE
SEYCHELLES	×	✓	×	None	Accession to the Agreement establishing the Company and share capital subscriptions
SUDAN	✓	✓	✓	• Government Of Sudan • Sheikan Ins & Reins • Juba Ins • United Ins	NONE
SWAZILAND	×	×	×	None	Accession to the Agreement establishing the Company, share capital subscriptions and facilitation of business cessions
UGANDA	✓	✓	✓	• Statewide Insurance • NIC (U) • Lion Assurance	NONE
ZAMBIA	✓	✓	✓	• Govt Of Zambia • ZSIC • ZSIC Pensions Trust	NONE
ZIMBABWE	✓	✓	✓	Baobab Re	Finalisation of the hosting Agreement

PART : 11
LIAISON OFFICES

The Brussels Liaison Office

The COMESA Liaison Office in Brussels continues to play a critical role in supporting the Secretariat and the Member States in fostering relations with the European Commission and identifying eligible projects for intra-ACP funds and monitoring programmes financed by the EC and the ACP-EU.

The BLO also ensures regular follow up of the programmes financed by the Intra-ACP Funds as well as the issues related to multilateral trade at all APC levels. This is done in cooperation with the EU/EC, the Secretariat of the ACP Group of States, the African Group of Ambassadors and other ACP-EU structures.

Key Achievements

This activity report for the first half of 2012 is mainly based on three points: resource mobilisation, strengthening regional integration and technical cooperation, and organisation of, or participation in the technical meetings.

On Resource Mobilisation; the Office played an important role in the identification and mobilization of extra-resources for five projects related to the enhancement of regional integration. The amount mobilised for these projects is €1,000,000. 00. The projects are:

a. COMESA Workshop for Training on Identification and Formulation of Projects. The training workshop was held at Chisamba, Zambia, from 12-21 March 2012. This workshop was also extended to the participation of the representatives of EAC, IGAD and IOC;

b. Study undertaken to carry out the COMESA-EAC on CET and a workshop organised for its validation in Nairobi on 22-23 March 2012;

c. Two studies on an industrial development master plan and trade in services were undertaken. The validation workshops were organised respectively in 23 April and 12-14 June 2012.

d. COMESA Workshop on Migration held in Nairobi in March 2012.

The resources to fund all those activities were mobilised from intra-ACP funds at Trade.Com, ACP-MTS Programme and International Centre for Migration Policy Development (ICMPD) both based in Brussels.

On Strengthening the Regional Integration and Technical Co-operation, the Office continues to maintain good cooperation relations with the European Commission, its Member States, the ACP Secretariat, and the AU Permanent Mission in Brussels, the other RECs represented in Brussels (ECOWAS, UEMOA, and CEMAC/ECCAS) and the other international institutions represented in Brussels.

Thanks to this presence in Brussels for COMESA, Intra-ACP financing is on the increase and all the projects submitted to these institutions are monitored effectively. The BLO is also making good proposals of projects eligible for intra ACP funding and this will assist the Secretariat to implement its regional integration programmes.

In the period under review, COMESA BLO was designated as Chair of the IRCC technical meetings. It was, therefore, deeply involved in the preparation and participation of the various meetings of the ESA-IO ROs. Such meetings included the mid-term review and finalisation of the 10th EDF projects. The aim of the meetings was to ensure that the regional projects submitted for financing under the 10th EDF regional envelope respond to the required standards, and also are in line with the regional priorities.

The ESA-IO-EU joint meetings were organised in Brussels on 06-07 February 2012 on submitted projects for funding from the 10th EDF regional envelope and the BLO facilitated a meeting of the IRCC Chair, the COMESA Secretary-General, and his counterpart the ACP Secretary-General. The two co-chaired the ACP-Inter Regional Organisation Coordinating Committee (ACP-IROCC) meeting that discussed and agreed on the 2012 work programme. That structure, created in October 2011, serves as a platform of consultations for all ACP-ROs on the issues of common interest within our respective regions as well as with our common cooperating partner, who is the EU.

As a representative of the Secretary-General, the Office has been deeply involved in negotiations both at African and OECD fora (Addis and Paris) as member of the Post Busan Interim Group (PBIG) where we are defending the inclusion of the regional dimension in the Busan Outcome Document (BOD). This is mainly to ensure that the specificity of regional organisations is taken into account in the implementation modalities under discussion by the PIBG. Thanks to the vigilance of the BLO and the ESA-IO regional team, the regional dimension has been recognised and included in the new global partnership adopted at Busan.

In addition, various contacts are regularly made with the EU: EEAS and DG DevCO; the ACP Secretariat on the 10th EDF MTR process as well as with the ACP Committee of Ambassadors. The BLO continues to cultivate contacts within the ACP such as the Joint Parliamentarian Assembly, EU Council and other ACP-EU institutions based in Brussels for a better and continuous support of COMESA programmes and activities. The continuation of the Hub & Spoke is still also one of the subjects of ongoing consultation between EU, ACP Group, OIF and the Commonwealth Secretariat. For the moment it has been in principle accepted that Trade.Com PMU should continue to implement the Hub & Spoke pillar as disseminated both at national and regional levels in spite of the highlighted need for capacity building especially in the area of trade. Due to the high interest of COMESA Member States in this project, the BLO is making the required follow-up.

The Office also participated in NEPAD and AUC meetings in Addis related to the 10th Anniversary of NEPAD and the African PBIG that was from 28-30 March 2012. It was important because COMESA is leading the chapter on regional dimension in PBIG at Africa level and the BLO is chairing the African sub-committee.

With the European Commission, regular consultations are made on both ESA-IO projects to be financed under 10th EDF and on the outstanding issues under the EPA negotiations and the implementation of the regional integration programmes supported by EU/EC and Intra-ACP funds.

The BLO attended the meetings organised in Horsens, Denmark in May 2012 for the 95th ACP Parliamentarians and 37th ACP-EU JPA. The BLO represented COMESA at the ACP Council of Ministers on Finance and Cooperation Development matters and ACP-EU Joint Council of Ministers held in Vanuatu on 11-15 June 2012. For all those meetings, report were produced and submitted highlighting areas in which COMESA needs to make follow-up, and appropriate actions continue to be taken.

With the Permanent Mission of the African Union, together with the representatives of ECOWAS, UEMOA and focal point of CEMAC/ECCAS in Brussels, our exchanges are regularly on the issues of coordination of the EPA negotiations processes at the levels of the AU and ACP as well as on the exchange of views on the remaining contentious issues. We have also regular consultations on the implementation of the Joint Africa-EU Strategy and we have to do our best to ensure that issues implemented at regional level are taken into account. As the African Group of Ambassadors based in Brussels, we also consult regularly on various issues discussed at ACP level or jointly by ACP and EU, on which the African Group has to take and/or defend a common position.

The Office continues to identify new partners for development co-operation already represented in Brussels and others in the Member States of the European Commission to interest them to work with the Secretariat.

Consultations are also made with potential investors to interest them to invest within the COMESA region as we are having the biggest regional market in Africa and also a conducive and attractive business environment.

Technical Meetings:

During the period under review, we have attended various meetings at ACP and AU levels related to issues of multilateral trade, future of the ACP, intra-ACP financing and the ACP inter-regional organisations coordinating committee. We also discussed five projects submitted by COMESA with Trade.Com and ACP MTS Programme and those projects have been approved and implemented.

The COMESA workshop organised at Chisamba, Zambia from 12-21 March on identification and formulation of projects was supported by Trade.Com; the workshop for validation of the COMESA-EAC study on CET was held in Nairobi on the dates of 22-23 March - the study and the validation workshop were funded by the ACP-MTS Programme.

On 22 March 2012 the COMESA BLO participated in a meeting on immigration organised in Brussels by IMO where COMESA had to present the state of play in the implementation of the protocols related to the facilitation of free movement of persons within the region. We made the presentation and called for more support for the implementation of COMESA policies related to migration. We continue the follow-up with that international institution based in Brussels.

The Office plays a central role in the dissemination of information to the Ambassadors of the Tripartite COMESA-EAC-SADC region to keep them abreast with the progress in the preparatory work on the establishment of the Grand Free Trade Area in the space covered by the tripartite region. It is important for our representatives in Brussels and beyond to have up to date information and be able to speak with one voice during their daily interactions with the EC and/or ACP Group of Ambassadors on our projects and programmes financed by the EU.

During the first half of the year 2012, COMESA, through the Embassy of Burundi, current chair of the Tripartite Group of Ambassadors in Brussels, organised a meeting to inform Ambassadors on the state of play with regard to the ongoing negotiation process for the establishment of the Grand Tripartite Free Trade Area.

In collaboration with the Permanent Mission of the African Union in Brussels, various consultative meetings are organized on behalf of African Missions in Brussels and other Regional Economic Communities already represented in Brussels. The aim of such consultations is to adopt common positions at different meetings at Ambassadorial level with the ACP Group, or when joint ACP-EC meetings are organized. They are also an occasion of exchanging views on the implementation of the Africa-EU Strategy and its Plan of Action as well as for the contribution of the African Group of Ambassadors with regard to the implementation of the Decisions of the AU Summit held in Addis in January 2012 on the establishment of the African Free Trade Area.

The African Union (AU) Liaison Office

This Liaison Office was established to build confidence and develop synergies between AU and COMESA on the one hand, and among RECs on the other, in conflict prevention, management and resolution. The Office also coordinates the relationship between AU and COMESA in all areas of cooperation between the two organisations. In 2012, Mr Olubukola Akinwarede Arowobusoye was appointed AU Liaison Officer, and he conducts his duties from the COMESA Secretariat in Lusaka.

To achieve its objectives, the Office was involved in the following activities in 2012:

Confidence Building: the COMESA-AU Liaison Office participated in numerous meetings and activities of AUC and UNECA, and provided them with valuable inputs by expressing the positions and views of COMESA and sharing experiences. Through this active participation of the Office, COMESA was able to harmonize its policies and programmes with that of the AUC, influence positively the outcome of the AU meetings, in addition to raising the profile of COMESA.

Operationalization of the Africa Peace and Security Architecture (APSA) Support Programme: The Office assisted the AUC in its negotiations with the EU regarding the modalities of the APSA support programme, which culminated in the EU's agreement to provide the APSA support in the form of a Contribution Agreement. The AU Liaison Office also the AUC in the management and implementation of the APSA programme through its active participation in coordination of meetings and field missions of the programme management team and policy meetings including the participation in the Eighth Steering Committee meeting which approved the APSA 2013 work plan in December 2012.

Promotion of AU/COMESA Joint Initiatives: The Office mobilized the participation of COMESA in the following AU/COMESA joint initiatives: the development of the AUC 2014-2017 Strategic Plan and AU wide Africa agenda 2063; the establishment of the African Network of the Wise; the development of capacities to handle political and operational challenges of peace keeping operations; the management of diversity in elections; the border delimitation, cross border cooperation and youth employment creation as conflict prevention measures.

Mobilization of Resources: The Office played a key role in the negotiations with KFW to mobilize for 10 million Euros to support the AU and COMESA's post conflict programme in the Great Lakes Region as well as in the drafting of the Eastern and Southern Africa sub-regional programme to be supported by the UN under the AU/UN/REC ten year capacity building programme.

The Office also contributed to the preparation of the African Solidarity Initiative for post conflict reconstruction which will benefit to countries such as DRC, Sudan, Burundi and Comoros. It further initiated negotiations with UNDP to mobilise for support to other COMESA peace and security projects focusing on the role of non-state actors in conflict prevention.

In the year 2012, there was continued interest from different countries and international organisations to strengthen co-operation with Regional Economic Communities in general, and COMES in particular. During the second ordinary summit of the African Union, all fields of activities of the AU ranging from social, political to economic mentioned the necessity of more RECs' contributions through policy harmonisation and programme implementation.

The Tripartite Arrangement between COMESA, EAC and SADC is actually at the point of no return. For example, in July 2012, during the AU Summit, the three RECs signed an agreement to design and implement common programmes in climate change mitigation. Coupled with the continued co-operation with traditional donors like EU, World Bank, AfDB, USAID, DFID, CIDA, the first Turkish and Australian Special Representatives were accredited, opening new horizons for the COMESA business community.

Also, three important meetings were held in the reporting period:

i. The 4th TICAD Ministerial Follow-up Meeting held in Marrakech (Morocco) from 05-06 May 2012 which was dedicated to reviewing progress on the implementation of the Yokohama Action Plan issued at TICAD IV as well as to commence discussions on TICAD V.

ii. The 19th Assembly of the AU held in Addis Ababa (Ethiopia) from 09-16 July 2012 which focused among other matters on boosting intra-African trade and finding sources of alternative funding for the implementation of continental development programmes.

iii. The 5th FOCAC Ministerial Meeting held in Beijing (China) from 19-20 July 2012 where among others the Chinese Government committed to providing US $20 billion of credit to African countries to assist them in developing infrastructure, agriculture, manufacturing and small and medium-sized enterprises, to support the African integration process and help Africa enhance capacity for overall development, among other things.

PART: 12
CO-OPERATING PARTNERS

The year also saw the setting up of the Technical Co-operation and Resource Mobilisation database, which ensures a better management of information.

Accredited Special Representatives

The family of COMESA Special Representatives grew with the arrival of two new members: Belgium and Australia. The list as of 2012 is as follows:

Twenty four (24) non-African countries: USA, France, India, China, Germany, Italy, Russia, Cuba, Brazil, Norway, Finland, Denmark, Royal Netherlands, Sweden, Japan, EU, Palestine, Qatar, United Kingdom, the Vatican, Turkey, Belgium, Saud Arabia and Australia.

Two (2) African Countries: Nigeria and Botswana.

Table 33: COMESA Donor Matrix as at July 2012

The details of support from COMESA co-operating partners over the reporting period are contained in the table below. It should be noted, however, that the contents of the table correspond with the period of the Financing Agreement with each financing partner and are not necessarily an indication of resources disbursed in the reporting but a reflection of the multi-annual nature of donor resources received by COMESA.

Ref	Project	Project Objective	Donor	Beneficiary	Financing Agreement	Status/Remarks
A:	**European Union (EU/RISP) Funded Projects and Activities**					
1	Regional Integration Support Programme Continuation (RISP2)	Overall objective: to contribute to the economic integration process of the ESA-IO region as a means to enhance economic growth of the countries of the region and raise standards of living of their respective populations. The specific objective is enhanced capacity of the Regional Organisations and stakeholders in Member/Partner States to create integrated markets.	EU	Eligible COMESA Member states signatories of the Cotonou Partnership Agreement. COMESA Secretariat	Contribution Agreement signed in December 2010 for Euro 50,000,000- (Programme jointly implemented by COMESA, EAC, IGAD and IOC) -First Disbursement (December 2010): Euro 2,571,302 to COMESA -Second Disbursement (May 2011): Euro 19,218,081 (COMESA budget Euro 8,863,696.16)	Both implementation letters currently supports the following COMESA programmes; ✓ COMESA Secretariat ✓ Free trade Area ✓ Customs Union ✓ Trade In services ✓ Science, Technology and Innovation ✓ Tripartite process ✓ Standards and quality assurance ✓ North South Corridor (Serenje-Nakonde road and Zambia-Tanzania-Kenya project) ✓ COMESA Virtual Trade Facilitation System ✓ COMESA Electronic Marketing Exchange System ✓ Yellow card scheme ✓ Regional Customs Transit Guarantee under infrastructure division ✓ Economic Partnership Agreement (Interim and Full EPA) ✓ Brussels Liaison Office

Table 33: COMESA Donor Matrix as at July 2012 (continued)

						✓ Information and Technology ✓ Regional Custom Transit ✓ Gender Mainstreaming ✓ Investment promotion ✓ Private Sector Development (Cluster initiative) ✓ Simplified Trade Regime ✓ Cluster initiative ✓ Statistical Development programme ✓ Capacity Building and strengthening of the COMESA Secretariat ✓ COMESA Institutions (Regional Investment Agency, Competition Commission, etc
B: Trade, Customs & Monetary Division						
1	Regional Multi-Disciplinary Centre for Excellence (RMCE)	Regional owned training and advisory centre for capacity building and expertise hub for the regional development activities	EU (10th EDF)	COMESA, EAC, IOC and IGAD Secretariat and Member States	Euro 5.6 million	From 18-29 June 2012 training was conducted on economic issues regarding regional integration. 29 Senior Officials from Eastern and Southern African Countries and regional organizations like COMESA, IGAD, and EAC participated in the training.
2	The Hub & Spokes Project on Trade Policy Formulation, Negotiations and Capacity Building.	To improve the capacity of ACP countries and their regional integration organisations to manage & increase participation in multilateral and regional trading arrangements: WTO, ACP-EU.	EU/COMSEC	COMESA/ACP Countries	Euro 0.3 million (for the period September 2011-June 2012.	Phase II of the Project is expected to begin in 01 July 2012.

Table 33: COMESA Donor Matrix as at July 2012 (continued)

3	Regional Integration Support Mechanism (RISM)	To address short-term constraints met at national level to implement trade liberalisation policies Under the revised rider, the objective is: to support Member States to fully participate in the COMESA, EAC and Tripartite free trade area and COMESA and EAC Customs Unions with minimum disruption to public expenditure commitments as well as enabling them to implement economic reform programmes in the context of regional integration.	EU	COMESA and EAC Member States	Euro 78 million	RISM was conceived to kick start the COMESA Adjustment Fund with a €78 million. Based on recommendation of the COMESA Fund Ministerial Committee, a rider to RISM was signed on 10 April 2012 with a revised scope of providing support to the countries of the COMESA and EAC region based on the implementation of their regional integration commitments.
4	Statistical Development	The objectives of the COMESA statistics programme are to ensure that statistics in the region are produced using harmonized frameworks and/or international standards in order to ensure comparability; and to enhance the quality, availability and comprehensiveness of statistics in the region as well as dissemination of statistical outputs for use by policy makers.	AfDB DFID	COMESA Secretariat and Member States	US $1,500,000 £160,000	For AfDB this entails support of 3 long term statistical experts at COMESA, budget support for the implementation of statistical programs at Secretariat and in Member States For DFID the support involves maintenance of two long tern statistical experts to support work related to the Tripartite negotiations and funding the development of the COMSTAT online portal.

C: Investment Promotion and Private Sector Development						
1	Comprehensive Africa Agriculture Development Programme (CAADP)	Common framework for agricultural development, growth and poverty reduction for African countries.	G8, USAID, W/Bank, GAFSP, AfDB, DFID and others	All COMESA Member States	US $2 million (initial direct support to COMESA was effective August 15, 2006).	COMESA has initiated the CAADP implementation round table process in 15 of its 19 Member States. Rwanda, Burundi, Ethiopia, Swaziland, Uganda, Malawi, Zambia, Kenya, DR Congo, Seychelles and Djibouti have signed the national CAADP Compacts. Six countries have finalised National Agriculture Investment Plans and 4 out of the 6 received funding totalling USD $171.1million from the GAFSP.
2	Strengthening trade in agricultural inputs	To enable the region set up mechanisms for promoting access to inputs by Member States	Funded by Hewlett Foundation and executed by IFDC	COMESA Member States	US $ 300,000	Review of constraints to fertiliser access has been done and strategies to address the constraints are being pursued. It is now planned to expand this program using EU and FAO support.
3	COMESA Regional Inputs Programme COMRAP	**1.** Food Security Facility	EU	All Member States	Euro 20 million	The US Government has provided US $250,000 to integrate livestock marketing activities in ACTESA. The COMESA Regional Inputs Programme (COMPRAP) has three components namely, financial services, agro dealer development and seed development. **2.** The programme on biotechnology is ongoing. **3.** A US $700,000 a programme toward seed development is also ongoing.

4	Competitiveness and Trade Expansion (COMPETE)	The project which is aimed at enhancing economic growth and food security in Eastern and Central Africa by stimulating increased trade and competitiveness in both regional and global markets.	WTO	The project will dedicate between US $6 to $10 million per year over the next four years to improving the efficiency of selected corridors in East and Central Africa.		The Secretariat has continued to consult with the USAID Competitiveness and Trade Expansion (COMPETE) project and has identified areas and specific activities for support. The COMPETE project operates mainly in the Eastern and Central Africa with the primary focus on economic growth and food security, and stimulate increased trade and competitiveness in both regional and global markets.

D: Infrastructure Development

Ref	**Project**	**Project Objective**	**Donor**	**Beneficiary**	**Financing Agreement**	**Status/Remarks**
11	COMTEL Project	To establish a holding company to be known as COMTEL to link national systems through ATM and Optic fibre Systems	ADB, DBSA, & NTOs,	All Member States	US $800,000	Study completed
2	ICT policy and Regulatory Harmonisation Programme (ICT-RHP) Support to ARICEA	To develop a harmonised ICT policy and regulatory Framework by studying the current Telecommunications regulatory environment in Member States and identifying areas of improvement and reform	COMESA	All Member States	€200,000	Study completed
3	Postal sector reform	Establish positive postal policy environment in countries and speed postal reform process	COMESA, UPU	All Member States	US $ 200,000	Completed

4	North-South Corridor	Multi-donor trust fund called Trade Facilitation Facility (TFF) to help countries improve their competitiveness and reduce trading costs through measures such as improving infrastructure, transport logistics and customs procedures	World Bank	All Member States	US $40 million	On going
5	CNS/ ATM	To prepare a program for the development of an up air space control for the Eastern and Southern Africa Region.	AfDB	ESA region	US$4.5million	final stages
6	Capacity building for the Regional Association of energy Regulators for Eastern and Southern Africa (RAERESA)	Build the capacity of RAERESA through reinforcing implementation of its work programme and to strengthen its capacities	PRO-INVEST	All Member States	US $ 100,000	Information sharing among members at both national and regional level is reinforced. 60 RAERESA members are trained in energy utility benchmarking, compliance and performance based regulations, and regulatory performance and compliance monitoring guidelines

E: IT Division

1	Trade facilitation	Development of a COMESA-SADC common transit system	TMSA	COMESA and SADC regions		An MoU signed by the Executives of the two RECs. TMSA is funding the programme and is currently ongoing.
2	Trade facilitation	Implementation of ASYCUDA World in Djibouti	World Bank Trade Facilitation Facility	Djibouti Customs		Application was made to the World Bank. Djibouti and World Bank were in contact following the submission of application for funds.

F: Legal and Institutional Affairs

1	Enhancing Procurement Reforms & Capacity Projects	Promote good Governance through Transparency and Accountability; Build capacity in Public Procurement among Member States; Harmonise Public Procurement Laws and regulations	AfDB	All Member States	UA 5.658	The Project has 3 main components; (i) Enhancing procurement reforms (ii) Capacity building (iii) Up-grading and improvement of the Procurement Information Systems. This came to an end in March 2012 after obtaining a three-month extension and there is a possibility to develop a successor project in 2013. AfDB promised to fund the project. 15 out of 19 countries have modern procurement laws that are compliant to COMESA Directives. To determined, exact level of compliance, an assessment exercise was done in March 2012 to highlight gaps and corrective actions needed to achieve full compliance required to contribute effective to COMESA intra-regional trade initiatives Regarding progress on formation of the regional procurement market, most of the 15 States are now participating in the market in line with tentative thresholds that were determined by the Technical Committee of Procurement Experts (TCPE), made up of Heads of national procurement agencies PROMS system is now being utilised to support the Regional procurement market. and most countries are now advertising their Tenders on the regional PROMIS system The project completed the design of a Handbook that will be used for training Procurement in the region.

FINANCIAL

STATEMENTS


F65718058D
WASHINGTON D.C.
ONE HUNDRED DOLLARS
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50
FÜNFZIG DEUTSCHE MARK
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FIVE
100
DEUTSCHE MARK

FINANCIAL STATEMENTS

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA) SECRETARIAT

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Secretary-General is responsible for ensuring that the COMESA Secretariat keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Secretariat. He is also responsible for safeguarding the assets of the Secretariat and taking reasonable steps for the prevention and detection of fraud and other irregularities.
The Secretary-General is also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties.

Nothing has come to the attention of the Secretary General to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the Secretary General:

- The financial statements are drawn up so as to present fairly the financial activities of the COMESA Secretariat for the year ended 31 December 2011 and its financial position as at that date; and
- Have been prepared in accordance with Generally Accepted Accounting Principles and in the manner required by the COMESA Financial Rules and Regulations.

Signed on behalf of COMESA by:

Ngwenya

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Secretary-General

Nagla El-Hussaini

....

Assistant Secretary-General (Administration and Finance)
DATE: 02/03/2012

INDEPENDENT AUDITOR'S REPORT

To the members of
Common Market for Eastern and Southern Africa Council of Ministers

Report on the financial statements

We have audited the accompanying financial statements of Common Market for the Eastern and Southern Africa Secretariat which comprise of the statement of financial position as at 31 December 2011, the statement of income and expenditure, statement of changes in accumulated funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Secretary-General's responsibility for the financial statements

The Common Market for Eastern and Southern Africa Secretary General is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and such internal control as the Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Secretariat's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Secretariat's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the COMESA Secretariat as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles and in the manner required by the COMESA Financial Rules and Regulations.

DELOITTE & TOUCHE **DATE: 02/03/2012**

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA SECRETARIAT

STATEMENT OF INCOME AND EXPENDITURE
for the year ended 31 December 2011

COM $	NOTES	2011	2010	2009	2008
INCOME					8,506,476
Member States contributions	4	10,339,621	9,249,285	8,930,234	8,111,711
Other income	5	147,267	154,314	154,314	394,765
		10,486,888	9,403,599	9,084,548	
EXPENDITURE					
Administration	6	(2,311,062)	(2,219,675)	(1,887,351)	(1,926,256)
Secretary General	7	(2,119,460)	(2,159,670)	(1,870,103)	(1,737,489)
Meetings	8	(944,731)	(1,040,645)	(976,344)	(625,934)
Trade, customs and monetary harmonisation	9	(660,085)	(682,954)	(580,198)	(420,992)
Infrastructure development	10	(786,767)	(544,122)	(517,127)	(408,825)
Investment programme and private sector development	11	(469,531)	(547,962)	(902,164)	(430,273)
Information networking	12	(613,089)	(560,483)	(467,626)	(442,120)
Finance	13	(403,454)	(364,519)	(334,668)	(277,188)
		(8,308,179)	(8,120,031)	(7,535,581)	(6,269,077)
OPERATING SURPLUS		2,178,709	1,283,568	1,548,967	2,237,399
Other income and charges					
Other (losses) and gains	14	(355,618)	538,038		
Revaluation surplus on assets	16	568,507	-		
Amortisation of capital grants	22	9,335	74,398	48,634	52,631
Depreciation	16	(263,373)	(233,360)	(213,826)	(202,490)
Net other (charges) income		(41,149)	379,077	(165,192)	
Surplus for the year		**2,137,560**	**1,662,644**		

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA SECRETARIAT

STATEMENT OF CHANGES IN ACCUMULATED FUND
for the year ended 31 December 2011

COM $	Accumulated fund	Capital reserve	Revaluation reserve	Total
Balance at 1 January 2010	22,701,182	60,000	-	22,761,182
Surplus for the year	1,662,644	-	-	1,662,644
Balance at 31 December 2010	24,363,826	60,000	-	24,423,826
Revaluation	-	-	568,507	568,507
Surplus for the year	1,569,053	-	-	1,569,053
Balance at 31 December 2011	25,932,879	60,000	568,507	26,561,386

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA SECRETARIAT

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2011

COM$	NOTES	2011	2010	2009	2008
ASSETS					
Non-current assets					
Property and equipment	16	**1,406,668**	976,462	430,206	608,673
Equity investments	15	**450,570**	450,570	304,600	304,600
Total non-current assets		**1,857,238**	1,427,032	734,806	913,273
Current assets					
Contributions receivable	4	**8,244,827**	9,151,646		11,547,407
Amounts due from projects	18	**3,451,205**	3,977,853	1,594,854	
Other receivables	17	**605,716**	524,108		
Held to maturity	19	**1,015,778**	9,524,783	2,871,250	
Contributions receivable for EPA	20	**156,000**	156,000	156,000	323,995
Bank and cash balances	21	**17,742,907**	6,335,387	16,630,212	16,497,896
Total current assets		**31,216,433**	29,669,777		16,821,891
TOTAL ASSETS		**33,073,671**	**31,096,809**		**17,735,164**
FUND BALANCE AND LIABILITIES					
					15
Fund and reserves					
Accumulated fund		**25,932,879**	24,363,826	22,701,182	21,590,951
Revaluation reserve		**568,507**	-		
Capital reserve		**60,000**	60,000	60,000	60,000
Total accumulated fund and reserves		**26,561,386**	24,423,826	22,761,182	21,650,951
Non-current liabilities				2,137,560	2,137,560
Capital grants	22	**237,872**	229,078	59,808	108,442
Current liabilities					
Account payables	24	**6,274,413**	6,443,905	5,663,126	6,007,622
TOTAL EQUITY AND LIABILITIES		**33,073,671**	**31,096,809**		

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA SECRETARIAT

STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

COM $	NOTES	2011	2010		
CASH FLOWS FROM OPERATING ACTIVITIES					
Surplus for the year		**2,137,560**	1,662,644		2,137,560
Adjusted for:					
Interest income		**(80,228)**	(66,496)	(243,344)	(80,228)
Dividend income		**-**	(14,018)	(9,325)	-
Gain on disposal of property and equipment		**(1,958)**	(19,548)	-	(1,958)
Depreciation expense	17	**263,373**	233,360	213,826	263,373
Amortisation of capital grants	22	**(9,335)**	(74,398)	(48,634)	(9,335)
Revaluation surplus on assets		**(568,507)**	-		(568,507)
Impairment loss on property and equipment		**62,312**	-		62,312
		1,803,217	1,721,544		1,803,217
Movements in working capital:					
Decrease in contributions receivable		**906,818**	1,924,240	(2,871,250)	906,818
Increase in other receivables		**(81,608)**	(667,286)		(81,608)
Decrease (increase) in amounts due from projects		**526,648**	(2,382,999)		526,648
Decrease in contributions receivable for EPA		**-**	119,995		-
Increase (decrease) in accounts payable		**(169,492)**	639,042	(344,496)	(169,494)
Net cash generated from operating activities		**2,985,583**	1,354,536		2,985,581
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property and equipment	14	**(187,383)**	(484,284)	(334,890)	(187,383)
Proceeds from disposal of property and equipment		**1,958**	21,547		1,958
Interest received		**80,228**	66,496		80,228
Increase in equity investments	16	**-**	(145,970)	-	0
Dividend received		**-**	14,018	9,325	-
Net cash used in investing activities		**(105,197)**	(528,193)	(325,565)	(105,197)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital grants received	24	**18,129**	243,668	0	18,129
Net cash generated by financing activities		**18,129**	243,668		18,129
Net increase in cash and cash equivalents		**2,898,515**	1,610,021		2,898,515
Cash and cash equivalents at beginning of the year		**15,860,170**	14,250,149	16,497,896	15,860,170
Cash and cash equivalents at end of the year		**18,758,685**	15,860,170		18,758,685
Comprised of:					
Cash and bank balances		**17,742,907**	6,335,387		
Held to maturity - 90 day fixed deposits		**1,015,778**	9,524,783	16,630,212	16,497,896
		18,758,685	**15,860,170**	**16,630,212**	**16,497,896**

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