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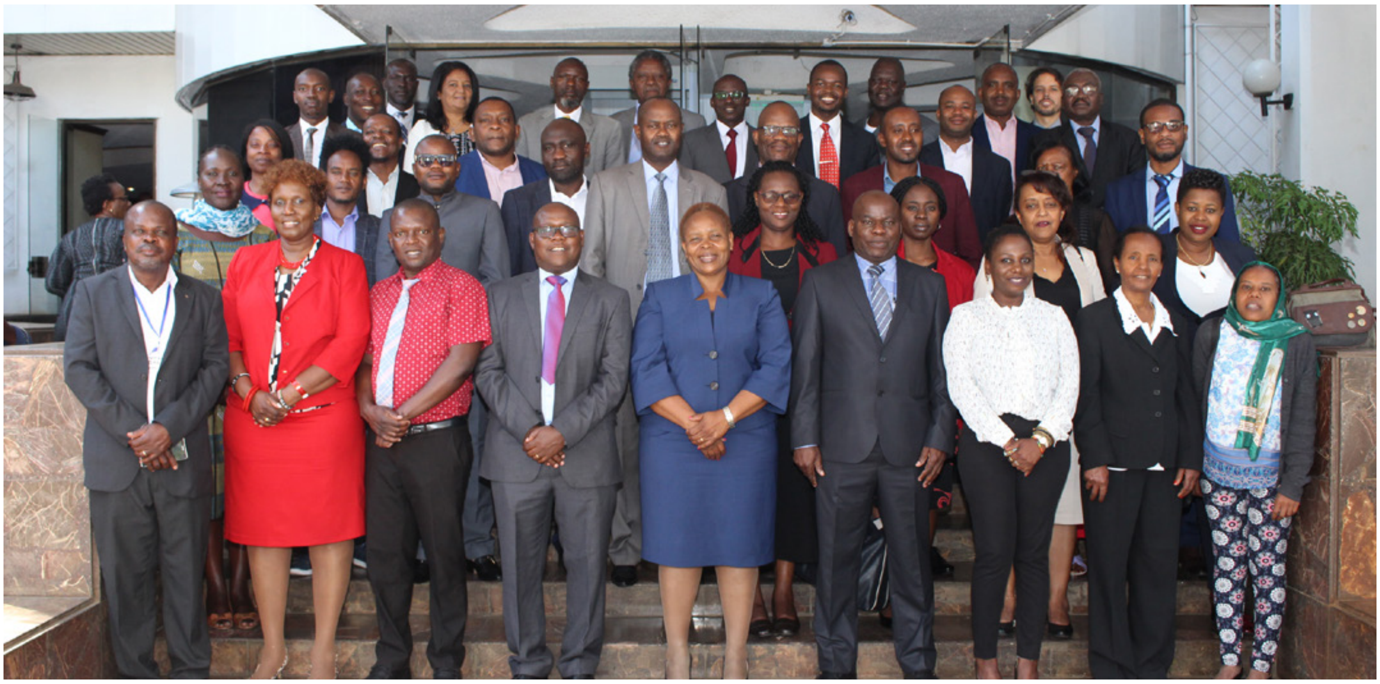
Experts Propose Policy Reforms to Expand STR Products Range



Delegates at the Policy Dialogue Meeting on the Simplified Trade Regime

The range of goods traded under the COMESA Simplified Trade Regime (STR) is set to expand following policy recommendations made last week by trade experts.

Meeting in Kenya during a Policy Dialogue on STR Implementation, 8 – 9 October 2019, the experts proposed that imports from countries participating in the COMESA Free Trade Area (FTA), should be accorded preferential tariff treatment in bilateral STR arrangements.

"As long as the goods qualify under the COMESA Rules of Origin, they should be granted preferential treatment in the bilateral STR," the experts said in their report. The goods from third party countries should however be among those listed in the bilateral Common List agreed upon by two neighbouring countries.

The recommendation is aimed at benefitting small scale cross border traders who source for goods from across the region.

The STR is a simplified procedure and documentation whose objective is to enable small-scale cross border traders with products whose value does not exceed $2000, to benefit from tariff preferences available under COMESA.

The implementation of the trade regime is premised on four key tools: The Simplified Certificate of Origin; the Simplified Customs Document; the Common Lists and the Threshold (value of products traded under the STR.)

The Common List refers to a list of products agreed upon between two neighbouring States to be traded across their common border without levying imports duties under the COMESA STR.

The dialogue was organized by COMESA, under the 11 European Development Fund (EDF) Small Scale Cross Border Trade Initiative (SCCBTI). The objective was to discuss policy and technical aspects of the STR implementation, the

Conti......page 2

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From page 1

challenges faced and propose recommendations to develop a common understanding and approach.

Ten countries including Burundi, DR Congo, Eritrea, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia and Zimbabwe participated.

Stressing the need for reforms in STR implementation, the Secretary of Trade in the Ministry of Trade and Co-operatives, Kenya, Dr Joyce Ogundo, said the dynamics of trade and consumer tastes require policy changes at regional level to bring uniformity in the application and processing of the STR transactions.

"It is therefore important that governments of countries implementing the STR through border agencies embrace the reforms in order for the STR to work effectively and thereby support our cross-border traders."

The experts proposed reforms targeted at border posts implementing the STR to harmonize the operations across the region. Specifically, they cited inspections for Sanitary and Phytosanitary Standards (SPS) and the speed of clearance by Customs as key impediments that requires changes to facilitate trade. They also agreed on the need for Member States to increase the frequency of updating their STR Common Lists on an annual basis through bilateral consultations.

"It is therefore important that governments of countries implementing the STR through border agencies embrace the reforms..."

Further, they agreed on the need to develop a sustainability and reporting framework for Trade Information Desk Officers (TIDOs), who facilitate small-scale traders at border points. In this regard, COMESA Secretariat will conduct studies to develop the framework after which it will be validated by all stakeholders in the Member States.

As part of bench-marking and experience-sharing, the forum received presentations on the implementation of the STR in the East Africa Community (EAC), the Southern Africa Development Community (SADC) and the Great Lakes Trade Facilitation Project (GLTFP) which is funded by the World Bank and is implementing the trade regime as well.

Staff from COMESA Secretariat were also part of the meeting led by the Officer in Charge of the COMESA Trade and Customs Division, Mr. Benedict Musengele

Investing More in Research and Development will Boost Regional Trade

6th COMESA Annual Research Forum

Governments of COMESA Member States ought to increase public expenditure on research and development to boost innovation and hence trade and also put in place favorable policy through proper institutional framework.

According to a research conducted recently by two researchers on the relationship between innovation and trade growth, there is a strong linkage between the two factors to necessitate support towards promoting the drivers of innovation.

"Innovation plays a significant role in enhancing competitiveness which in turn promotes trade between nations," according to the research conducted by Rodgers Wanyonyi of the Department of Economics, Moi University and Hellen Chemnyongoi of the Department of Applied Economics at the Kenyatta University in Kenya.

The researchers also sought to establish the main factors that can drive innovation, determine the relationship between high technology exports and trade, and the relationship between publications of science and technical journals and COMESA trade.

In their research paper titled

Conti......page 3

From page 2

'Innovation and Trade within COMESA' the researchers established that innovation was driven by government policy, industry characteristics, firm characteristics as well as international factors. The paper was presented last month at the 6th COMESA Annual Research Forum, which took place in Nairobi.

In the COMESA region, the study found that expenditure on Research and Development (R&D)as a percentage of GDP was low.

"Available data from World Bank Group (2018) showed that none of the Member States has achieved the proposed share of R & D expenditure of one percent share of Gross Domestic Product (GDP)," they noted. Among the 21 Member States, Egypt and Tunisia comes close to the 1 percent target with R&D expenditure of 0.71 percent and 0.60 percent of GDP respectively in 2016.

At industry level, external environmental factors such as the level of uncertainty, dynamism or competion in the business environment as well as demographic factors also affect innovation.

"Innovation plays a significant role in enhancing competitiveness which in turn promotes trade between nations..."

"Challenges such as financial constraints, lack of information, knowledge infrastructure, weak inter-firm linkages and regulatory burdens may hamper innovation," they noted.

The study recommended that COMESA Member States institutes a proper intellectual property rights regime, increase budgetary allocation to R&D, promote innovations by recognising and rewarding innovators, support the general business environment by reducing bottlenecks such as corruption and support universities and Technical and Vocational Education and Training institutions in science and technology training.

At the regional level, COMESA has taken various policy decisions to facilitate and encourage individuals and firms to use their energy and potential in science and technology to solve the continents economic challenges.

In 2014, COMESA launched the innovation awards scheme to recognize and celebrate individuals and institutions that have used Science, Technology and Innovation (STI) to further the regional integration agenda. Some of the winners of the award have since established highly successful companies thus underlining the need to promote innovators.

Other recommendations made by the researchers are: to encourage competitive markets as opposed to monopolies to foster innovation; domestic economies to be open to learn from other economies across the world; COMESA countries to increase exports of high technology products and promote research in science and technology to increase the number of publications in scientific and technical journals in order to enhance trade.

Addressing Regulatory Challenges to Attract Investments in Energy

The past two decades have witnessed transformation of the electricity market in Africa following the gradual opening, liberalization and reform of national electricity markets. A fundamental component of the transformation has been the establishment of national regulatory institutions tasked with independently regulating and overseeing their respective electricity sectors.

With investors seeking transparency, predictability and good governance in sectors in which they operate, most African governments have made tremendous strides in recent years in establishing robust regulatory frameworks and institutions for their

Delegates at the National workshop in Djibouti

Conti...page 4

From page 3

electricity sectors; however, progress has been uneven across the continent.

The present regulatory institutional outlook in the eastern, southern and Indian Ocean region (EA-SA-IO) is varied as some of the countries like South Africa Namibia, Kenya and Uganda have full autonomy over the energy sector, which exhibits a reasonable degree of commercialization or privatization.

In other countries such as Ethiopia, Sudan, Mozambique and Angola, energy regulators exhibit a semi-regulatory autonomy with other regulatory functions still vested with the Government, whereas there are no active regulators in Comoros, DR Congo, Djibouti, Eritrea and Libya.

In its quest to improve the energy sector, the project on Enhancement of a Regional Energy Market in Eastern Africa, Southern Africa and the Indian Ocean (ESREM/ EA-SA-IO) is conducting national-level workshop on regulatory policy, autonomy and governance. The workshop are designed to map out the nature and level of assistance required by specific Member States in establishing national regulatory institutions.

The latest was a three days' workshop conducted in Djibouti from 8 - 10 October 2019. It was attended by high-level officials from Ministries responsible for energy, (and other relevant government officials), utilities, consumer associations, and the academia in Djibouti.

Institutional frameworks

The main objective is for the target audience to appreciate the role and importance of establishing energy regulatory and institutional frameworks in supporting Governments' long-term objectives of providing affordable and reliable energy to its citizens.

COMESA through its Regional Association of Energy Regulators for Eastern and Southern Africa (RAERESA) is the lead agency in the implementation of the project.

In Djibouti, the Permanent Secretary in the Ministry in charge of Energy Mr Mohame Kileh Wais, and his counterpart in the Ministry of Trade, Mr Ali Daoud, and COMESA Energy Economist, Mr Malama Chileshe who represented the Chief Executive Officer of the RAERESA addressed the workshop.

Mr Wais indicated that Djibouti's Vision 2035 places high priority on refining the various governance structures in the energy sector which will tap into other sources of energy such as wind, solar, and geothermal.

In his remarks, Mr Malama observed that building strong and effective regulatory frameworks and institutions was one way of paving the way for investment flow in the energy sector.

"Investors look for transparent, fair and predictable environments for their investment," he said noting that, even without autonomous regulators, Djibouti had taken major strides towards strengthening regulatory and institutional frameworks.

The ESREM/-EA-SA-IO project is a seven million euros initiative funded by the European Union under the 11th European Development Fund.

Regional Central Banks Trained on Managing International Reserves

Bank of Egypt

Central Banks of 10 COMESA Member States namely: Djibouti, Egypt, Eswatini, Eritrea, Libya, Rwanda, Sudan, Uganda, Zambia and Zimbabwe have benefitted from a capacity building initiative on the management of international reserves.

This is through training conducted in Cairo, Egypt from 15th to 19th September 2019, under the theme: 'Active and Passive Reserve Management'. It was organized by the COMESA Monetary Institute (CMI) in collaboration with Central Bank of Egypt.

The training followed the Decision of the 39th Meeting of the Bureau of the COMESA Committee of Governors of Central Banks held in Djibouti, on 4th December 2018. The objective of the

Conti......page 5

From page 4

training was to provide practical tools and techniques for fixed income portfolio management in a central bank's reserve management framework.

At the training, the Director of the CMI, Mr. Ibrahim Zeidy underscored the need for in-depth understanding of the role of portfolio management techniques, rebalancing and benchmarking operations as well as different active and passive reserve management strategies. "Maintenance of adequate level of international reserves is a very important criterion for achieving the COMESA Macroeconomic Convergence Criteria," he said.

In her statement, the Governor's advisor for African Affairs in the Central Bank of Egypt, Dr. Naglaa Nozahie, noted that the skills acquired will ensure that Central Banks in the region utilize international reserve efficiently.

Meanwhile, economies in the COMESA region have recently been vulnerable to external shocks, key among them recession/slowdown in advanced/emerging economies, unfavourable terms of trade, decline in international commodity prices, and rise in international oil prices.

Findings from studies conducted by Central Banks indicate that commodity price shocks, terms of trade shocks and international oil price shocks constitute the key external shocks that adversely affect domestic variable in COMESA region.

"Maintenance of adequate level of international reserves is a very important criterion for achieving the COMESA Macroeconomic Convergence Criteria..."

-Mr. Ibrahim Zeidy

However, the extent of the impact and the speed of transmission vary from one country to another. The main common policy recommendations across most of the studies is the need for value addition to improve terms of trade.

Last week, 30 September – 2 October 2019, in Nairobi, Kenya, the CMI brought together experts from Central Banks in COMESA countries to validate the studies undertaken in 2019 which will inform appropriate policies to mitigate external shocks.

Attended by delegates from Djibouti, DR Congo, Egypt, Eswatini, Kenya, Madagascar, Malawi, Mauritius, Sudan, Uganda, Zambia, and Zimbabwe, the meeting stressed the need to diversify the countries' economies, to mitigate the adverse impact of external shocks, among other policy considerations.

In December last year, the Bureau of the COMESA Committee of Governors of Central Banks instructed the CMI to organize a validation workshop for the studies undertaken in 2019 under the Monetary and Exchange Rate Policies Sub-Committee.

The motivation for the Governor's instruction was the realization that external shocks exogenous to an individual economy and beyond its control, tend to have serious effects on most macroeconomic indicators of an individual country.

COMESA DIARY

	Meeting/Activity	Dates	Venue
1	Trade and Customs Meetings	14 – 25 Oct 2019	Kenya
2	COMESA Ministers of Finance and Central Banks Governors meeting	16 Oct 2019	Washington DC
3	Tripartite Sectoral Ministerial Committee on Infrastructure (TSMCI)	28 - 31 Oct 2019	Lusaka
4	COMESA Committee of Legal Affairs	12 – 14 Nov 2019	Lusaka
5	COMESA Ministers of Justice and Attorneys General	15 Nov 2019	Lusaka
6	COMESA Silver Jubilee Golf Tournament	22 Nov 2019	Lusaka
7	COMESA Silver Jubilee Football Tournament	23 Nov 2019	Lusaka
8	Retreat for COMESA Institutions	24 Nov 2019	Lusaka