

Simplify Rules of Origin to Boost Free Trade in Africa, COMESA-UNCTAD study



File photo: A COMESA regional trade fair, dubbed Source 21 in Nairobi, Kenya

Complex and stringent rules of origin can prevent businesses from taking advantage of trade preferences, according to a new study by UNCTAD and the Common Market for Eastern and Southern Africa (COMESA) Secretariat.

Rules of origin are the “passport” for goods, determining whether they can be exempted from taxes or taxed less under a preferential trade arrangement or free trade area (FTA). They can be complex to comply with – especially for products made using materials from different countries through global value chains – and can make it difficult for products to qualify for trade preferences.

This complexity can hinder African businesses from benefiting from preferential trade agreements that the continent’s governments have increasingly signed to increase intra-African trade or exports to partners like the European Union (EU).

Utilization rates measure the extent to which firms are using FTAs. The study uses rates reported by COMESA countries to examine how effectively firms in those nations are using trade preferences offered by FTAs.

“Making utilization rates publicly available will help governments monitor the effectiveness of trade agreements,” says Paul Akiwumi, director of UNCTAD’s division for Africa and least developed countries. “And understanding which trade agreements are working better for African firms will help the continent’s governments improve the outcome of trade negotiations and ensure better trade deals,” he adds.

The study compares the utilization rates of COMESA members under FTAs with other African countries and preferential agreements with Canada, the EU, Japan and the United States (collectively known as QUAD countries).

The study finds that, for example, utilization rates of trade preferences with the EU are more than 30 percentage points higher than those under COMESA, East African Community (EAC) and Southern African Development Community (SADC) trade arrangements.

According to the study, utilization rates in intra-African trade are low mainly because their rules of origin are generally more stringent than those applied under preferential trade agreements with the QUAD countries.

For example, Uganda is a major exporter of animal or vegetable oils and related products. In 2018, Uganda used about 92% of its trade preferences with the QUAD countries for the duty-free export of these products, compared to only 5.1% with COMESA member states.

This example highlights the need for COMESA member states to consider reforming their rules

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COMESA Secretary General Chileshe Kapwepwe (L) and ARC's Faustin Mukena at the signing of the MoU to strengthen public health supply chains.

ARC and COMESA Sign Agreement to Strengthen Collaboration

Africa Resource Centre (ARC) and the Common Market for Eastern and Southern Africa (COMESA) signed a memorandum of understanding (MoU) in Cape Town, Friday 24 February 2023, to strengthen public health supply chains by enhancing medicine access in the region.

The MoU is based on the need for mutual co-operation in areas of common interest in pursuing their respective mandates and strategic objectives of contribution towards sustainable economic growth and development.

ARC is Africa's public health supply chain institution and a not-for-profit organisation that work towards strengthening public health systems by providing independent, expert advisory and enablement services to African health ministries. COMESA is a regional economic community of 21 member states that work together to achieve sustainable economic and social progress through increased regional cooperation and integrated economic development.

As part of the MoU the two organisations have agreed to work together to establish a Health Desk for COMESA. Part of the Health Desk's role will be to develop recommendations for resilient national supply chain infrastructure among COMESA member states.

"The COVID-19 pandemic highlighted the

importance of inter-regional cooperation in the supply of essential medicines, and having a centralised Health Desk in East Africa can facilitate better collaboration, knowledge-sharing and expertise around medicine access in the region" said Faustin Mukena, Chief Operating Officer at ARC" so we are delighted that the need has been acknowledged and that we are moving forward to ensure more people have access to medicine."

COMESA Secretary General, Chileshe Mpundu Kapwepwe, who signed the MoU on behalf of the regional body hailed the agreement: She said: "The areas of cooperation outlined in the MoU are very pertinent, critical and timely as they seek to address the key challenges that COMESA member States continue to face especially regarding the public health, the gender equality activities. The COVID-19 pandemic has demonstrated that partnership and solidarity are essential for confronting shared public health threats."

The MoU also includes an agreement to cooperate in areas with shared interests. As part of this, ARC has committed to providing advisory services around framing and advancing gender equality and increasing the profile and proportion of women in public health sector procurement and supply chain services. COMESA will also leverage ARC's expertise on gender and women's rights to support

capacity building and promote research on gender mainstreaming and women empowerment in policies, programmes and projects by COMESA. ARC will also provide advisory services on local and regional manufacturing of medicines and other health products and market access to these manufactured products, including supporting research initiatives.

As part of the MoU, COMESA will promote innovations such as engagement with the private sector and outsourcing, for resilient supply chains in the public health sector through the COMESA Research Forum. It will also promote engagement with the private sector for services in public health through the COMESA Business Council and COMESA Investment Agency.

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Simplify Rules of Origin...



Close to 90% of Non-Tariff Barriers Reported in the Tripartite Region have been resolved

Overall, 716 out of 796 (88.9%) of NTBs registered in the online reporting system implemented by the three regional economic communities (RECs), COMESA, East African Community and the Southern Africa Development Community have been resolved. Only 80 NTBs remain unresolved.

The main NTBs include restrictive licensing, permitting, and other requirements applied at the border. Barriers behind the border, such as unwarranted technical barriers to trade and sanitary and phytosanitary measures are equally prevalent.

The tripartite NTBs Online and SMS Reporting, Monitoring and Eliminating system www.tradebarriers.org has been operational since 2010 and has remained an effective tool in the resolution of cross-border trade challenges. It was established to support market integration by implementing a harmonized NTBs elimination programme in COMESA, EAC and SADC tripartite region.

The online system is designed to receive online and Short Message/Messaging Service (SMS) complaints from public users. It comprises three sub systems for each REC (COMESA, EAC, SADC). Anyone with access to the internet can submit a complaint into the system.

Reports on NTBs made on the system are dealt with by National Monitoring Committees (NMCs) and National Focal Points (NFPs), whose contribution to the resolution and elimination of NTBs in the Tripartite region has been effective. Subsequently, COMESA Director of Trade and Customs Dr Christopher Onyango

has called upon Partner/Member States, which have not yet established the NMCs and designated National Focal Points to do so as a matter of priority.

"NTBs evolve over time, hence become a single most hindrance to intra-regional trade and an easy option to deter or restrict trade. They therefore require persistent vigilance and commitment by all stakeholders, especially members of the national monitoring committees," he said when he addressed the second meeting of the Tripartite NMCs and NTBs Focal Points on 20 February 2023.

As the tariff walls come down in the global and regional trading arena, the Director noted that NTBs continued to thrive and emerge in different forms in the Tripartite region.

"This makes your roles very pertinent in managing cross-border and international trade," he told the delegates who attended the virtual meeting.

The meeting also discussed the modalities of handing over the hosting and management of the NTBs online reporting system to the Tripartite RECs to complete the development of Non-Tariff Measures (NTMs) databases for Tripartite Member/Partner States and further improvements in the system. The system has been managed by the developer since inception.

This meeting also reviewed the establishment and operationalization of NTBs institutions for the management /administration of the Online NTBs/NTMs systems in the RECs and Member/ Partner States.

of origin to align them with international best practices. The same would be true for other African regional economic communities like EAC and SADC, the study says.

Low utilization rates show the unused potential of free trade in Africa, hampering the establishment of regional value chains and stifling commerce. They highlight the need for careful implementation of trade agreements and supportive policies to make sure trade and economic goals are met.

The study also reveals that while utilization rates are higher for the QUAD countries, significant pockets of underutilization exist. For example, out of \$7 million vanilla exports from Comoros in 2018, \$3 million was not utilized under trade preferences, hence duty savings of around \$250,000 were possibly missed.

The study recommends a detailed roadmap for COMESA trade policymakers and the private sector to address such underutilization. UNCTAD and COMESA are leading a series of actions to disseminate the findings of the study and hold consultations at firm level.

"If certain industries or regions are not able to take advantage of the opportunities provided by the preferential trade agreement, it could lead to job losses and economic decline in those areas, which could have wider economic and political ramifications," the study says.

The pioneering work by UNCTAD and COMESA on utilization rates can support the implementation of the African Continental Free Trade Area (AfCFTA) by ensuring effective monitoring of the utilization of regional economic communities at an intra-African level and informing trade policy actions to ensure high utilization of the AfCFTA. (<https://unctad.org/news/simpler-rules-origin-needed-boost-free-trade-africa-study-shows>)

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COMESA SG Chileshe Kapwepwe (L) and Alexis Grosskopf sign the MoU in Cape Town

COMESA, Ocean Hub Africa Sign Pact to Promote the Blue Economy

COMESA and OceanHub Africa (OHA) have signed a Memorandum of Understanding to cooperate in the development of an ocean-based economy in the COMESA region. It was signed by COMESA Secretary General Chileshe Kapwepwe and Mr. Alexis Grosskopf, Executive Director of OceanHub Africa during the Ocean Innovation Africa summit in Cape Town, South Africa, Thursday, 23, February 2023.

The MoU will facilitate cooperation in Blue Economy and development of an enabling ecosystem for Blue Entrepreneurs in the COMESA region. The parties will also collaborate in promoting cooperation in knowledge development and sharing to unlock the potential of ocean-impact entrepreneurship in the COMESA region. Other areas of cooperation will be in the identification, capacity building and technical assistance of ocean-impact businesses across the COMESA region.

The cooperation between the Parties under this MoU will take place within the scope of

their respective institutional instruments, mandates, policies, procedures, resources and activities in the areas which constitute common or complementary interest to the parties.

Each party undertakes to invite the other as technical partner to all relevant conferences and meetings, organized under its auspices on issues of common interest, in conformity with its procedures and practices. Hence, representatives of COMESA will be invited to participate in the Annual Summit of OHA (Ocean Innovation Africa) and other relevant events. Likewise, representatives of OHA will be invited to participate in workshops and events pertaining to the Blue Economy organized by COMESA.

In her remarks, Ms Kapwepwe said COMESA has been supporting its member states in the development of policies, strategies and planned to assess the impact of climate change and pollution on aquatic ecosystems and biodiversity and promote the mitigation

measures to improve the health of marine and aquatic ecosystems.

"We are committed to assisting our member states to realize sustainable ocean-based economic development and to emphasize the importance of balancing sustainable economic development and environmental protection, to build resilient, inclusive, and sustainable societies in line with the AU agenda 2063, as well as the SDGs 2030 Agenda," she stressed.

Mr Alexis Grosskopf explained the importance of "unleashing the power of innovation and inclusive entrepreneurial support for the development and adoption of new ocean solutions for local, and ultimately global, impact" highlighting the potential of their collaboration with COMESA as "an amazing opportunity to catalyze and spread change-making in one of the largest international trade zones, particularly exposed to climate change" The MoU shall remain in force for a period of three years upon which the parties will jointly review it to assess the need for extension.



Capacity Building for the Implementation of the Tripartite Free Trade Area gets Underway

Capacity building of stakeholders who will play a key role in the implementation of the Tripartite Free Trade Area (TFTA) has begun. The initial focus is on the Rules of Origin, which represent the most important cross-border trade instrument in economic integration agenda.

The TFTA brings together the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Community (SADC). The three regional economic communities represent 53% of the African Union members, more than 60 percent of continental gross domestic product, and a combined population of 800 million.

The first regional Training of Trainers session on the TFTA Rules of Origin was hosted in Nairobi, Kenya on 17 – 18 February 2023. It targeted the business community, revenue authorities' customs services departments, government ministries and agencies and organizations that support trade to enhance their skills and knowledge on TFTA Rules of Origin. This will improve their operational performance and support the uniform application of TFTA Rules of Origin to enhance regional cooperation and intra-

Tripartite trade.

The United Nations Conference on Trade and Development (UNCTAD) describes Rules of Origin as the "Passport for circulating goods under preferential tariffs". Non-preferential Rules of Origin are applied to determine the country of origin for purposes other than granting preferential tariff treatment. They can support production and trade of goods made in the Tripartite region, boost intra-regional trade across existing regional economic communities and therefore enhance structural transformation.

Director of Trade and Customs at COMESA, Dr Christopher Onyango who addressed the participants stressed the need to pay special attention to issues related to Rules of Origin, in particular the administrative processes associated with issuance of Certificates of Origin.

"We must strive to adopt Rules of Origin that are conducive to the emergence of regional value chains as a springboard to structural transformation and export diversification," he said. "Rules of Origin must be flexible enough to allow for producers even

from the weakest economies to reap meaningful benefits of regional markets. Thus, they should be simple, transparent, predictable and trade-facilitating for businesses and trade operators."

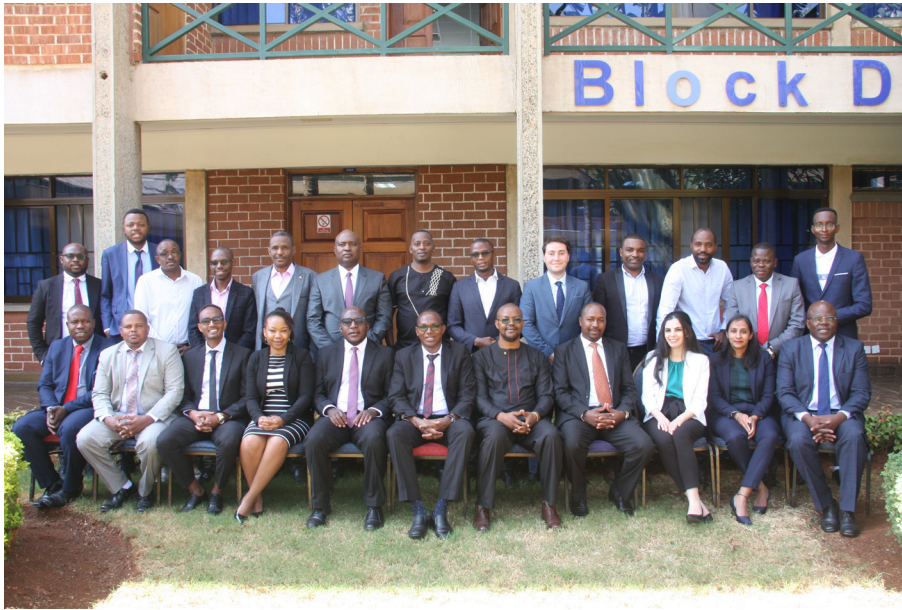
The Tripartite Rules of Origin will be a key market access component when trading begins. Each REC or FTA contains a set of rules that are applied by economic operators and administered by customs or other designated authorities.

"It is therefore important for the stakeholders of the exporting and importing partner countries to familiarize themselves with the relevant rules of origin for trade under any given FTA to be enhanced," said Dr Onyango.

The training was organized by Tripartite Task Force to assist Tripartite Member/Partner States build a regional pool of experts in Rules of Origin. It is invaluable for officials who will be involved in negotiating the Rules in Free Trade Agreements. The trained trainers will undertake national capacity building and sensitization programmes on TFTA Rules of Origin.

COMESA DIARY

Date	Activity/Event	Venue/ Format
28 Feb – 2 Mar 2023	Enhancement of Governance and Enabling Environment in the ICTsector (EGEE-ICT) Programme Technical and Steering Committee Meetings	Nairobi, Kenya
07- 08 March 2023	National awareness workshops on Support to Air Transport Sector Development (SATSD)	Lilongwe, Malawi
11-12 March 2023	National awareness workshops on Support to Air Transport Sector Development (SATSD)	Mogadishu, Somalia



Staff from regional Central banks and COMESA Monetary Institute at the training on strengthening financial inclusion

Strengthening Regional Regulatory Banks to Advance Financial Inclusion

COMESA Monetary Institute is building the capacity of regional Central Banks on using Financial Access (FinAccess) datasets to inform policy and advance financial inclusion along the dimensions of access, usage, quality and impact.

The initiative involves training of the Banks staff on the application of econometric software to cross sectional data using financial inclusion data and its implications on financial stability.

Between 20 and 24th February 2023, 20 delegates from 10 Central Banks of COMESA Member States namely: Burundi, Democratic Republic of Congo, Egypt, Eritrea, Mauritius, Rwanda, Sudan, Uganda, Zambia and Zimbabwe attended the training in Nairobi, Kenya.

The training was also aimed at ensuring a better understanding of the financial access landscape regionally and internationally and improving the measurement of financial inclusion by COMESA member countries.

At the opening of the training, the CMI Director, Dr. Lucas Njoroge, noted:

It is important for Central banks in the region

to continue enhancing skills in this field for a better understanding of the Financial Access Landscape, in order to come up with appropriate policy interventions that would increase financial inclusion without compromising financial stability."

He observed that most countries in the region were making good progress in collecting and analyzing financial inclusion data.

The training provided practical exposition of FinAccess Household Survey Data with emphasis on hands-on application using STATA econometric software. It provided econometric tools for the analysis of survey datasets as well as insights on the development of survey instruments and how they can be replicated in other research areas.

In addition, it enhanced knowledge among Central Bankers and policy analysts on how to successfully roll out surveys and carry out analysis using modern statistical software for policy.

The training is also expected to enhance the implementation of the COMESA Financial System Development and Stability Plan.



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