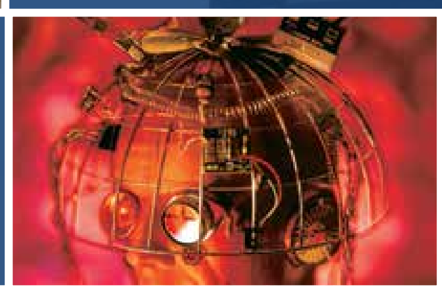
COMESA

Common Market for Eastern and Southern Africa

Annual Report 2011

HARNESSING SCIENCE AND TECHNOLOGY FOR DEVELOPMENT

COMESA



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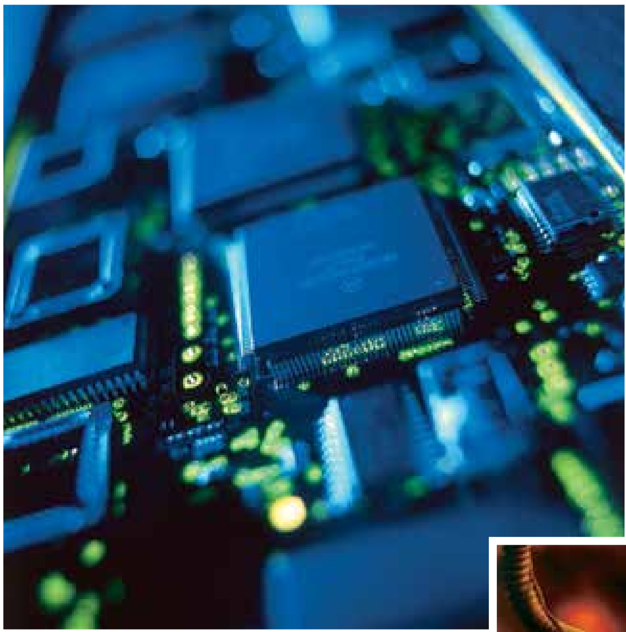

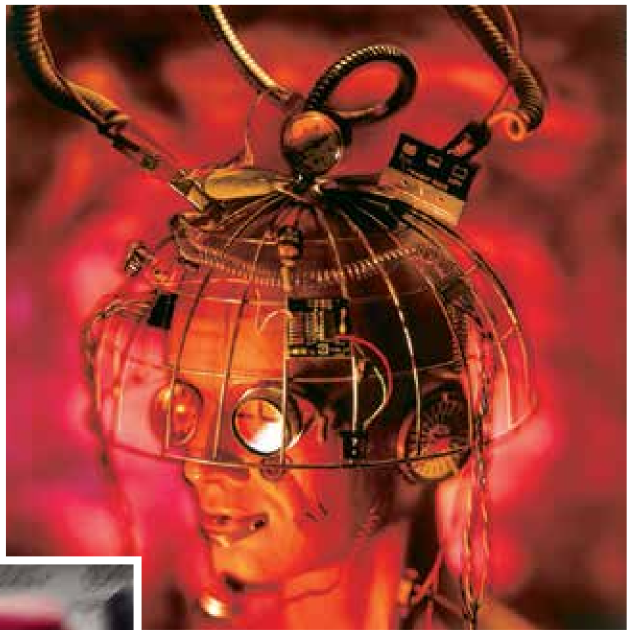

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VISION

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, Prof. Bingu wa Mutharika,

President

Republic of Malawi

State House

Lilongwe

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 2011.

The Report highlights achievements of COMESA in 2011 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 2010, the financial management for the year 2011, which will be audited in 2012, 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.

Sindiso Ngwenya

SECRETARY-GENERAL - COMESA

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 2011. Let me also take this opportunity to express my profound gratitude and appreciation to the Rapporteur of the COMESA Authority, His Majesty King Mswati III, and all other Heads of State of the COMESA region for their material and moral support.

On behalf of the COMESA Authority of Heads of State and Government, I would like to applaud the tireless efforts of the numerous stakeholders and partners that have continued to advance the regional integration agenda during 2011, in Africa in general and the COMESA region in particular. The spread and deepening of the COMESA regional integration is a long term process that is multi-disciplinary and multi-pronged. It focuses on sustainable economic growth and overall development for the uplifting of the living standards of its populace. The emerging challenges are for us to have growth and development that is inclusive, green, and environmentally sustainable.

This report highlights the achievements made in implementing COMESA programmes during the period under review, while taking into account that 2011 has been an accumulation of decades of dedicated, hard work. Progress has been made towards removing barriers to factor mobility through customs co-operation; and there has been noted substantial increase in intra-COMESA trade. In the last years it has been growing by almost US$ 2 billion per year.

The proposed COMESA-EAC-SADC Tripartite Free Trade has a combined gross domestic product of over US $1 trillion and a combined population of over 582 million people. This makes up half of the African Union (AU) in terms of membership, and it promises to be a big boost towards the overall prosperity of the African Economic Community. The Tripartite region has adopted a developmental approach to regional integration with three pillars, namely, industrial development, infrastructure, and market integration. In the area of infrastructure, master plans have been prepared for transport, energy and ICT; and two fundraising conferences were successfully organised in April 2009 and September 2011. The April 2009 conference realised US $1.2 billion in pledges, and the September 2011 conference realised US $8 billion in commitments. Institutional arrangements are in place for donor coordination and management of the resources; and a Tripartite Project Preparatory Unit has also been established to assist with finalisation of bankable projects.

The infrastructure development pillar will assist to promote interconnectivity of the Tripartite region, so that there is a tangible and seamless market where goods and people move more freely. The Tripartite Task Force has already drafted a work programme for industrial development. This will ensure that the countries have the industrial capacity to produce goods to be traded on the Tripartite market. In the area of Trade and Customs, a lot of progress has been made already in various areas, especially removal of non tariff barriers, customs procedures; and the setting of standards.

During the year under review, COMESA, in compliance with the theme of Harnessing Science and Technology for Development, resolved to intensify science and technology as well as innovation in order to transform the Member States from being producers of raw materials into becoming knowledge and technology driven. The Member States are mostly engaged in agricultural productivity. To this effect COMESA has been actively supporting country-driven agricultural development strategies and programmes through the implementation of the Comprehensive African Agriculture Development Programme (CAADP). During the year under review, eleven Member States have concluded their CAADP compacts.

This report also indicates cross-cutting issues such as climate change, gender and social development; since COMESA recognizes that the achievement of its goals of regional integration and economic empowerment of its people requires full participation of women in the development process. Women constitute the majority of the poor in the COMESA region; hence there have been notable achievements in integrating the COMESA Gender Policy to address cross-cutting issues.

It is gratifying to note that during the year under review COMESA forged strong partnerships with bilateral and multilateral partners in building and strengthening regional co-operation and deepening regional integration through participation in multi-lateral fora such as the World Trade Organisation, United Nations Agencies, the World Bank Group, the International Monetary Fund, and the African Development Bank Group. This co-operation included mobilizing funds to implement regional integration programmes in trade, infrastructure, investment promotion, private sector development, climate change adaptation and mitigation programmes and research and statistical analysis.

The year marked the first recovery from the agricultural and food shortages that proceeded the economic and financial recession in the previous year. It was indeed a trying global period. The surge in fuel prices was a potential threat to the economic activities as the higher oil prices meant high import bills for the affected countries. In some countries food prices were also affected, and the external reserves were under pressure. The global financial crisis, which started in 2007, continued to have a negative impact on most of our economies either through a decline in commodity prices and reduced lines of credit and a subdued world demand for goods produced in our region. Notwithstanding some of the challenges being faced by our region, prospects for the future of our region look promising.

Going forward, there is need to regulate and monitor the financial systems and markets, and also strong economic transformation that will 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, infrastructure, power-energy, and the capital markets.

I, therefore, take this opportunity to remind all of us to remain committed to the ideals for which COMESA was established; and to the full implementation of our integration agenda. Finally, I commend our co-operating partners who have continually supported us. Let me also commend the Secretary-General and the staff at the Secretariat for the excellent work done in the year 2011.

His Excellency, Prof. Bingu wa Mutharika
President of the Republic of Malawi;
And Chairperson of the COMESA Authority

PART 1: OVERVIEW

In a year characterised by widespread, adverse economic down turn and socio-political turmoil worldwide; COMESA is at a critical juncture in its integration process. A whole set of new challenges have emerged. These have demanded from the Common Market, newer and timely solutions; innovation, resilience and recommitment to the fundamental objectives and prospects of a Tripartite Free Trade Area and ultimately an Africa wide Customs Union.

The COMESA Free Trade Area was launched on 31 October 2000 and now a decade and a year later, intra-COMESA regional trade has grown considerably. The membership of the FTA has been boosted from nine countries in 2000 to fourteen countries in 2011. Of the remaining five, Swaziland is under derogation as it is a member of the Southern African Customs Union (SACU), DR Congo and Uganda have given indication that they would join the FTA whereas Ethiopia and Eritrea are yet to indicate when they would be ready to join the FTA.

Subsequent to the launch of the COMESA FTA, intra-regional trade has grown more than six fold from US $3.1 billion to US $18.8 billion in 2011. This increase in trade is mainly buoyed by copper ores and concentrates, tea, Portland cement, refined copper, crude petroleum, panel boards, cane sugar, cobalt ores and concentrates, cobalt oxides and hydroxides, and unmilled maize. Other traded commodities were beet/cane sugar, tobacco, palm oil, and coffee.

The region's high dependence on primary commodities has meant that the COMESA Member States' economies sill remain fragile and vulnerable to external shocks such as commodity price volatility and weather/climate change. Given the world recession and economic crisis, COMESA economies and trade regime have been exposed to deteriorating terms of trade or decreases in demand that negatively impact the commodities' markets. The challenges of adding value to the primary goods exports still remain core to the sustainable development of the COMESA region.

COMESA-global trade picked up from US $244 billion in 2010 and grew 11 percent to US $270 billion in 2011. Exports grew by 9 percent from the previous year to US $116 billion in 2011. Imports also grew by 12 percent from 2010 to US $153 billion in 2011 resulting in a trade deficit for the COMESA region of US $37 billion in 2011. With regard to exports, all countries registered positive growth over the 2010 figures; with the exception of Swaziland. All countries also registered positive growth in imports over the 2010 figures, with the exception of Ethiopia.

The major export trade markets were the EU at 45.9 percent, China 17.4 percent; intra COMESA at 9.9 percent, Switzerland at 5.8 percent and South Africa at 5.7 percent. The other major export destinations were USA (5.0 percent), UAE (3.4 percent), India (2.7 percent), Saudi Arabia (2.3 percent) and Turkey at 2.0 percent). The main import trade markets were the EU at 37.7 percent, China at 16.7 percent, South Africa at 12.3 percent, USA at 9.6 percent, and intra-COMESA at 8.9 percent. The other sources of imports were in hierarchy: India (7.5 percent), UAER (6.4 percent); Turkey (5.7 percent) Saudi Arabia (5.2 percent); and Japan at 4.7 percent.

On the issue of economic structural transformation; the main challenges facing the region are the world economic recovery and the financial crisis that is being faced by most countries in Europe, America, to a lesser extent Asia, the Pacific and Africa. The paradigm shift has entailed consolidating and re-engineering the economies of the world to hedge as well as position their economies to optimize the benefits emanating from the new world economic order. In the case of Africa, this necessitates not only moving away from low value goods and services but also ensuring and promoting innovation, developing the critical skills for social, economic and productive transformation in governance; and regulation of allocation systems especially in the core banking and financial markets. The goods and services will also play a critical factor in the scales of economy, efficiency and productive capabilities that foster inclusive growth and sustainable development.

There is need, therefore, for economic transformation that will address COMESA and Africa's structural weaknesses. These include the nation state balkanisation process and fragmentary nature. COMESA and Africa's myriad 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, corporate game with the great powers of China, India, Russia, Europe, and Latin America. 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, infrastructure, power-energy, and the capital markets.

COMESA has adopted a framework for economic transformation which should form the basis for each Member State developing its national programme. On the regional framework, the transformation programme is premised under the three tripartite pillars mentioned above, and the sequencing will be in line with the negotiations currently underway in the COMESA-EAC-SADC Tripartite arrangements.

On the implementation of the Customs Union; since its launch by the COMESA Authority of Heads of State and Government in June 2009, a number of activities have been undertaken and the Trade and Customs Committee was held from 15-18 August 2011 in Mbabane Swaziland to review the transition period. Member States have progressively aligned their national tariffs to the COMESA CET, they are in the process of domesticating the COMESA Customs Management Regulations and are involved in tackling the remaining issues that are of concern to the Member States such as the establishment of a list of sensitive products and consideration of countries with substantial number of tariff lines below the CET.

At the Second Tripartite Summit held on 12 June 2011 in South Africa, the Summit adopted a developmental approach to regional integration with three pillars, namely market integration, industrial development and infrastructure. To enhance market integration, the Summit launched negotiations for the Tripartite FTA, and a work programme on the industrial development pillar was to be developed and adopted. Infrastructure programmes are also on-going and include mainly implementing the Tripartite Master Plans for surface transport, energy and information and communication technology (ICT) as well as opening the skies for air transport.

The September 2011 fundraising conference for infrastructure Master Plans realized US $8 billion in commitments; and institutional arrangements were put in place for the coordination and management of the resources and a Tripartite Project Preparatory Unit has been established to assist with the finalization of bankable projects

COMESA has remained steadfast in the quest to deliver in its core sectors, which include: customs management, transport and trade facilitation, project finance, institutional development, technical co-operation and capacity building. We consolidated on the gains posted last year and fully embraced new opportunities and assignments despite the unfortunate fire that gutted and destroyed a major part of our Secretariat building.

The surge in food prices in a number of Member States, which was noted early in the year, was generally attributable to poor harvests caused by adverse weather conditions. Widespread increase in fuel prices on the other hand threatened economic activity with higher oil prices directly relating to high import bills for the affected countries. Broadly, a combination of these factors complicated macro-economic management in most Member States, some of which introduced food price controls and subsidies.

Hitherto attained progress in trade and transport sectors; export and infrastructure were under great strain. The external reserves were pressurized with the average in Member States only sufficient for three (3) months of imports of goods and services. The agreed upon convergence criteria is not less than four (4) months worth of imports.

It is important to note, the above notwithstanding, that in the audited accounts of the year ended 31 December 2010, COMESA recorded a surplus of COM $1.66 million, which represented almost 50 percent increase over the COM $1.11 million achieved the year before. This increase was driven by prudent financial management, ensuring that the income contributed by Member States was judiciously used to pay for the commitments of the organisation. The Accumulated Fund also increased from COM $22.76 million to COM $24.42 million, contributing to a bigger capital base of the institution.

The COMESA Monetary Institute started operations on 07 March 2011. The Institute was supported by the Central Banks of Kenya; Malawi, Mauritius, Sudan, Swaziland, Uganda and Zambia which paid their contributions to its budget. The Regional Payment and Settlement System hence became operational in the third quarter of the year.

During the year, Member States namely Libya, Egypt and Sudan experienced various levels of political activity. In both Egypt and Libya, new Governments were founded and are gradually integrating their operations to the COMESA Charter.

A new South Sudan Government was founded on 09 July 2011 and the Secretariat has planned formal presentations to the Government so that it can consequently become a member by ascension.

Elections took place in DR Congo and Egypt and COMESA undertook oversight and monitoring activities before and during the electoral processes of both countries.

The Secretariat was, unfortunately ravaged by a fire that occurred on the night of Thursday, 08 December 2011. The fire caused damage to the roof, walls and sections of the first floor of the building. Also destroyed were office furniture, desktop and laptop computers, UPS, fax machines, scanners, and many files and documents.

To meet the demand of further professionalising the Secretariat as well as offer a highly efficient service to Member States, new staff members at various levels were recruited. Some staff members also left the Secretariat due to various reasons ranging from retirement to contract end. Overall, we appreciate the hard work and commitment of all our staff and going forward, the Secretariat aims to manage our talent to ensure retention of the depth of knowledge and skills. The ongoing restructuring process will streamline the human resources to achieve a highly organised, responsive, efficient and effective centre of excellence that promotes regional integration and competitiveness in line with the COMESA Treaty.

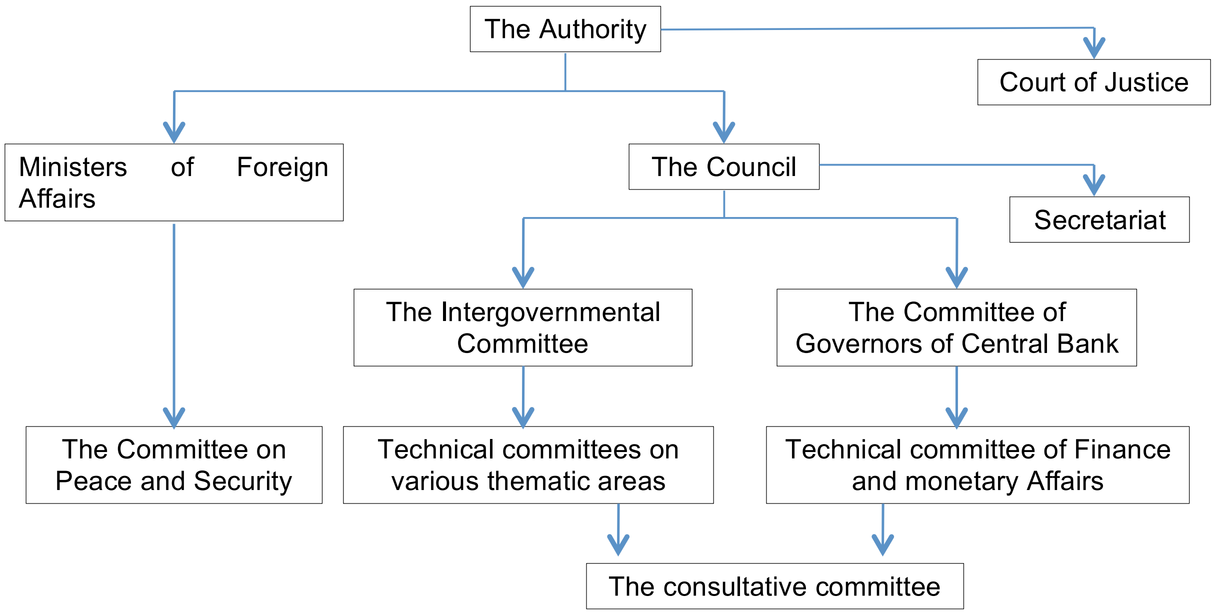
Going forward into 2012 and beyond; our operations and expected outputs will be anchored on the four pillars of the Medium Term Strategic Plan. In the immediate future, the COMESA Customs Union is expected to be fully operational by 2012.

The preparations for the establishment of the Common Market scheduled for 2015 are also already underway. Related programmes are ongoing, particularly the liberalisation and infrastructural services which have been earmarked for immediate action. The infrastructure programmes have greatly assisted in linking up markets so that goods, services, people, and investments can move more freely.

Finally, COMESA acknowledges the tireless input of all the Member States and our co-operating partners. The continued commitment and support is something we do not take for granted and we are indebted to their involvement in our development and integration agenda.

PART: 2 COMESA DECISION-MAKING PROCESS

The Common Market for Eastern and Southern Africa aims at ensuring accountability, transparency and equity in the implementation of its programmes. The decision-making structure is divided into two: one deals with trade and the other with the issues of peace and security. The overall decision-making organs of the Common Market as provided for under Article 7 of the Treaty, is illustrated by the organogram below; and the functions and powers conferred upon each of the institutions are spelt out under the Treaty.



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.

During the year under review, His Excellency Prof. Bingu wa Mutharika, President of the Republic of Malawi, took over the office of the Chairman of the Common Market Authority. In the same period, His Excellency Ikililou Dhoinine became President of the Union of Comoros in line with the country's Agreement on the Management of the Interim Period, and he is, therefore, the newest Member of the Authority.

The Fifteenth Summit of the Authority was held at the New State House, in Lilongwe, in the Republic of Malawi from 14-15 October 2011 under the theme: "Harnessing Science and Technology for Development." During the reporting period, the Authority noted the following accomplishments:

- The growth in intra-COMESA trade, which had increased to US $18.8 billion by the end of 2011, from US $17.4 billion the year before;

- The establishment of a Ministerial Task Force to address any outstanding issues in order to ensure that a functional Customs Union is duly implemented;

- Following the launch of the negotiations for the Tripartite Free Trade Area on 12 June 2011 in Johannesburg, South Africa, preparations were progressing well; and the Authority committed to effectively participating in complying with the roadmap for the negotiations;

- The continued collaboration between COMESA and other regional organizations in Africa, particularly within the frameworks of COMESA-EAC-SADC Tripartite arrangement and the COMESA, EAC, IGAD and IOC under the Inter-Regional Coordination Committee (IRCC);

- The role and importance of the four services priority sectors namely: financial, communications, transport and tourism in modern economies, and urged Member States to finalize the revised schedules of specific commitments and negotiations;

- Commended the Government of Zambia for having successfully hosted the Tenth AGOA Forum; and the Member States for their active participation that culminated into the preparation of a common position to advance in engaging the United States of America Government on the programme;

- The COMESA-EAC-SADC Tripartite and IGAD Infrastructure Investment Conference that was held on 28-29 September 2011 in Nairobi, Kenya which initiated the process for mobilisation of funding for projects on the Central, Northern, Lamu and Djibouti Corridors including energy projects;

- Endorsed the decision of the Council of Ministers on the utilisation of the Regional Integration Indicators for accessing the COMESA Fund Adjustment Facility to ensure effective and timely implementation by Member States on the COMESA integration programmes;

- Welcomed the offer by the Government of Uganda to host the COMESA Regional e-Governance Academy;

- Approved the COMESA Strategy for sustainable development of fisheries and aquaculture;

- Approved the establishment of a fund for economic empowerment of women to promote gender equality and economic empowerment;

- Reiterated the importance of democracy and good governance in the maintenance of peace, security and stability and urged Member States to continue to strengthen democratic processes, structures and institutions in order to consolidate democracy and good governance in the region;

- Congratulated the Government and the people of South Sudan on attaining independence; and

- Expressed appreciation to the co-operating partners for their continued support to the implementation of COMESA programmes; among others.

The detailed, final communiqué of the Fifteenth Summit of the Authority is available at www.comesa.int.

The Bureau of the Authority as per 2011

His Excellency, Prof. Bingu wa Mutharika, President of the Republic of Malawi and Chairperson of the COMESA Authority - 2011

His Majesty King Mswati III, Ingwenyama of the Kingdom of eSwatini and Vice - Rapportuer of the COMESA Authority, 2011

THE COUNCIL OF MINISTERS

The Council is composed of Ministers from the Coordinating Ministries of all the Member States. It is responsible for overseeing the functioning and development of COMESA and ensuring the implementation of agreed policies.

In 2011, the Council held its meeting in the Republic of Malawi in October. At the meeting the Council considered various administrative and programme implementation issues affecting the institution, ranging from the Simplified Trade Regime, to agriculture, environment and natural resources. All the considered issues are elaborated in this report under the focus areas for the year which are: removing barriers to factor mobility, and building productive capacity for global competitiveness.

The Council considered the recruitment of professional staff, the renewal of contracts for the following offices: Director, Budget and Finance, Director, Legal and Institutional Affairs, Director, Trade, Customs and Monetary Affairs; and Director, Gender and Social Affairs; and the budgets and audited financial statements of all COMESA institutions.

Further, the various COMESA institutions were also deliberated on by the Council as well as the secretariat and the co-operating partners. These are expounded on later in this report. Detailed reports are also available on www.comesa.int; and the Council's decisions for the reporting period are accessible in the institution's Gazette, Volume 16.

From left: Mr. Masataka Fujita Head, UNCTAD Investment Trends and Issues Branch, Ambassador Nagla El-Hussainy - COMESA Assistant Secretary General, the Chairperson of the Council of Ministers Hon. John Bande (Minister of Trade and Industry) - Malawi and Mr. Mathews Chikhankeni, President of the Malawi Chamber of Commerce at the 7th Business Forum in Malawi. 2011

THE 13TH COUNCIL OF MINISTERS

Lilongwe - Malawi

THE COURT OF JUSTICE

The Court held its Tenth Administrative meeting on 03-04 March 2011; and the Eleventh Administrative Meeting on 28-29 July 2011. At these meetings, the Court discussed amendments to the rules with a view to addressing specific deficiencies in operation and administration. The amended rules will, subject to the approval of the Ministers of Justice and Attorneys General, be forwarded to the Council of Ministers for final approval.

The Eleventh Meeting of the Court considered the draft budget for 2012 prepared in accordance with Article 42 of the COMESA Treaty and the work programme for 2012. The work programme focuses on: holding publicity seminars and where possible, holding circuit court sessions in Member States; resource development and engaging co-operating partners in mobilizing for extra budgetary resources.

The Court's publicity seminars sought to undertake serious and in-depth dialogue with Member States and court users concerning the existence and functions of the court. Such a seminar was held in Addis Ababa, Ethiopia on 26-27 July 2011, for court users and it attracted members of the national judiciary, law societies, Bar associations, chambers of commerce and industry, the private sector, arbitration and reconciliation agencies, the diplomatic community and academia. Noted at the seminar was the general lack of knowledge about the functions of the Court, Jurisdiction and commencement of proceedings in the COMESA Court of Justice.

The seminar convened under the theme: "Ensuring Economic Integration by Bringing Justice to the Common Market", was held with the support of the African Union Commission (AUC), and various AUC personnel made presentations jointly with the Court and COMESA Secretariat staff.

The seminar was attended by the African Union Legal Counsel, the Commissioner on Economic Affairs, and the Hon. Chief Justice of the Federal Republic of Ethiopia was the Guest of Honour at the official opening ceremony.

As COMESA deepens its economic integration and the establishment of a grand Free Trade Area within the tripartite framework, the Court is determined to bring justice to the Common Market through expeditious adjudication of disputes referred to it. For example in the year under review, the Court heard and determined two references, one preliminary application and an application arising out of taxation of legal costs. Overall, the Court since its inception has heard and determined over 50 references.

THE COMMITTEE OF GOVERNORS OF CENTRAL BANKS

The Committee of Governors of Central Banks is directed by Article 13(b) of the Treaty. In 2011, the Committee held its Sixteenth Meeting on 12 July.

The First Joint Meeting of the COMESA Ministers of Finance and Governors of Central Banks was held on 13 July 2011 in Lusaka, Zambia. It was attended by Ministers, Governors of Central Banks and delegates from Burundi, DR Congo, Egypt, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe. The COMESA Clearing House and the representatives from African Union Commission, and African Development Bank also attended the meeting. The following are highlights of the meeting and its decisions:

The meeting noted the progress made in regional integration and the phenomenal increase in intra-COMESA trade from US $4.3 billion in 2003 to US $12.7 billion in 2009; there was full support for the Multilateral Fiscal Surveillance Framework proposed for the region and developed with the assistance of the African Development Bank; the Committee noted the COMESA Monetary Institute which started operation on 07 March 2011; the Committee commended the Central Banks of Kenya, Malawi, Mauritius, Sudan, Swaziland, Uganda, and Zambia who had paid their contributions to the Budget of the Institute; and also noted the Regional Payment and Settlement System, which became operational in September 2011. The joint meeting also noted that the Central Banks of Comoros, Djibouti, Eritrea, Ethiopia, Libya, Madagascar, Seychelles and Zimbabwe had not yet signed the Charter; and that the Central Banks of Burundi, DR Congo, Egypt, and Rwanda had signed the Charter but not yet paid their contributions.

THE INTER-GOVERNMENTAL COMMITTEE

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

The Council received and considered the report of the Thirtieth Meeting of the Intergovernmental Committee held on 06-08 October 2011, in Lilongwe, Malawi. The report was presented by the Chairperson of the Intergovernmental Committee, Mr Newby Kumwembe, the Permanent Secretary of the Ministry of Industry and Trade of Malawi. The presentation covered the reports of the ministerial and technical meetings, as well as implementation of various COMESA programmes. The Intergovernmental Committee made recommendations for consideration by the Council. The recommendations of this Committee are, therefore, reflected in the Council's report.

THE TECHNICAL COMMITTEES

The Technical Committees are governed by Articles 15 and 16 of the COMESA Treaty. These Committees are responsible for the preparation of comprehensive implementation programmes and timetables, which serve to prioritise the programmes with respect to each sector. In addition, they monitor and review the implementation of the programmes on co-operation and may request the Secretary-General to undertake specific investigations. The Technical Committees submit reports and recommendations to the Inter-Governmental Committee, which subsequently submits to the Council. These recommendations are thus reflected in the Council's Report.

THE SECRETARIAT

The COMESA Secretariat is headed by the Secretary-General, who is appointed by the Authority. The Secretary-General is the Chief Executive Officer of the Common Market and represents the institution in the exercise of its legal personality. In performing their duties, the Secretary-General, Assistant Secretaries-General and the staff of the Secretariat shall not receive any instructions from any Member State or from any other authority outside the Common Market. In the exercise of his or her powers, the Secretary-General is required to service and assist the organs of the Common Market in the performance of their functions and, in consultation with the Inter-Governmental Committee, submit reports on the activities of the Common Market to the Council and the Authority.

THE COMMITTEE ON PEACE AND SECURITY

The Member States established a committee comprising senior officials in the Ministries of Foreign Affairs called the "Committee on Peace and Security". This Committee sits at least once a year to discuss the modalities of peace and security in the region. Its recommendations are discussed by the Ministers of Foreign Affairs. The Committee and the Ministers' meetings serve to enhance greater accountability and promote good governance. The meeting of the Ministers of Foreign Affairs at a policy level agrees on issues on the existing conflicts and how best to address them. The Ministers also discuss post-conflict reconstruction as a way of ensuring conflict prevention. The COMESA Authority considers its recommendations and takes decisions.

In recognition of the complexity of the conflicts in the region, the Authority further directed the COMESA Secretariat to ensure greater collaboration and consultation among a wide range of stakeholders, which includes the civil society, business community and parliamentarians. In compliance with the directive, COMESA established a network of civil society and private sector organizations through a process of accreditation to the COMESA Programme on Peace and Security; and the establishment of a COMESA Inter-Parliamentary Forum.

14-15 October 2011 - Fifteenth Summit of the Authority held at the New State House, in Lilongwe, Malawi

THE SECRETARIAT MANAGEMENT TEAM

L-R: DR FRANCIS MANGENI (DIRECTOR, TRADE, CUSTOMS AND MONETARY AFFAIRS); MR SHERIN SHOUKRY (DIRECTOR, INFORMATION AND TECHNOLOGY); MS ANNE NDIRANGU (MONITORING & EVALUATION EXPERT); MRS ANN MUGUNGA (CHIEF EDITOR); MRS VICTORIA MWEWA (DIRECTOR, ADMINISTRATION); MR JULIEN RAZAFINTSALAMA (OIC,TECHNICAL COOPERATION AND RESOURCE MOBILISATION); MR DEV HAMAN (DIRECTOR, FINANCE); MS DLAMIMI HLONIPHILE (CHIEF, CONFERENCES);DR MACLAY KANYANGARARA (CLIMATE CHANGE EXPERT); MR SINDISO NGWENYA (SECRETARY-GENERAL); MR BRIAN CHIGAWA (DIRECTOR, LEGAL); AMB. NAGLA EL-HUSSAINY (ASSISTANT SG, FINANCE AND ADMINISTRATION); MRS AULERIA OLUNGA (CHIEF INTERNAL AUDITOR); DR ABU DAFALLA (OIC, INFRASTRUCTURE DIVISION); MRS EMILIANA TEMBO (DIRECTOR, GENDER AND SOCIAL AFFAIRS)

PART 3: TRADE

3.1: TRADE DEVELOPMENT

GLOBAL-COMESA TRADE DEVELOPMENTS

Trade between the COMESA Member States and the rest of the world grew by 11% from US $244 billion in 2010 to US $270 billion in 2011, according to provisional figures compiled by the Secretariat. Specifically, total exports rose by 9% from levels of US $107 billion in 2010 to US $116 billion in 2011, while imports also registered a 12% growth, from US $137 billion in 2010 to US $153 billion in 2011. The growth in both total exports and imports of 9% and 12% respectively 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, 2002 - 2011, Values in US$ millions

Flow	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Exports	25,476	34,247	41,039	53,701	71,062	73,777	110,028	82,841	103,888	112,682
Re-exports	702	1,152	1,436	2,093	1,816	2,100	2,603	2,469	3,183	3,527
Total Exports	26,179	35,399	42,475	55,794	72,878	75,877	112,631	85,310	107,071	116,210
Imports	41,706	39,230	44,185	62,309	71,887	88,642	136,245	118,489	137,013	153,644
Total Trade	67,884	74,628	86,660	118,103	144,765	164,520	248,876	203,799	244,083	269,854

Source: COMSTAT Database and UN COMTRADE Database

All countries in the region, with the exception of Swaziland, registered positive growths in the levels of their global exports in 2011 over 2010 levels. Countries that greatly contributed to the overall 9% total exports growth in the region were Uganda, Rwanda, Burundi and Comoros with growth rates of 79%, 76%, 70% and 65% respectively.

On the import side, all countries, with the exception of Ethiopia, recorded positive growths in levels of their global imports in 2011 over the 2010 levels. Ethiopia experienced a 5% drop in her levels of imports in 2011. Table 2 below depicts global-COMESA trade performance by country from 2009 to 2011; and percentage change in 2011.

Fig 1: Global-COMESA Trade, 2002 - 2011

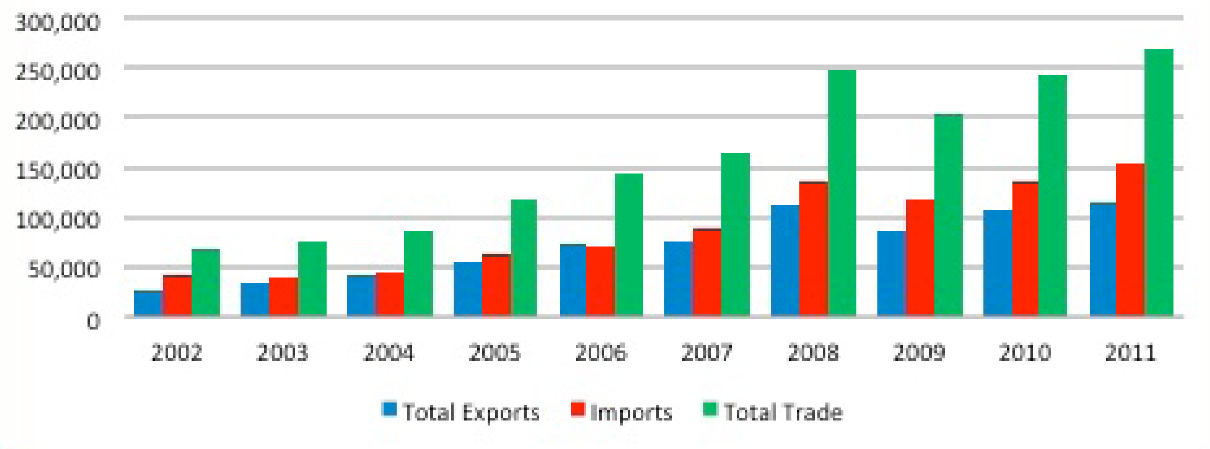


Table 2: Global COMESA Trade by Country, 2010 - 2011, Values in US$ millions

Country	2009			2010			2011			% Change (2011)	
	Ex-ports	Re-Ex-ports	Imports	Exports	Re-Ex-ports	Imports	Exports	Re-Ex-ports	Imports	Total Exports	Imports
Burundi	96	17	342	107	10	398	184	14	858	69.5	115.5
Comoros	13	-	179	15	0	182	24		201	65.3	10.7
Congo DR	2,375	-	3,073	4,461		4,015	4,461		4,015	0.0	0.0
Djibouti	157	206	647	299	699	1,402	462	1,069	1,591	53.4	13.5
Egypt	23,110	-	44,964	26,665		52,944	30,607		58,934	14.8	11.3
Eritrea	42	14	262	9		380	9		380	0.0	0.0
Ethiopia	1,031	27	7,875	2,409	44	9,229	2,573	62	8,765	7.4	-5.0
Kenya	4,201	813	11,388	5,088	768	12,021	5,761	839	14,914	12.7	24.1
Libya	29,685	-	18,727	36,511		17,559	36,511		17,559	0.0	0.0
Madagascar	1,015	-	2,565	924	115	2,279	924	115	2,279	0.0	0.0
Malawi	1,291	3	1,754	1,048	1	2,344	1,404	6	2,423	34.5	3.3
Mauritius	1,428	431	3,667	1,598	501	4,245	1,828	344	4,977	3.5	17.2
Rwanda	189	23	1,258	202	35	1,255	371	47	1,359	75.8	8.3
Seychelles	195	51	759	74	1	869	74	1	869	0.0	0.0
Sudan	9,040	40	8,592	11,517	12	11,875	11,517	12	11,875	0.0	0.0
Swaziland	1,305	92	1,069	1,579	119	1,739	1,594	58	1,803	-2.7	3.7
Uganda	1,381	450	4,307	1,105	427	4,550	2,199	539	5,126	78.7	12.7
Zambia	4,095	212	3,792	6,834	338	5,022	8,644	372	7,179	25.7	43.0
Zimbabwe	2,193	90	3,268	3,442	113	4,706	3,534	49	8,540	0.8	81.5
Total	82,841	2,469	118,489	103,888	3,183	137,013	112,682	3,527	153,644	8.54	12.14

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 $46 billion destined to the EU market in 2011, up from US $43 billion exported in 2010, representing a 6% increase. (See Table 3 below). Exports to the EU were primarily petroleum oils and oils obtained from bituminous minerals from Libya. Ranked in position two after the EU was China as a major export market for COMESA products with exports from COMESA worth over

US $17 billion in 2011, a slight 2% gain over the previous year's levels. 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 2001 - 2011, Values in US$M

2011 Rank	Market	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1	EU	4,727	13,915	17,864	22,840	29,685	38,027	38,053	55,014	34,889	43,308	45,894
2	China	1,010	832	2,116	1,932	3,462	7,000	3,079	12,180	11,659	17,141	17,407
3	COMESA	1,719	2,149	2,145	2,335	3,208	2,970	4,520	6,772	6,621	9,040	9,935
4	Switzerland	277	796	948	1,266	1,823	3,214	3,714	5,791	3,930	4,909	5,823
5	South Africa	1,086	1,418	2,926	2,506	1,785	2,483	3,105	2,529	2,695	4,262	5,717
6	U.S.A	917	1,161	1,516	2,071	3,548	4,865	5,201	6,350	4,285	4,950	4,985
7	U.A.E	123	177	272	305	873	1,272	859	1,586	2,104	3,105	3,359
8	India	323	497	635	548	693	1,948	1,854	2,752	2,401	1,678	2,668
9	Saudi Arabia	189	400	408	524	764	754	903	1,695	1,827	1,973	2,256
10	Turkey	88	773	1,142	1,649	2,161	681	669	1,168	1,236	1,451	1,974

Source: COMSTAT Database and UN COMTRADE Database

On the import side still, the EU was ranked number one as the leading 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 2001 - 2011, Values in US$M

2011 Rank	Origin	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1	EU	7,748	13,027	11,627	13,667	17,358	18,845	22,470	36,498	34,053	37,432	37,688
2	China	1,284	1,816	2,063	2,686	4,344	5,850	7,873	12,359	12,607	15,856	16,712
3	South Africa	3,306	3,712	3,888	4,979	5,024	4,970	6,727	8,729	7,777	9,483	12,347
4	U.S.A.	3,001	3,870	2,375	2,173	3,150	3,409	4,514	8,358	7,600	7,691	9,651
5	COMESA	1,718	2,218	2,173	2,223	3,046	3,757	4,554	6,932	6,110	8,337	8,886
6	India	975	1,345	1,192	1,612	2,131	2,877	3,565	6,518	5,368	6,197	7,504
7	U.A.E	909	885	932	1,156	2,170	3,089	3,225	5,152	3,621	5,525	6,371
8	Turkey	321	627	629	818	1,381	1,038	1,127	2,853	5,137	4,711	5,680
9	Saudi Arabia	1,347	1,397	1,534	1,534	3,573	4,352	5,320	9,289	4,240	4,895	5,245
10	Japan	1,092	1,590	1,371	1,614	1,949	2,620	3,223	4,721	3,808	4,484	4,568

Source: COMSTAT Database and UN COMTRADE Database

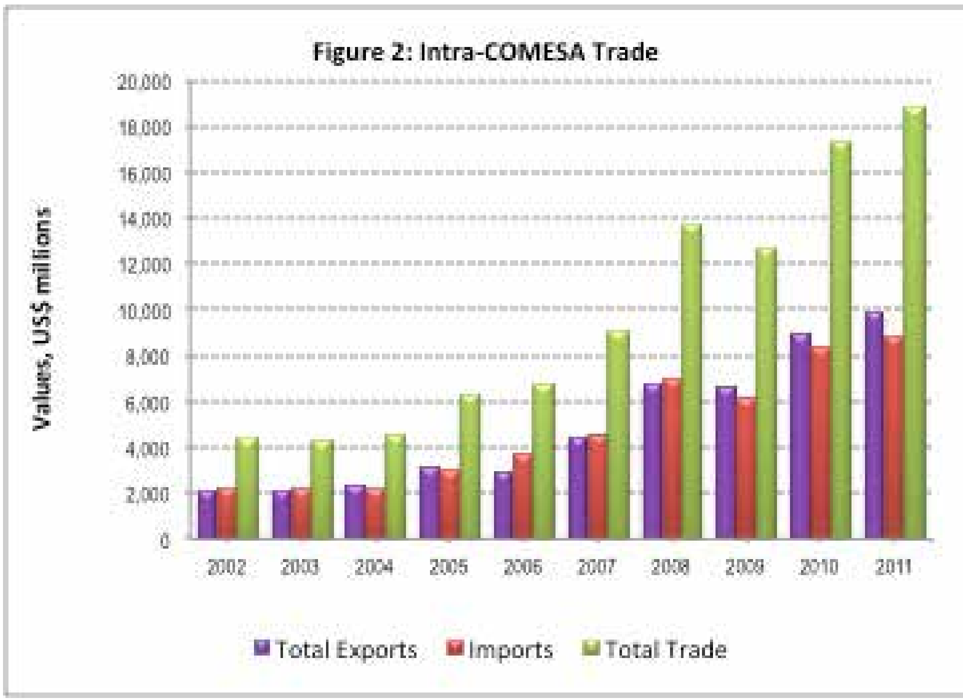
Intra-COMESA Trade

Intra-COMESA trade grew by 8% in 2011 over 2010 levels, from US $17.3 billion to US $18.8 billion; according to provisional figures available at the Secretariat. However, the 8% growth in 2011 is meagre as opposed to the 36% registered growth in 2010. The 8% 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 2002 – 2011.

Table 5: Intra-COMESA Trade, 2002 - 2011, Values in US$ Millions

Flow	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Exports	1,882	1,670	1,804	2,583	2,702	3,950	6,157	5,879	7,781	8,181
RE-Exports	267	475	531	625	268	570	614	742	1,259	1,754
Total Exports	2,149	2,145	2,335	3,208	2,970	4,520	6,772	6,621	9,040	9,935
Imports	2,218	2,173	2,223	3,046	3,757	4,554	6,932	6,110	8,337	8,886
Total Trade	4,368	4,318	4,558	6,254	6,728	9,074	13,704	12,731	17,376	18,821

Source: COMSTAT Database



For particular Member States, in 2011 both Kenya's intra-COMESA exports and imports grew by 30% and 23% respectively. The intra-COMESA domestic exports for Zambia and Burundi increased by 80%; while Burundi's intra-COMESA imports grew by 49% during the period under review and the intra-COMESA imports for Zimbabwe also grew by 70%. (See Table 6 below):

Zambia's imports of copper ores and concentrates alone from Congo DR grew by 48% in 2011, from the value of US $560 million in 2010 to US $831 million in 2011. Zambia's imports from Congo DR in 2011 amounted to over US $1.3 billion, and these were mainly copper and cobalt ores and concentrates, refined copper and cobalt oxides. Kenya's major intra-export products were tea to Egypt, Sudan, Djibouti and Eritrea (over US$ 238 million) and various products mainly to Uganda, worth over US $6751 million topped by Portland cement (US $73 million). Kenya's major intra-COMESA imports were maize from Malawi and Zambia; and mixtures of odoriferous substances from Swaziland worth over US $52 million in 2011.

Uganda's intra-COMESA exports were mainly coffee to Sudan (almost worth US $60 million), Portland cement to Rwanda, Congo DR and Sudan; and black tea to Kenya worth US $35 million. Mauritius' intra-COMESA imports were mainly cigarettes containing Tobacco (US $37 million) and cotton from Zambia worth US $27 million.

Table 6: Intra-COMESA Trade by Country, 2010 - 2011, Values in US$ millions

Country	2010			2011			% Change (2011)		
	Exports	Re-Exports	Imports	Exports	Re-Exports	Imports	Exports	Re-Ex-ports	Imports
Burundi	17.6	7.0	105.9	31.5	6.3	157.7	79.2	-9.8	49.0
Comoros	2.4		13.0	2.8		7.5	13.8		-42.4
Congo DR	1,134.3		806.1	1,134.3		806.1	0.0		0.0
Djibouti	3.2	598.5	78.1	136.3	900.3	115.0	4,139.4	50.4	47.2
Egypt	2,343.7		961.8	1,622.5		834.8	-30.8		-13.2
Eritrea	2.1		155.5	2.1		155.5	0.0		0.0
Ethiopia	286.9	0.4	286.2	315.4	1.4	289.4	10.0	223.0	1.1
Kenya	1,439.0	219.4	504.1	1,760.1	301.4	617.5	22.3	37.4	22.5
Libya	334.8		1,378.3	334.8		1,378.3	0.0		0.0
Madagascar	38.9	8.1	197.3	38.9	8.1	197.3	0.0	0.0	0.0
Malawi	215.4	0.1	231.8	308.5	3.9	225.6	43.2	2,538.7	-2.7
Mauritius	85.7	70.0	125.3	99.6	89.2	152.9	16.1	27.4	22.1
Rwanda	68.9	13.8	415.2	115.9	35.5	368.0	68.2	157.2	-11.4
Seychelles	2.5		47.0	2.5		47.0	0.0		0.0
Sudan	334.5	2.0	767.9	334.5	2.0	767.9	0.0	0.0	0.0
Swaziland	139.4	0.9	10.7	94.6		7.0	-32.1	-100.0	-33.9
Uganda	487.5	225.5	586.9	647.8	307.9	659.5	32.9	36.5	12.4
Zambia	590.4	99.8	1,394.2	1,062.6	84.1	1,636.6	80.0	-15.8	17.4
Zimbabwe	253.8	13.2	271.2	136.5	13.9	462.0	-46.2	5.7	70.4
Total	**7,781.1**	**1,258.7**	**8,336.6**	**8,181.4**	**1,754.0**	**8,885.7**			

Source: COMSTAT Database

Regarding intra-COMESA market shares for 2011, Kenya registered the biggest market share of 21% for intra COMESA exports; followed by Egypt, Zambia and Congo DR with shares of 16%, 12% and 11% respectively (See Table 7 below).

On the import side, Zambia still registered the biggest market share of 18% in 2011, two percent points more than the recorded share the previous year; followed by Libya in second position with an intra-import market share of 15.5%. Egypt and Congo DR ranked in third and fourth positions with shares of 9.4% and 9.1% respectively (See Table 7 below):

Table 7: Intra-COMESA Trade, 2011, Values in US$ millions and % Shares

No	Exporter	Value	% Share	Importer	Value	% Share
1	Kenya	2,061.5	20.7	Zambia	1,636.6	18.4
2	Egypt	1,622.5	16.3	Libya	1,378.3	15.5
3	Zambia	1,146.7	11.5	Egypt	834.8	9.4
4	Congo DR	1,134.3	11.4	Congo DR	806.1	9.1
5	Djibouti	1,036.7	10.4	Sudan	767.9	8.6
6	Uganda	955.7	9.6	Uganda	659.5	7.4
7	Sudan	336.5	3.4	Kenya	617.5	6.9
8	Libya	334.8	3.4	Zimbabwe	462.0	5.2
9	Ethiopia	316.8	3.2	Rwanda	368.0	4.1
10	Malawi	312.4	3.1	Ethiopia	289.4	3.3
11	Mauritius	188.7	1.9	Malawi	225.6	2.5
12	Rwanda	151.4	1.5	Madagascar	197.3	2.2
13	Zimbabwe	150.5	1.5	Burundi	157.7	1.8
14	Swaziland	94.6	1.0	Eritrea	155.5	1.8
15	Madagascar	47.1	0.5	Mauritius	152.9	1.7
16	Burundi	37.8	0.4	Djibouti	115.0	1.3
17	Comoros	2.8	0.0	Seychelles	47.0	0.5
18	Seychelles	2.5	0.0	Comoros	7.5	0.1
19	Eritrea	2.1	0.0	Swaziland	7.0	0.1
	Total	**9,935.4**	**100.0**		**8,885.7**	**100.0**

Source: COMSTAT Database

Overall, Copper ores and concentrates were still the top most exported products in value terms within the COMESA region in 2011 as was the case the previous year as shown in Table 8 below. In second place came black tea, previously ranked No. 1 in 2009, 2008 and 2007. Portland cement and refined copper were ranked in the third and fourth positions respectively.

Table 8: Intra-COMESA Top Domestic Export Products and Rankings 2011 - 2007

	SITC	SITC Descriptions	2011 Values USDM	R11	R10	R09	R08	R07
1	2831	Copper ores & concentrates	504.5	1	1	3	2	5
2	7414	Other black tea (fermented) & other partly fermented tea,	343.2	2	2	1	1	1
3	66122	Portland cement	264.0	3	3	2	4	2
4	68212	Refined copper	229.3	4	5	6	3	6
5	3330	Crude petroleum	228.2	5	6	438	1,242	1,181
6	77261	Boards, panels (including numerical control panels),	215.0	6	98	93	263	285
7	6111	Cane sugar, raw, in solid form, not containing added flavoring	203.0	7	4	7	7	9
8	28793	Cobalt ores & concentrates	197.6	8	7	12	508	591
9	52255	Cobalt oxides & hydroxides; commercial cobalt oxides	158.7	9	9	90		1,842
10	449	Other maize, unmilled	156.6	10	66	291	23	4
11	6129	Other beet/cane sugar in solid form, other than flavoured	138.5	11	12	14	20	10
12	1211	Tobacco, not stemmed/stripped	127.5	12	13	5	6	12
13	72333	Tamping machines & road rollers, self-propelled	120.6	13	304	464	848	506
14	3425	Butanes, liquefied	120.4	14	11	11	31	7
15	42229	Palm oil, refined, & its fractions	102.6	15	16	26	25	22
16	7111	Coffee, not roasted, not decaffeinated	98.2	16	20	16	10	15
17	1222	Cigarettes containing tobacco	95.5	17	15	10	8	11
18	119	Bovine animals, live, other than pure-bred breeding stock	86.9	18	40	148	157	76
19	2225	Sesame (Sesame) seeds	83.9	19	19	20	12	68
20	67133	Ferrous products obtained by direct reduction of iron ore	79.3	20	17	63	22	2,110

The percentage of intra-COMESA trade to total COMESA trade has continued to grow from regional levels of 5% in 2004 to the current 7% in 2011 as depicted in Table 9 below. At country level, countries seen to be trading more within the region are Djibouti (37% in 2011), Rwanda (29%), Congo DR (23%), Uganda (21%) and Burundi (19%).

Table 9: Intra-COMESA Trade as a Percentage of Global COMESA Trade by Country, 2003 – 2011

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011
Burundi	22	21	18	17	26	22	26	25	19
Comoros	3	4	3	9	3	5	5	8	5
Congo DR	16	13	8	12	18	17	22	23	23
Djibouti	14	6	9	1	8	4	18	28	37
Egypt	3	2	2	2	2	4	4	4	3
Eritrea	3	1	9	13	5	13	17	41	41
Ethiopia	6	4	6	8	5	5	4	5	5
Kenya	15	16	16	12	11	11	11	12	12
Libya	1	0	1	1	1	2	3	3	3
Madagascar	4	5	6	4	5	3	5	7	7
Malawi	13	13	14	13	15	9	10	13	14
Mauritius	5	4	4	4	5	5	5	4	5
Rwanda	24	25	32	48	38	40	37	33	29
Seychelles	2	4	2	2	3	4	6	5	5
Sudan	10	7	5	5	5	4	4	5	5
Swaziland	4	3	2	5	9	9	6	4	3
Uganda	25	25	28	20	22	20	21	21	21
Zambia	15	13	13	9	12	16	16	17	17
Zimbabwe	3	6	13	5	10	7	6	7	5
Grand Total	**6**	**5**	**5**	**5**	**6**	**6**	**6**	**7**	**7**

IMPLEMENTATION OF THE CUSTOMS UNION

Progress has been made towards achieving the COMESA vision of becoming a fully integrated and internationally competitive region with improved living standards particularly for the ordinary people. There has been noted a substantial increase in intra-COMESA trade, by about US $5 billion, between 2009 and 2011.

In a bid to achieve the targeted Customs Union, in the period under review, the Member States agreed to undertake a study for countries with a substantial number of tariffs rates below the Common External Tariff (CET). In addition, they agreed to extend the scope of the 5 percent tariff band study to address issues related to the cost of production and implications for revenue and industrial development. Both studies were completed in 2011.

On the implications of alignment for Member States that have a substantial amount of their tariffs below the CET, it was observed that adjusting the national tariff to the CET would be very politically and economically difficult for the concerned countries to implement. Of particular importance, the challenge of imposing higher tariffs on intermediate goods going into industries and, therefore, eroding the competitiveness of the importing industries makes tariff reform very difficult.

Similarly, the potentially significant increases in consumer prices due to tariff increases on finished goods make this tariff reform hard. In that respect, a revised study will be undertaken to take into account competitiveness and industrialisation.

On the implications of an additional 5 percent tariff band for the CET, it was concluded that the introduction of the additional tariff band was not feasible given its impact on the cost of raw materials and capital goods, and the complication it would bring to the harmonisation of CETs with other RECs. Consequently the concerned countries could use the flexibilities provided for in the Council regulations governing the Customs Union.

In 2011 mission trips were undertaken to the four Member States of Zimbabwe, Kenya, Uganda and Zambia with a view to assisting them on how to generate tariff alignment schedules and identify sensitive products. In addition, to assist Member States in implementing the Customs Union instruments, the Secretariat prepared and circulated guidelines to all Member States on 25 January 2011.

As recommended by WCO best practices, measuring the time required to release goods, through Time Release Studies (TRS) has increasingly become important for assessment of the effectiveness of customs and other border management agencies. In this regard, the first meeting was held on 21-23 February 2011 in Lusaka. Four Member States namely: Malawi, Mauritius, Sudan and Zambia attended and finalized the draft work programme which was approved for implementing the TRS. The pilot project is expected to be implemented this year, 2012 in ten countries.

In response to the Seychelles Revenue Commission's request, the Secretariat undertook a technical assistance mission to help the country migrate from HS 2002 to HS 2007 and a training session was given for its officers on the harmonized system.

A meeting of Member States that have submitted lists of sensitive products was held on 02 August 2011 in Lusaka, Zambia to consider the lists so far submitted by Member States with a view to seek a way forward on finalising the sensitive products' lists.

The Third meeting of the Committee on the Customs Union was held from 03-05 August 2011 in Lusaka, Zambia. The main purpose of the meeting was to conduct a mid-term review of the implementation of the transition period, and to make appropriate recommendations to the Trade and Customs Committee. The 27th Meeting of the Trade and Customs Committee was held from 15–18 August 2011 in Mbabane, Swaziland. It reviewed the transition period and the status is shown in the table on the following page:

Table 10: Status of Implementation of the Customs Union by Member States

No.	Activity	Status	Remarks
1	Completion of the COMESA Tariff Nomenclature	**Done**	
2	Adoption by Member States of the COMESA Tariff Nomenclature	**Delayed**	Guidelines on domestication have been sent to Member States. Domestication of the CTN is a precondition for establishment a functioning Customs Union and for meaningful implementation of the CET.
3	Compilation of a schedule of products aligned to the CET rates of 0%, 10%, and 25%	**On track**	This schedule can be gazetted by Member States as decided by the Council.
4	Submission by Member States of their final Lists of Sensitive Products	**On track**	9 Member States have submitted their lists and have agreed that these be provisionally annexed to the Council Regulations.
5	Submission by Member States of their final Lists of Excluded Products	**On track**	Council has decided that this be done now. Mauritius has submitted this list. Burundi, Kenya and Uganda indicated they will use the EAC list of prohibited goods.
6	Establishment of national institutions for implementation of the transition period	**Done**	Member States have established national institutions on the Customs Union.
7	Submission by Member States of their action plans for alignment of their national tariff rates to the CET rates	**Delayed**	Secretariat has generated illustrative tariff alignment schedules. Member States are yet to generate and provide their alignment schedules based on a domesticated CTN.
8	Compilation of the Common List of Sensitive Products whose rates are not aligned with the CET	**Deferred**	A regional list of sensitive products is a long term objective.
9	Submission of the final list of excluded products, disaggregated to show the products excluded by every Member State	**Ongoing**	This will be completed when Member States have submitted their national lists.
10	Consideration of the Trade Remedy Regulations by the Trade and Customs Committee	**Done**	The Trade and Customs Committee has considered the Regulations.
	Finalisation by the Legal Affairs Committee and adoption by Council of the Trade Remedy Regulations	**On track**	The Regulations have been reviewed by the Legal Drafting Subcommittee and will be submitted to the Legal Affairs Committee.
11	Customs-related regulations on Intellectual Property Rights for inclusion in the Customs Management Regulations as amendments	**Done**	Council has adopted the amendments of the CMR to incorporate provisions on intellectual property.
12	Mobilisation of resources for the Customs Union	**On track**	COMESA continues work on the Common Market Levy.
13	Completing work on standards harmonization	**Ongoing**	65 standards adopted in 2011

14	Undertaking study on the impact of the introduction of 5% rate tariff band in the COMESA CET	**Ongoing**	Three studies have been done since the launch of the Customs Union, and are been considered
15	Study on industrial rebates	**Ongoing**	A working Group on Industrial Rebates has been formed to continue work in this area in light of developments in the regimes of Member States.
16	Consolidation of the COMESA internal market	**Ongoing**	
17	Revenue sharing and free circulation	**Ongoing**	Guidelines have been formulated on free circulation, including in relation to non-FTA countries. It has been proposed that the REPSS will assist with transfers of customs revenue to the respective Member States. Finance Ministers and Central Bank Governors are also dealing with this matter.

SIMPLIFIED PROCEDURES FOR SMALL SCALE CROSS BORDER TRADERS

The Meeting of Ministers Implementing the Simplified Trade Regime (STR) was held in Lusaka, Zambia on 12 August 2011. They raised the value limit for the STR from US $500 to US $1,000; and agreed that the common list of products should replace the COMESA Certificate of Origin due to the fact that it is evident that the products listed in the Common List qualify for duty free trade.

It was recommended that the processing fee be standardized for all STR transactions in the region and for Member States to consider reducing the fee to a maximum of US $1. Member States were urged to assist trade associations in sensitizing the cross border traders on the benefits of the STR.

The STR started on a pilot basis for 10 Member States with the possibility of extension to others.

Kenya and Ethiopia agreed to trade under the STR for products up to the value of US $1,000.

TRADE IN SERVICES

The COMESA integration focuses on both trade in goods and trade in services. With regard to trade in goods, much attention has been paid to the elimination of tariff and non-tariff barriers in order to encourage intra-COMESA merchandise trade.

The importance of services was realized early, and the PTA and COMESA programmes espoused monetary and transport harmonisation, among others. This is a clear recognition that an efficient financial and transport system greatly facilitates the production and transportation of goods within the region and beyond.

The Trade in Services Programme is informed by various developments in the global services trade, more specifically those that led to the conclusion of the Uruguay Round and the General Agreement on Trade in Services (GATS). In addition, under the EU-ACP Economic Partnership Agreements, there is a component on trade in services that is covered in the negotiations with the European Union. In its own right, the liberalisation of trade in services within the region has the potential to increase employment and reduce poverty given the lower cost per job creation in the services sector compared to the goods sector.

The objectives of the COMESA Trade in Services Programme are:

(a) To attain sustainable growth and development of the Member States by eliminating the barriers to trade in services, especially those faced by small and medium scale enterprises (SMEs) and exporters.

(b) To enhance co-operation amongst Member States in order to improve efficiency and competitiveness of the services' markets, including diversifying production capacity and supply. This will enhance the distribution of services within and outside the Common Market, thus promoting economic growth, wealth creation and poverty reduction.

(c) To liberalise trade in services by expanding the depth and scope of liberalisation in line with Article V of the GATS; and

(d) To increase, improve and develop the export of services.

After the adoption of the Regulations on Trade in Services in June 2009, a Committee on Trade in Services was formed. The committee's regulations provide for the development of schedules of specific commitments, which spell out the level and depth of liberalisation in a given sector. This is done in the four modes of services trade, taking into account the market access and national treatment.

The guidelines for services negotiations on the other hand provide some clarity on the way the negotiations are to be conducted, including some disciplines in terms of minimum commitments that a country has to make in the priority sectors.

Member States agreed on four priority services sectors in which every Member State is expected to make commitments. These are: transport, communications, financial and tourism services. These sectors were chosen because of their connectedness to enhancing the efficiency of the production and transport of trade in goods.

During most of 2010 and 2011, the Member States prepared initial drafts of schedules of specific commitments in the priority services sectors, which would be used as a basis for engaging in negotiations. They are however free to make commitments in more sectors than the priority ones.

In May 2011, a meeting was held to commence negotiations in the schedules of commitments. However, Member States requested for more time to do national consultations to develop their initial schedules of specific commitments. Commencement of negotiations is expected to take place this year, 2012.

In order to generate stakeholder ideas and initiate work on mutual recognition of professional and academic qualifications, a workshop, focusing on accounting, engineering and legal services was held in May 2011 in collaboration with the World Bank. One of the important outcomes of the workshop was conception of a project on the professional services knowledge platform that will be undertaken jointly between COMESA and the World Bank. This project, which is expected to start this year, 2012, is to foster substantive, evidence-based discussions on the impact of services and appropriate design of regulatory policies that can help to address the challenges faced by professionals in their quest to provide services across borders.

The knowledge platform will fill in the information gaps on current services, activities, prices, trade flows and applied regulatory policies and trade barriers; address knowledge gaps by affording knowledge and experience sharing on successful practices; and deal with the political economy constrains that may impede beneficial regulatory reforms and slow the integration process.

3.2 TRADE FACILITATION

PROGRESS ON THE REMOVAL OF NON-TARIFF BARRIERS (NTBs)

The prohibition of the Non-Tariff Barriers (NTBs) as enshrined in the COMESA Treaty, Article 49, is a cornerstone of the Free Trade Area for it ensures that goods can move freely in the FTA. Despite this prohibition, however, time and again there have been instances where some Member States still impose NTBs to imports from other Member States.

Table 11 below shows NTBs that were reported in the period 2010-2011 and the status of their elimination; and it is worth noting that some of them have been outstanding for more than two years.

25 January 2011 - Secretariat circulated guidelines to Member States on implementing Customs Union instruments

Table 11: Reported NTBs in the Period 2010-2011

Type of NTB	Reporting Country	Imposing Country	Status of Elimination	Remarks	Required Action /Resolution Method
Fridges and Freezers- Rules of Origin	Swaziland	Zimbabwe	Pending	Awaiting final report from Zimbabwe	Provision of technical opinion after analytical work by Secretariat (on-going)
White sugar and LG electronics- Rules of Origin	Egypt	Kenya	Pending	Kenya requested for a verification mission	Kenya is to undertake a verification mission to Egypt. Secretariat to provide technical support
Pure palm - based cooking oil- Rules of Origin	Kenya	Zambia	Pending	The two countries are undertaking bilateral consultations	Zambia and Kenya are requested to report on the outcomes of the bilateral consultations.
Milk and Milk products-SPS and Standards	Kenya	Zambia	Partially resolved	On yoghurt and other milk products, issues related to standards compliance by Kenya are yet to be resolved	The Secretariat is following up on Zambia with a view to facilitating the study mission by Kenya. The Ministry of Commerce, Zambia, advised that the matter is with the Ministry of Cooperatives and Agriculture.
Soap- Rules of Origin	Mauritius	Madagascar	Partially resolved	Both countries are yet to agree on costing method; Madagascar is yet to respond to the Secretariat's proposal to engage an international costing expert	The Secretariat is following up on Madagascar with a view to obtaining consent to engage an international costing expert.
Tea on transit –Border taxes	Uganda	Kenya	Resolved	Kenya clarified that it does not charge any fees on transit cargo and so it was necessary for such cargo to be appropriately declared as such.	This was resolved during the 2nd Tripartite Focal Points meeting in Nairobi.
Plastic footwear-Rules of Origin	Zambia	Zimbabwe	Resolved	Zimbabwe and Zambia have agreed to include the product in the list of STR traded items.	Was resolved during the national capacity building workshop in Harare after consultations among FP
Ban on buses to cross Kariba dam-Inadequate trade related infrastructure	Zimbabwe	Zimbabwe	Resolved	The ban has since been lifted to allow buses and small commercial trucks of up to 11 tonnes to cross the bridge	Was resolved through Consultations among the Focal Points
Border delays at Vic Falls weigh bridge due to incorrect weights at the weigh bridge	Zambia	Zimbabwe	Resolved	The weigh bridge has since been calibrated by Zimbabwean authorities (standardized) and no more reports have been received after the calibration.	Was resolved through Consultations among the Focal Points

Best Practices in Resolution of Reported NTBs

The mechanisms in place for addressing NTBs include the following:

a. Member States and the affected private sector have reported NTBs to the Secretariat and engaged the Member State maintaining the NTB to resolve the matter. This has been particularly helpful as it is Member States and the private sector who are on the ground and directly face any NTBs in place;

b. The Secretariat has prepared technical opinions on reported NTBs, with recommendations for action by the concerned Member State;

c. Where appropriate, the Secretariat has arranged on-the-spot verification missions to assist Member States in their consultations;

d. The Trade and Customs Committee has maintained a standing agenda item on NTBs for its meetings, during which Member States have reported any outstanding NTBs their exports face;

e. The Secretariat has presented a written report of all reported NTBs, and Member States have had the opportunity to provide clarity on the situation in place;

f. Consultations have usually taken place among the affected Member States in the margins of the Trade and Customs Committee Meetings;

g. Further consultations have taken place in the margins of the Inter-governmental Committee Meetings where necessary for outstanding issues;

h. National Focal Points and National NTB Monitoring Committees have been established in Member States. Although these committees hardly function in some Member States, still the Focal Points and Committees have been helpful in mobilizing action to deal with reported NTBs;

i. The on-line NTB reporting mechanism has been very useful in reporting and monitoring the status of the elimination of NTBs, as the Focal Points have been able to readily act on the reported NTBs and through peer-to-peer action closely monitor progress on steps being taken.

The following is the status summary of NTBs on the Tripartite On-line Reporting and Monitoring Mechanism:

a. Total NTBs reported by and in the 19 COMESA Member States are 216;

b. Total resolved to date is 155 representing 71.8 percent of the reported NTBs;

c. Total outstanding NTBs under processing are 53, representing 24.5 percent; and

d. Total outstanding new complaints, where processing has not yet commenced are 8, representing 3.7 percent of total NTBs reported.

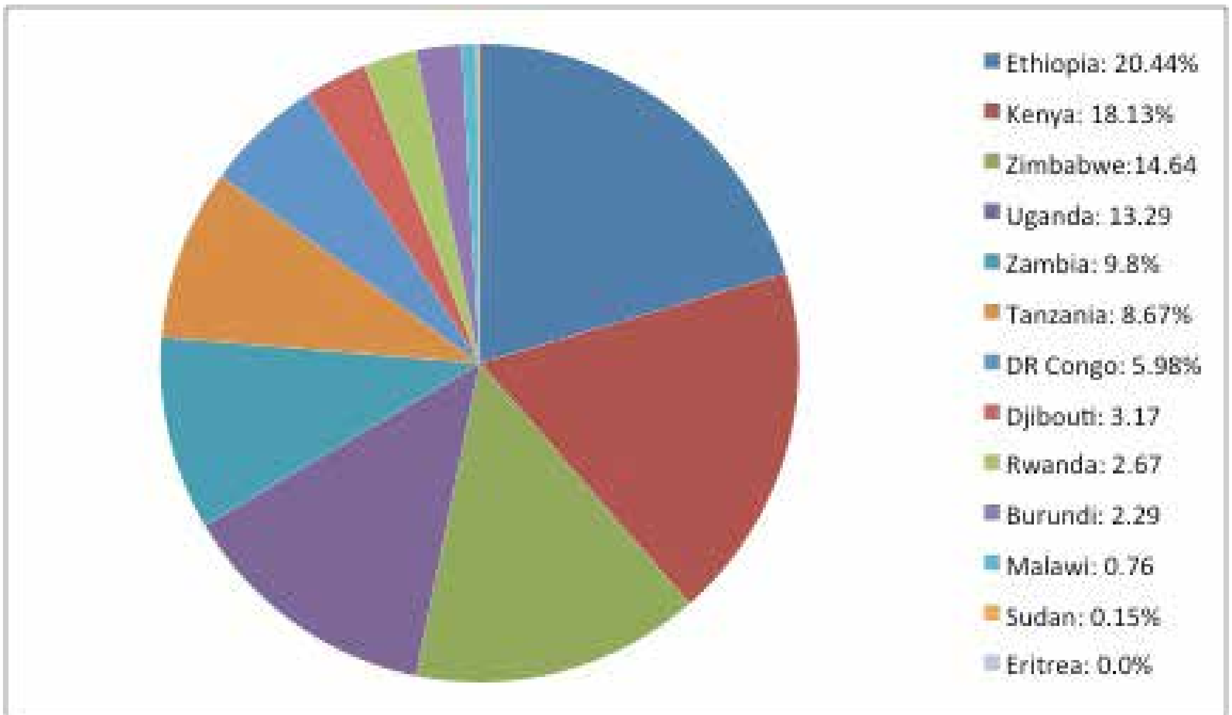
Overall, an effective and streamlined enforcement mechanism needs to be put in place to minimize the NTBs that are maintained for inordinately long periods of time, causing huge losses to the private sector and undermining the FTA regime. At its Thirtieth Meeting held in October 2011 in Lilongwe, the Council noted the Draft Regulations and called for resolution of the outstanding controversies over some draft provisions, especially the clause providing a formula for calculating the amount of compensation due to the party suffering consequences of the NTBs. The Draft NTB Regulations, which have been considered by the Trade and Customs Committee and the Policy Organs a number of times, need to be finalized so that they can be used by Member States in dealing with NTBs.

3.3 *REGIONAL CUSTOMS TRANSIT GUARANTEE*

3.3.1 YELLOW CARD

The COMESA Yellow Card has received increased recognition as a reliable, regional third party insurance protection by most inter-country travelling motorists within the region and beyond. The activities on the operations of the Scheme in the reporting period include the increase in the number of insurance companies in the region participating in the selling of the COMESA Yellow Card covers, 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 2011, about 180 insurance companies were involved in the operations of the scheme and issued over 110,000 Yellow Cards to the travelling motorists. The estimated annual premium income was US $5.4 million; the processed claims were over 367; and the paid claims exceeded US $800,000.00.

Figure 3: Yellow Card Premium Income Performance for 2011



Comparison of Yellow Card Claims Performance for 2010 and 2011

Figure 4: 2011 Claims Performance

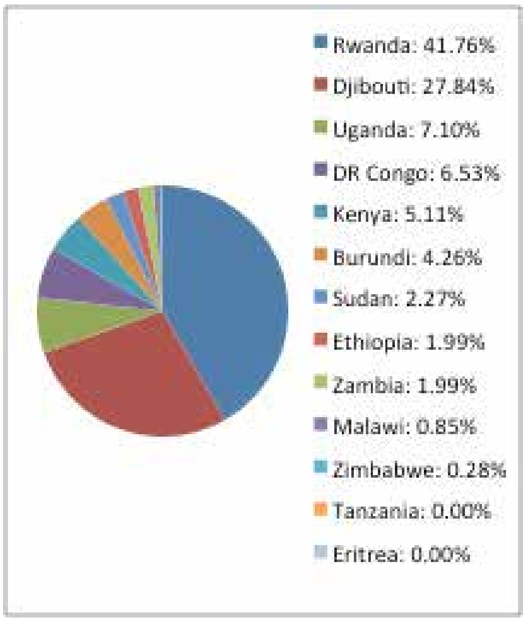
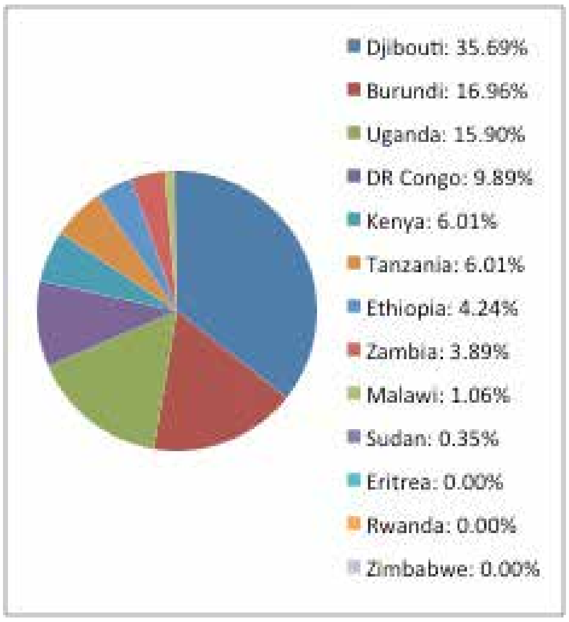


Figure 5: 2010 Claims Performance



REGIONAL CUSTOMS TRANSIT GUARANTEE

The Regional Customs Transit Guarantee, popularly known as the RCTG Carnet, 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. Developed under the auspices of the Protocol on Transit Trade and Transit Facilities as per Annex I of the Treaty, the RCTG Carnet was rolled out in December 2011 in the Northern Corridor Member States of Kenya and Uganda for goods transiting from the Port of Mombasa into Uganda. Currently, selected forwarding companies namely: Kuehne & Nagel, SDV-Transami and Sedag-Interfreight, are involved in the issuance of RCTG Carnets. So far over 145 Carnets have been issued with an average bond value of US $561,000. The roll out is being expanded to include other Member States of the Northern Corridor, that is, Rwanda and Burundi. Thereafter operations of the RCTG Carnet will commence 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 before the end of 2012. It is envisaged that this implementation will significantly assist Member States, particularly landlocked countries, in the reduction of transport and transit costs through eliminating the cost fees of insurance bonds, bank guarantees and collateral tied up with financial institutions. This would reduce documentation requirements, simplify processes and minimize customs revenue leakages and delays at border posts during customs clearance.

THE COMESA-EAC-SADC TRIPARTITE TRADE ARRANGEMENT

The Tripartite framework was born out of a realisation that the regional integration processes of the three RECs of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern Africa Development Community (SADC) were similar and in some cases identical. With overlaps in the membership of these three RECs, it was seen prudent for the 3 RECs to co-operate and harmonise their programmes.

The Tripartite framework of co-operation and harmonisation of regional policies and programmes among COMESA, the EAC and SADC was reviewed and received further and strong stakeholder endorsement and direction at the highest level in October 2008 at the First Tripartite Summit; and in June 2011 at the Second Summit.

The Tripartite region already had, in 2009, a combined population of 581,480,046 people and a combined Gross Domestic Product (GDP) of US $858,757,432,664[1]. The Communiqué of the Second Tripartite Summit indicated that this GDP had now reached $1 trillion, and constitutes 58% of the entire GDP of Africa as a continent; and that the population of the tripartite region makes up 57% of Africa.[2] Intra-tripartite exports grew in value by 24% in the 2009-2010 period, from US $198,435,913,000, to US $245,386,268,000.[3] Given this scale, the Tripartite region can be considered a serious initiative in terms of its economic, demographic, and geographic size, and in light of the grounds and justification for the initiative.

The political justification goes to the root of Africa's concept of itself as one people that should stand together in international relations and work closely in addressing challenges that face Africa and in achieving their development objectives. The economic justification is that the tripartite region will support higher and growing volumes of trade and investment, and in this way contribute to wealth creation including for the ordinary people, in order to assist them have increasingly meaningful lives. It is expected that the tripartite initiative will in this way contribute to peace, prosperity, and happiness in the region.

The first overarching decision of the Tripartite Summit was that the three RECs should immediately start working towards a merger into a single REC with the objective of fast tracking the attainment of the African Economic Community. The Tripartite Summit directed the Tripartite Task Force of the three Secretariats to develop a roadmap for the implementation of this merger for consideration at its next meeting.

In the area of trade, customs and economic integration, the Tripartite Summit:

i) Approved the expeditious establishment of a Free Trade Area (FTA) encompassing the member/partner States of the three RECs with the ultimate goal of establishing a single Customs Union;

ii) Directed the three RECs to undertake a study incorporating, among other things, the following elements:

   a) Development of the roadmap, within 6 months, for the establishment of the FTA, which would take into account the principle of variable geometry;

1 World Development Indicators of 2009
2 Clause 1(ii) of the Tripartite Communiqué of 12 June 2011, Sandton, Johannesburg, South Africa, Tripartite document T/TS/II/6
3 ITC calculations based on COMTRADE statistics

b) The legal and institutional framework to underpin the FTA;

c) Measures to facilitate the movement of business persons across the RECs;

iii) Directed that the study report from (ii) above be presented to a specially convened Tripartite Council of Ministers for consideration within 12 months to among other things determine the time frame for the establishment of a single FTA encompassing the three RECs;

iv) Directed the Chairpersons of the Councils of Ministers of the three RECs to ensure that the three RECs speed up the development of joint programmes that enhance co-operation and deepening of co-ordination in industrial and competition policies, financial and payments systems, development of capital markets and commodity exchanges; and

v) Directed the Chairpersons of the Councils of Ministers of the three RECs to ensure that the Secretariats participate, co-ordinate and harmonise positions on the EPA negotiations and other multilateral negotiations including the WTO Doha Development Round Negotiations.

In the area of infrastructure development, the Tripartite Summit:

i) Directed the three RECs to put in place, within one year:

(a) A joint programme for the implementation of a single seamless upper airspace;

(b) A joint programme for the implementation of an accelerated, seamless inter-regional ICT Broadband Infrastructure network;

(c) A joint programme for implementation of a harmonised policy and regulatory framework that will govern ICT and infrastructural development in the three RECs,

ii) Directed the three RECs to effectively coordinate and harmonise within one year:

(a) The Regional Transport Master Plans of the three RECs; and

(b) The Regional Energy Priority Investment Plans and the Energy Master Plans of the three RECS.

iii) Directed the three RECs to develop joint financing and implementation mechanisms for infrastructure development within one year.

With regard to the Legal and Institutional Framework, the Tripartite Summit:

i) Directed the Council of Ministers of each of the three RECs to within six months, consider and approve the Memorandum of Understanding on inter regional cooperation and integration which should also provide for the powers of each decision making level;

ii) Directed that the approved Memorandum of Understanding be signed by the

Chairpersons of the three RECs, within one month of its approval;

iii) Established a Tripartite Summit of Heads of State and/or Government which shall sit once every two years;

iv) In the interim, pending the signing of the MOU:

(a) Established a Tripartite Council of Ministers which will meet at least once every two years;

(b) Established a Tripartite Sectoral Ministerial Committee on Trade, Finance, Customs, Economic Matters and Home/Internal Affairs; a Tripartite Sectoral Ministerial Committee on Infrastructure; a Tripartite Sectoral Ministerial Committee on Legal Affairs and any other Ministerial committees, as established by the Tripartite Council of Ministers, which shall meet at least once a year;

(c) Approved extra ordinary meetings of the Tripartite Summit and Tripartite Council of Ministers to be held as and when necessary;

(d) Established a Tripartite Committee of Senior Officials and of Experts which shall meet at least once a year; and

(e) Established a Tripartite Task Force of the Secretariats of the three RECs to meet at least twice a year.

At the Second Tripartite Summit held on 12 June 2011 in Sandton in Johannesburg in South Africa, hosted by President Jacob Zuma of South Africa, the Heads of State and Government of the Common Market for Eastern and Southern Africa, the East African Community, and the Southern Africa Development Community launched negotiations for a Tripartite Free Trade Area to cover these three regional economic communities.

Out of a total of 26 countries, 12 Heads of State and Government, three Vice Presidents, and 10 plenipotentiaries attended, putting attendance at 25 out of 26. This good attendance demonstrated the high political support the Tripartite Arrangement has in the region. The Heads of State and the plenipotentiaries signed the Declaration Launching the Tripartite Free Trade and adopted the Instrument on Principles, Processes and Institutional Framework, and the Roadmap for the negotiations.

According to the declaration, the Tripartite region has adopted a developmental approach to regional integration, with three pillars, namely, the industrial development, infrastructure, and market integration pillars. A work programme for the industrial pillar is to be developed and adopted. Infrastructure programmes are ongoing, in terms mainly of implementing the tripartite master plans for surface transport, energy, and information and communications technology, as well as opening the skies for air transport. Trade facilitation programmes have been put in place to assist reinforce a seamless internal market. On the market integration pillar, the summit launched negotiations for the Tripartite FTA, implementation of which will constitute the major programme under this pillar. The declaration was signed by 23 of the 26 countries.

The principles agreed were the following:

a. The negotiations shall be REC and/or Member/Partner State driven

b. Variable geometry

c. Flexibility and Special and Differential Treatment

d. Transparency including the disclosure of information with respect to the application of the tariff arrangements in each REC

e. Building on the acquis of the existing REC FTAs in terms of consolidating tariff liberalisation in each REC FTA

f. A single undertaking covering Phase I on trade in goods

g. Substantial liberalisation

h. MFN Treatment

i. National Treatment

j. Reciprocity, and

k. Decisions shall be taken by consensus.

Of these principles, the most passionately argued, and therefore probably the most important as perceived by the countries, are the following: ownership by the RECs and the countries rather than being driven by the secretariats, flexibility in terms of allowing the designation of sensitive products on certain terms and conditions to be agreed, and taking decisions by consensus. The single undertaking principle came as a surprise at the last minute, and was probably not given the serious attention it could have deserved.

Regarding the process, the negotiations will take place in two phases. The first phase will cover core trade in goods areas that are necessary for establishing a free trade area. These were considered to be: tariff liberalisation, rules of origin, dispute resolution, customs procedures and simplification of customs documentation, transit procedures, non-tariff barriers, trade remedies, technical barriers to trade, and sanitary and phyto-sanitary measures. In addition to these core areas, negotiations on movement of business persons will also start during the first phase. The second phase, to be started on completion of the first phase, will cover the remaining trade-related areas of trade in services, intellectual property rights, competition policy, and trade development and competitiveness.[4]

Regarding the institutional framework, the Summit established the Tripartite Trade Negotiations Forum, as the body in which the negotiations will take place at the technical level. The Forum will report to the Tripartite Committee of Senior Officials, which will report to the Tripartite Sectoral Ministerial Committee, which will report to the Tripartite Council of Ministers, which in turn will report to the Tripartite Summit of Heads of State and Government. The secretariat services will be provided by the Tripartite Task Force made up of the Heads of the three regional economic communities, namely, COMESA, EAC and SADC.[5]

4 Clause 2 of the Instrument on Negotiating Principles, Processes and Institutional Framework
5 Clause 4

Provision has been made for monitoring and evaluation. The purpose of the monitoring is to ensure that a "credible and development-oriented agreement is concluded expeditiously", and to ensure adherence to the timeframes under the roadmap. The Sectoral Ministerial Committee was given the responsibility of supervising and providing leadership for the negotiations, and of reviewing every six months the quarterly reports to be produced by the chairperson of the Tripartite Trade Negotiations Forum.[6] As the Sectoral Ministerial Committee reports to the Tripartite Council, the recommendations from the reviews will be submitted to the Council for appropriate decisions, also in light of the fact that it is the Council that meets annually while the Summit meets once every two years.

Regarding the roadmap, the negotiations are to take not more than 36 months, for the first phase of negotiating the core Tripartite FTA, and will build on the existing FTAs of the three regional economic communities, by combining them into the Tripartite FTA. However, it is the outcome of the biannual reviews by the Sectoral Ministerial Committee that will inform the pace of the negotiations.[7]

The three instruments the Summit adopted set the negotiations on a solid basis, for they show the solemn resolve to undertake the negotiations, and indicate the direction in terms of the principles and the duration.

Implementation of the Decisions of the Tripartite Summits

In the area of Infrastructure, master plans have been prepared for transport, energy and ICT; and two fundraising conferences successfully organised in April 2009 and September 2011. The April 2009 conference realised US $1.2 billion in pledges, and the September 2011 conference realised US $8 billion in commitments. Institutional arrangements are in place for donor coordination and management of the resources. A Tripartite Project preparatory Unit has also been established to assist with finalisation of bankable projects.

The infrastructure development pillar will assist to promote interconnectivity of the Tripartite region, so that there is a tangible and seamless market where goods and people move more freely. Of course, this will need to be supported by a policy framework to reduce obstacles to free movement as may be appropriate.

As directed by the Second Tripartite Summit, The Tripartite Task Force has already drafted a work programme for industrial development. The draft will be considered by experts at a meeting to be convened. It will be important to ensure synergy between the Tripartite work on industrial development and the African Union programmes that are already in place. This means that there will be no need to re-invent the wheel in many respects. The industrial development pillar is important. It will assist to ensure that the countries have the industrial capacity to produce goods to be traded on the Tripartite market.

In the area of Trade and Customs, the Draft Agreement for establishing the Tripartite FTA has been prepared and the Tripartite countries have agreed to use it as a starting point for the negotiations. A lot of progress has been made already in various areas, especially Non Tariff Barriers, customs procedures, and Standards, in terms of the various experts' meetings that have produced fairly

6 Clause 5
7 The Roadmap for establishing the Tripartite FTA and clause 5.3 of the Instrument on Negotiating Principles, Processes and Institutional Framework

mature draft texts to be incorporated in the Tripartite FTA Agreement.

The negotiations have started in earnest. The Tripartite Trade Negotiation Forum (TTNF) has held three meetings, and the Senior Officials have met once to review the state of the negotiations. In terms of concrete results from the meetings so far:

a. The TTNF and the senior officials have adopted their rules of procedure;

b. The Senior Officials have adopted an agreed understanding of the meaning of the principles governing the negotiations;

c. Technical Working Groups have been established to support negotiations in the customs, standards and rules of origin areas, together with the terms of reference for the Groups; these groups are expected to commence work in the next few months;

d. The information on Tariffs and on trade flows necessary for the negotiations has been compiled and will be used for the negotiation of the Tripartite FTA;

e. Templates for making of offers and requests and for the tariff phase down for the Tripartite FTA have been prepared for most Tripartite countries; and

f. A comprehensive timetable has been adopted for the negotiations, to be completed by 2014.

On the status of the signing of the declaration launching the Tripartite FTA negotiations, Ethiopia and Madagascar have indicated that they are now ready to sign the Declaration. This leaves Eritrea, with which consultations are ongoing.

Zimbabwe's Prime minister H.E Morgan Tsvangirai admiring local products at one of the stands during the COMESA Business Forum in Victoria Falls town, Zimbabwe.

PART: 4 MACRO-ECONOMIC DEVELOPMENT

On 13 July 2011, the First Joint Meeting of the COMESA Ministers of Finance and Central Bank Governors was held in Lusaka, Zambia. The meeting adopted the COMESA Multilateral Fiscal Surveillance Framework. The Framework, prepared with the technical and financial assistance of African Development Bank, is crucial for COMESA's twin goals of trade integration and monetary and financial integration as the fundamental features in its regional integration programmes of achieving the Customs Union and a Common Market. Although progress has been made on trade integration; the challenge remains especially with the monetary and financial integration aspect; in particular progress towards achieving macro-economic convergence, which COMESA has identified as an important indicator of advancement in monetary integration, has been slow. Fiscal convergence is essential to COMESA's macro-economic convergence programme, and is a bridge between monetary and trade integration programmes.

The Joint Meeting agreed on the establishment of the COMESA Convergence Council with joint membership of the Ministers of Finance and Central Bank Governors tasked with the responsibility of fiscal surveillance. The Council of Ministers, along with the Committee of Ministers of Finance, Committee of Ministers of Trade and the Committee of Central Bank Governors, are tasked to actively follow developments in their mandated areas of responsibility.

The joint meeting also considered proposals for the Common Market Levy, as well as other innovative means of finance such as Airline solidarity levy, Currency transaction Levy, and Carbon tax and decided that a task force consisting of the Fiscal Affairs experts should be established to consider the proposal.

The joint meeting further adopted the roadmap for accelerating growth and transformation in the Tripartite Area. The roadmap contains five pillars, namely: deepening regional integration; extensive use of special economic zones; improving doing business and competitiveness indicators on the region wide basis, developing public infrastructure; and scaling up capacity building at the country and regional level.

The meeting supported the policy package of reforms sketched out in the proposed roadmap for accelerated economic transformation in the Tripartite region and mandated the COMESA Secretariat to formulate a detailed programme of the proposed reforms in close consultation and collaboration with Member States.

On 03-04 November 2011, the 17th Meeting of the COMESA Committee of Governors of Central Banks also took place. The meeting underscored the speedy implementation of the COMESA Multilateral Fiscal Surveillance framework; the COMESA Assessment Framework of Financial Stability; and the Regional Payment and Settlement System (REPSS). The meeting emphasised the speedy utilisation of REPSS by all Member States. It was fully agreed that REPSS which is being operated by the COMESA Clearing House, will stimulate economic growth through an increase in intra-regional trade by enabling importers and exporters to pay and receive payment for goods and services through an efficient and cost effective platform. The meeting also agreed that the COMESA Multilateral Fiscal Surveillance Framework is a useful instrument to achieve fiscal discipline which requires avoiding disharmonies between fiscal and monetary policies in order to make the region a zone of macroeconomic stability. The meeting underscored that this is crucial for the achievement of the COMESA Customs Union and the COMESA Common Market.

The overall assessment of progress made in macro-economic convergence in COMESA in 2011 shows that the fiscal criterion was missed by 11 out of 19 countries. Assessment of the inflationary situation in 2011 indicates that 10 countries missed the criteria. The assessment shows that the performance of COMESA 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 adherence to the Core principles for Systematically Important Payment Systems were in the right direction. The achievements as regards to other secondary convergence criteria were however, not very impressive. The following are highlights of the developments in the major macro-economic indicators in 2011:

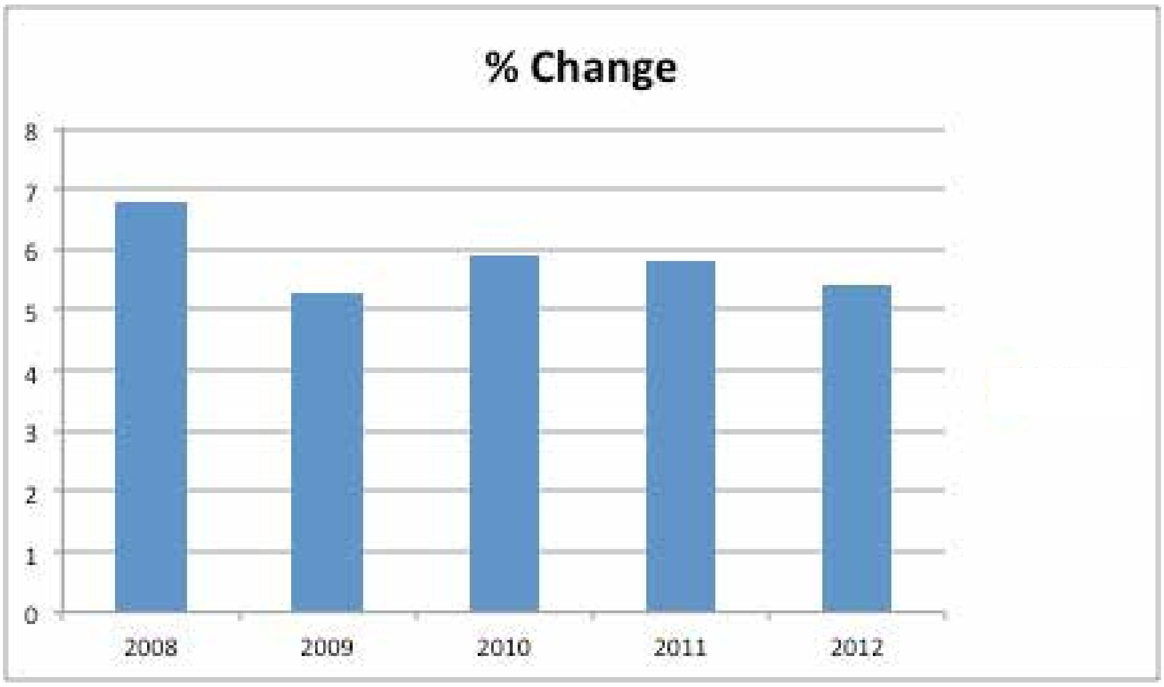
GROWTH PERFORMANCE

COMESA's growth performance has been quite impressive in 2011 shown at an average of 5.8% despite the lingering negative impact of the global financial crisis and the fact that certain Member States suffered the effects of severe drought conditions and famine, and rising food and fuel prices. Growth prospects remain optimistic and the region is looking forward to growth of 5.4% in 2012.

The recovery was underpinned by various factors (UNECA-AU Economic Report on Africa 2012), among which are the following:

- Increased receipts from commodity exports, stemming from higher prices on international market and rising demand for commodities particularly from emerging markets in Africa;
- Increased FDI inflows, in response to an improved economic management and business climate;
- Growing domestic consumer market as a result of rising incomes and urbanization;
- Several countries also continued to diversify their export production by building local capacity in processing and value addition, helping them to capture new markets for high-valued products in the fast-growing emerging markets of East Asia and Latin America;
- Increased activity in the service sector;
- Higher domestic demand which stems from greater public spending on major infrastructure projects, which has also helped boost the region's productive capacity, particularly in agriculture and extractive industries;
- Good harvest in a number of Member States.

Figure 6: Average COMESA Annual Real GDP Growth Rate in Percent



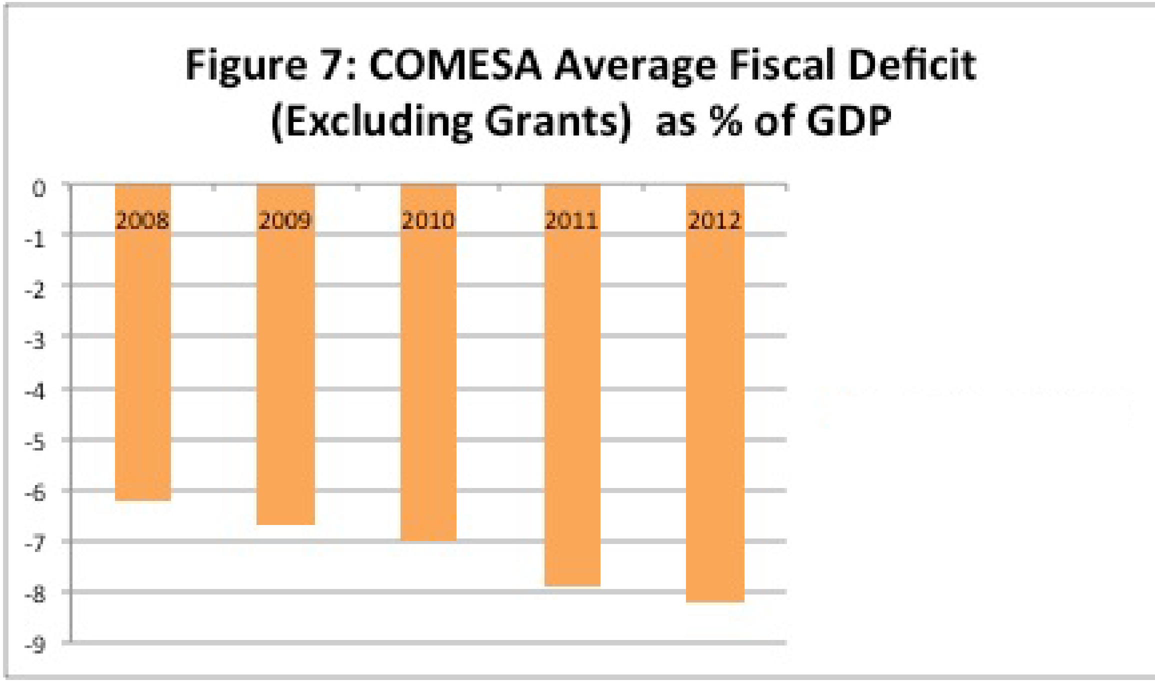
The figures for 2012 are projections

FISCAL POLICIES

The region's average fiscal deficit (excluding grants) widened to 7.9 percent of GDP in 2011. Most Member States registered a budget deficit to GDP ratio of more than 5%. This resulted from the continuation of expansionary fiscal measures adopted during the global downturn. As a counter-cyclical measure, many of them expanded their budgets in an attempt to stimulate growth and cushion against high inflation rates; but as a result instead, government deficits widened in most Member States. Certainly, governments in the region are aware of the importance of increasing revenue collection in order to better balance expenditure but generally speaking, the tax base is narrow and the scope for aggressive revenue collection is rather limited.

Improvement in tax collection has succeeded in moderating the deficit in a number of countries. Great effort was put into reducing tax evasion considering that revenue collection was constrained by tax and duty reductions intended to help consumers to cope with high inflation rates and the effects of the drought.

On the spending side, government spending in most countries increased, driven by increased expenditure on public investments and human resource development. The regional, average fiscal deficit is shown in Figure 7.



The figures for 2012 are projections

MONETARY POLICY

Until the second half of 2011, interest rates in a number of countries in the region were generally moderate in part influenced by the global context where there has been a significant reduction in interest rates in many industrialized countries to levels which implied negative real interest. In the second half of 2011, some central banks in the region started tightening monetary policy in response to increased inflation rates. In Kenya and Uganda for example, inflation accelerated as the exchange rate devalued and thus led to tight monetary policies

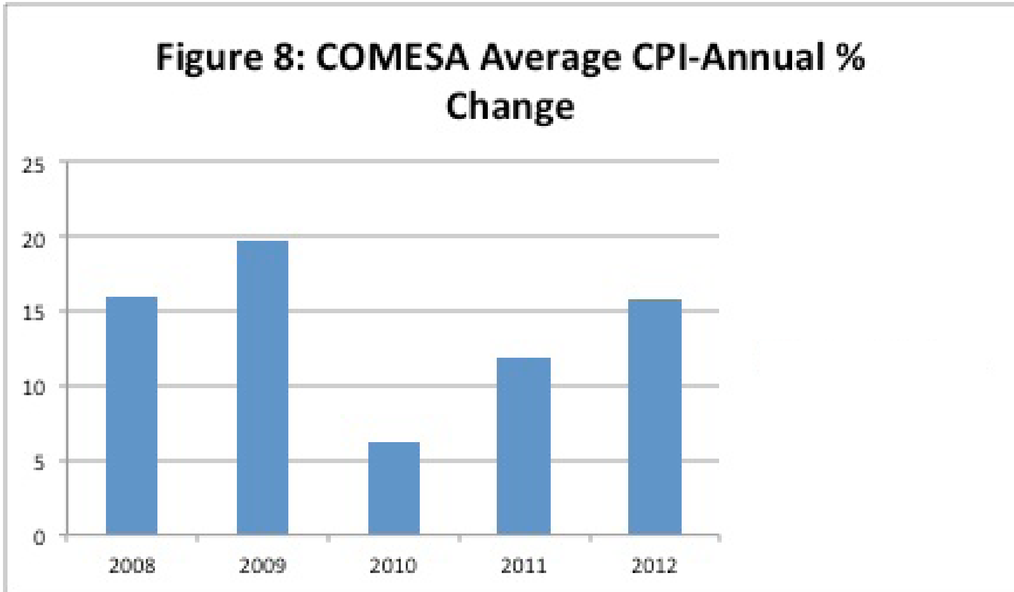
Several central banks have tightened monetary policy in response to increased inflation rates. Exchange rate depreciation in the region has, therefore, become crucial to understanding the inflationary pressures particularly because inflation has accelerated as the exchange rate has devalued.

INFLATION

The inflation rise in most Member States in 2011 was sparked initially by high food and fuel prices. The region's average consumer price inflation rose to 11.9 percent in 2011, from 6.2 percent in 2010. In the Horn of Africa, severe drought contributed to much sharper increases in mainly food inflation. In Ethiopia for example, inflation rose to nearly 40 percent, and in Kenya and Uganda, to about 20 percent. Non-food inflation also picked up in some countries but in others like Malawi, Rwanda and Zambia, good harvests kept food inflation low, and overall inflation stayed in single digits.

Clearly for the COMESA region, huge dependence on fuel products and food imports contributes a lot to price inflation, further complicating macro-economic management in the affected Member

States. In order to counter the effects of food prices, some countries introduced food price controls and provision of subsidies.

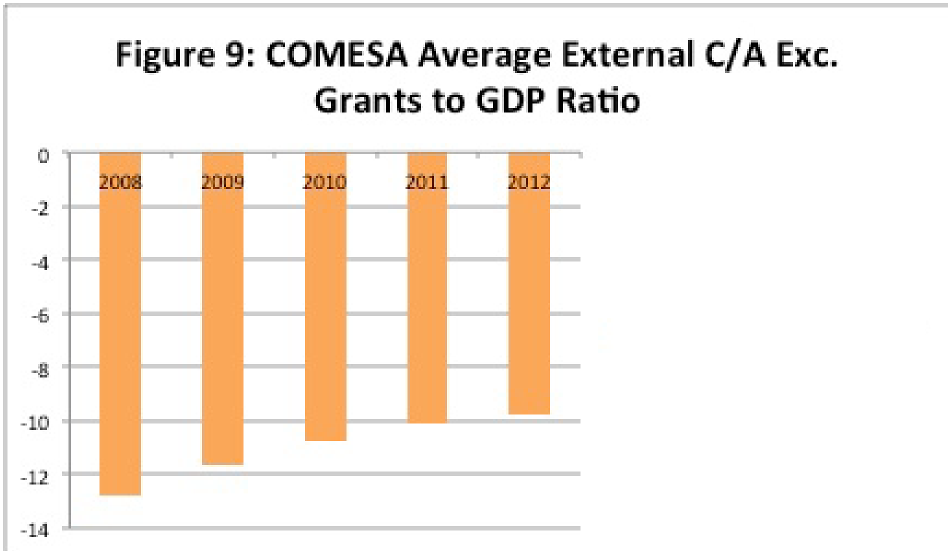


The figures for 2012 are projections

CURRENT ACCOUNT DEVELOPMENTS

Current account positions improved slightly in 2011 as compared to 2010. The deterioration of the current account in some countries is due to the deterioration in trade balance as a result of lower exports following poor harvests and higher food and oil prices. Late disbursement of external aid flows has also contributed to the deterioration in the current account balances and the depreciation of the exchange rates in a number of countries. The tourism industry is another one that has a major incidence on the balance of payments of many countries in the region, as well as a number of positive impacts on the broader economy.

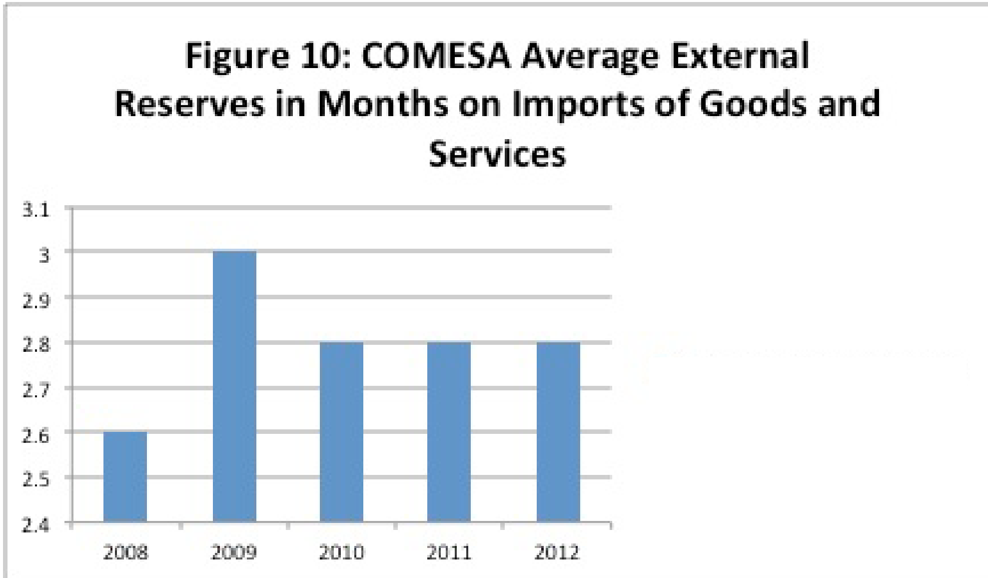
It is worthwhile to note that sustainable current account deficit to GDP ratio is desirable if it is the result of national investment growth rather than savings decrease, especially when the very national savings are low.



The figures for 2012 are projections

RESERVES

The external reserves were under pressure in a number of countries. The average level of reserves in the Member States in 2011 was sufficient for three months of imports of goods and services, which is less than the agreed upon convergence criteria of not less than 4.0 months of imports of goods and services. Accumulation of sufficient foreign exchange reserves is necessary to cushion against external shocks and ensure orderly conditions in the exchange market.



The figures for 2012 are projections

Acumulation of sufficient foreign exchange reserves is necessary to cushion against external shocks and ensure orderly conditions in the exchange market.

Table 12: ***Annual Real Percentage GDP Growth***

COUNTRY	2008	2009	2010	2011
Burundi	4.5	3.5	3.9	4.2
Congo (DR)	6.2	2.8	7.2	6.5
Comoros	1.0	1.8	2.1	2.2
Djibouti	5.8	5.0	3.5	4.5
Egypt	7.2	4.7	5.1	1.8
Eritrea	-9.8	3.9	2.2	8.2
Ethiopia	11.2	10.0	8.0	7.5
Kenya	1.5	2.6	5.6	5.3
Madagascar	7.1	-3.7	0.6	1.0
Libya	5.4	-0.1	2.5	
Malawi	8.3	9.0	6.5	4.6
Mauritius	5.5	3.0	4.2	4.2
Rwanda	11.2	4.1	7.5	7.0
Seychelles	-1.3	0.7	6.2	5.0
Sudan	3.2	3.0	4.5	
Swaziland	3.6	-1.7	2.8	3.4
Uganda	8.7	7.2	5.2	6.4
Zambia	5.7	6.4	7.6	6.7
Zimbabwe	-17.7	6.0	9.0	6.0
COMESA(average)	6.8	5.3	5.9	5.8

Source: Source: IMF-African Department Data Base, 20 April 2012

The average real GDP growth for the COMESA region was 5.8 percent in 2011; a slight drop from the 5.9 percent which was registered in 2010. Eritrea registered the highest growth rate of 8.2 percent due to the coming on stream of mining projects with substantial foreign investment and high levels of production of silver, copper and zinc. Ethiopia registered the second highest growth rate of 7.5 percent, spurred by growth in hotels, restaurants, real estate, renting and financial intermediation.

Table 13 : Overall Fiscal Balance, Excluding Grants as % of GDP

COUNTRY	2008	2009	2010	2011
Burundi	-38.2	-32.1	-34.9	-28.0
Congo (DR)	-6.7	-12.6	-12.9	-16.3
Comoros	-10.9	-7.3	-7.9	-8.0
Djibouti	1.3	-4.6	-0.5	
Egypt	-7.8	-6.8	-7.8	
Eritrea	-24.0	-17.3	-21.3	-19.4
Ethiopia	-6.9	-5.2	-4.6	-6.6
Kenya	-5.4	-6.0	-7.0	-6.7
Madagascar	-4.5	-4.2	-1.0	-2.3
Libya	29.4	11.7	5.0	
Malawi	-16.2	-13.6	-10.3	-8.5
Mauritius	-1.9	-3.6	-4.2	-5.6
Rwanda	-10.0	-11.4	-13.2	-14.5
Seychelles	2.1	-1.3	-1.7	-1.1
Sudan	-1.6	-4.8	-3.4	
Swaziland	0.5	-7.1	-13.1	-8.7
Uganda	-5.7	-5.0	-7.5	-10.9
Zambia	-5.2	-5.5	-4.9	-5.0
Zimbabwe	-2.7	-3.6	-0.4	-1.0
COMESA(average)	-6.2	-6.7	-7.0	-7.9

Source: IMF-African Department Data Base, 20 April 2012

The average fiscal balance for the region, as a percentage of GDP was 7.9 percent in 2011, up from the -7.9 percent registered in 2010. Burundi registered the largest deficit at -28.0 percent mainly due to falling global demand for foodstuffs and a sharp rise in fuel prices. Eretria's deficit was also high at -19.4 percent, mainly because the country is not immune to the security challenges of the Horn of Africa; the recent drought that affected the region; and the negative impact on investment and remittance flows caused by the global financial crisis.

Table 14: Annual Average Consumer Prices (Percentage Change)

COUNTRY	2008	2009	2010	2011
Burundi	24.4	10.7	6.4	8.7
Congo (DR)	4.8	4.8	2.7	5.8
Comoros	9.3	3.5	1.5	2.8
Djibouti	12.0	1.7	4.0	5.1
Egypt	18.3	11.7	11.4	10.3
Eritrea	19.9	33.0	12.7	13.3
Ethiopia	25.3	36.4	2.8	18.1
Kenya	15.1	10.6	4.1	12.1
Madagascar	9.2	9.0	9.2	10.3
Libya	10.4	2.4	2.5	
Malawi	8.7	8.4	7.4	8.6
Mauritius	9.7	2.5	2.9	6.7
Rwanda	15.4	10.3	2.3	3.9
Seychelles	37.0	31.9	-2.4	2.6
Sudan	14.3	11.3	13.0	
Swaziland	12.7	7.4	4.5	8.3
Uganda	7.3	14.2	9.4	6.5
Zambia	12.4	13.4	8.5	9.1
Zimbabwe		6.2	3.0	3.6
COMESA(average)	16.0	19.7	6.2	11.9

Source: IMF-African Department Data Base, 20 April 2012

The average real GDP growth for the COMESA region was 5.8 percent in 2011; a slight drop from the 5.9 percent which was registered in 2010. Eritrea registered the highest growth rate of 8.2 percent due to the coming on stream of mining projects with substantial foreign investment and high levels of production of silver, copper and zinc. Ethiopia registered the second highest growth rate of 7.5 percent, spurred by growth in hotels, restaurants, real estate, renting and financial intermediation.

Investments

PART: 5 INVESTMENT, INDUSTRY AND AGRICULTURE

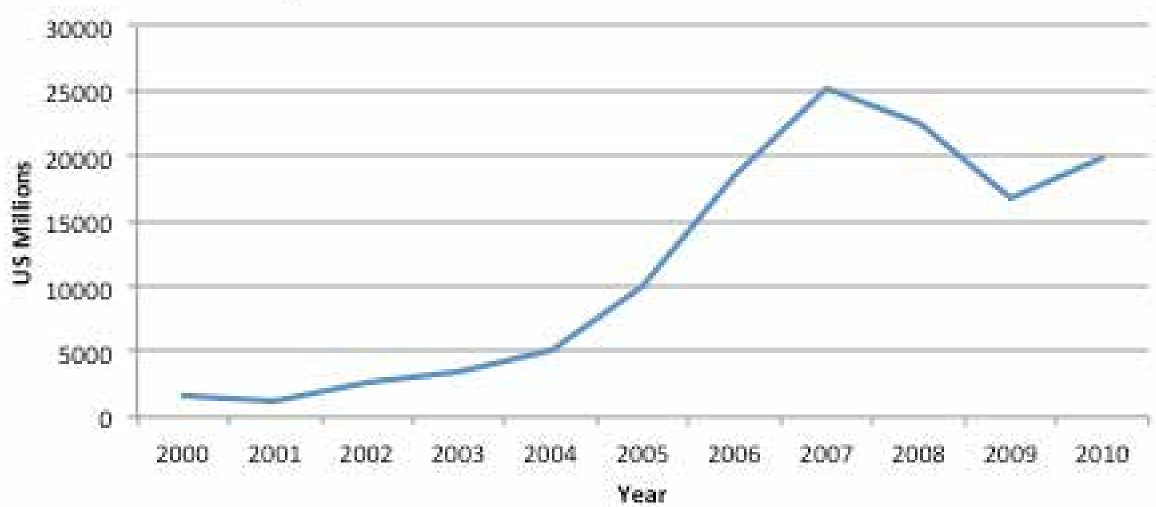
5.1 INVESTMENT

Inward Foreign Direct Investment

Provisional estimates of foreign direct investment inflows into the COMESA region registered an 18% increase. This was the first overall increase in total inward FDI since 2007. Major drivers for this growth were inflows into Libya, Democratic Republic of Congo, Mauritius and Uganda. Major FDI destinations such as Egypt and Sudan registered declines in FDI inflows in the same period. In terms of share in total FDI inflows, Egypt dominated the 2010 market share with 33% of all inflows followed by Libya, Democratic Republic of Congo and Sudan which accounted for 20, 15 and 15% respectively of total COMESA FDI inflows.

The inward FDI performance index benchmarks country performance by ranking countries based on their inward FDI relative to their economic size. This index is the ratio of a country's share in global FDI inflows to its share in global GDP. Among COMESA countries, Democratic Republic of Congo showed a marked improvement with its global ranking moving from 30 in 2009 to 7 in 2010. Libya's ranking moved up to 35th place in 2010 from 46th in 2009. Malawi also recorded an improvement in rank, ending 2010 at 62nd compared to 106th in 2009. Zambia moved from 32nd in 2009 to 28th in 2010.

Figure 11 Total COMESA Inward FDI 2000-2010



Source: COMESA and UNCTAD

Table 15: Inward FDI Flows

COMESA Country FDI Inflows, Millions US$							
	2005	2006	2007	2008	2009	2010	Growth Rate
							2009-2010
Burundi	0.73	0.03	0.51	3.79	0.35	0.77	120%
Comoros	0.56	0	7.64	4.58	13.14	5.24	-60%
Djibouti	22.2	108.29	195.35	228.95	99.63	26.8	-73%
DRC	-	256.12	1,808.03	1,726.84	663.8	2,939.27	343%
Egypt	5,375.60	10,042.80	11,578.10	9,494.60	6,711.60	6,385.60	-5%
Eritrea	-1.04	0.45	-0.11	-0.23	0.04	0.04	0%
Ethiopia	265.11	545.26	222	108.54	221.46	184	-17%
Kenya	20.63	47.02	631.54	85.08	139.88	184.32	32%
Libya	1,038.00	2,013.00	4,689.00	4,111.00	2,674.00	3,833.39	43%
Madagascar	86.02	294.19	777.48	1,179.80	1,294.70	583.23	-55%
Malawi	52.3	72.2	92	215.3	10.78	9.21	-15%
Mauritius	-5.19	97.17	281.19	325.3	218.84	301.65	38%
Rwanda	10.5	30.64	82.28	103.35	118.67	42.33	-64%
Seychelles	85.87	146.11	242.88	406.26	271.64	365.51	35%
Sudan	2,304.60	3,534.10	2,436.90	2,600.50	2,922.80	2,894.38	-1%
Swaziland	-45.85	119.65	35.7	112.7	53.03	130.74	147%
Uganda	379.81	644.26	792.31	728.86	603.75	861.72	43%
Zambia	356.9	615.8	1,323.90	938.6	694.8	665.6	-4%
Zimbabwe	102.8	40	68.9	51.6	105	105.44	0%
Total	**10,049.56**	**18,607.08**	**25,265.59**	**22,425.43**	**16,690.01**	**19,776.03**	**18%**

Source: COMESA and UNCTAD

Foreign Direct Investment Inflows as a % of GDP

In terms of relative size of FDI inflows to GDP, Seychelles (39%), DRC (22%) and Djibouti (11%) had the highest ratios in 2010. DRC in particular recorded a significant increase in this ratio compared to 2009. Conversely Madagascar had a significant decline in the ratio with its 2010 ratio half the size of that in 2009.

Intra-COMESA FDI Inflows

Intra-COMESA and intra-Africa FDI flows are available from some Member States albeit on an intermittent basis. For most countries, this data is derived from enterprise based FDI surveys. The years reported on represent the periods covered by the national surveys. In order to assess the size of intra regional FDI inflows, Table 16 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$171.8 million between 2009 and 2010, the bulk of it from Libya. COMESA originating FDI into Egypt was 100 percent of all African originating inflows over the years 2009 and 2010. Average COMESA originating inflows into Uganda amounted to US $167.5 million between 2007 and 2009.

This constituted about 74 percent of African originating inflows. Zambia's FDI inflows from COMESA led to a disinvestment of US $12.99 million from the averages inflows of 2001 and 2009, accounting for 20 percent of inflows from Africa. A disinvestment of US $12.6 million from Kenya was largely behind this. This was attributed to accelerated loan repayments during 2009 as a way of cushioning the impact of the global crisis in parent or affiliated companies. Average FDI inflows into Madagascar amounted to US $53 million between 2007 and 2009, representing 96 percent of all African originating FDI. COMESA accounted for 54 percent on average of African originating FDI inflows for Rwanda between 2008 and 2009. In the case of Kenya, COMESA accounted for 69 percent of African originating FDI flows.

An interesting pattern emerging from Table 16 for Uganda is that intra-COMESA inflows constitute the bulk of African originating FDI. Zambian and Mauritian intra-African FDI inflows were mainly from South Africa.

Table 16: Intra COMESA and Intra African FDI Inflows into Selected COMESA Countries

Destina-tion Country	Periods Cov-ered	Source Country/Region & period average FDI inflows, Millions US$				Share of COMESA in Africa
		COMESA	SOUTH AFRICA	REST OF AF-RICA	Africa	
Egypt	2009-2010	171.80			171.80	100%
Zambia	2007 ,2009	-13.99	89.66	-5.40	70.28	-20%
Kenya	2007-2008	17.92		8.21	26.14	69%
Madagascar	2007-2010	53.21	0.00		53.21	100%
Mauritius	2000-2009		18.23	26.38	44.61	0%
Rwanda	2008-2009	34.00	28.93		62.92	54%
Uganda	2007-2009	167.52	40.83	18.05	226.41	74%

Source: COMESA

Among major investing companies in the reported 2010 intra COMESA FDI were Elsewedy Electric and Arab Swiss Engineering Company in the electronic components and building sector, Diamond Trust Bank, Co-operative Bank, Gulf African Bank in the financial services sector and Kenol Kobil Group in the energy sector.

Regarding FDI from other African sources, key players in the financial services sector were United Bank of Africa, Standard Bank Group, Sanlam and Exim Bank of Tanzania while in the communications sector, MTN group, Dimensions Data Holdings and Altech group. The food sector saw Pick and Pay invest in Zambia and Mauritius in 2010.

Table 17: Major COMESA and African Investment Companies in COMESA, 2010

Company Name	Source Country	Source Region	Destination COMESA Country	Sector
Elsewedy Electric (Elsewedy Cables)	Egypt	COMESA	Zambia	Electronic Components
Arab Swiss Engineering Company (ASEC)	Egypt	COMESA	Sudan	Building & Construction Materials
Arab Swiss Engineering Company (ASEC)	Egypt	COMESA	Sudan	Metals
National Bank of Egypt (NBE)	Egypt	COMESA	Ethiopia	Financial Services
Diamond Trust Bank	Kenya	COMESA	Burundi	Financial Services
Diamond Trust Bank	Kenya	COMESA	Uganda	Financial Services
Diamond Trust Bank	Kenya	COMESA	Kenya	Financial Services
The Cooperative Bank of Kenya	Kenya	COMESA	Sudan	Financial Services
Kenol-Kobil Group (KenolKobil)	Kenya	COMESA	Rwanda	Coal, Oil and Natural Gas
Kenol-Kobil Group (KenolKobil)	Kenya	COMESA	Uganda	Coal, Oil and Natural Gas
Kenol-Kobil Group (KenolKobil)	Kenya	COMESA	Zimbabwe	Coal, Oil and Natural Gas
Nakumatt Holdings Limited	Kenya	COMESA	Uganda	Food & Tobacco
Gulf African Bank (GAB)	Kenya	COMESA	Uganda	Financial Services
Credit Reference Bureau Africa (CRBAfrica)	Kenya	COMESA	Rwanda	Financial Services
Mt Kenya University (MKU)	Kenya	COMESA	Rwanda	Business Services
Tell-Em Public Relations (EA)	Kenya	COMESA	Uganda	Business Services
East African Development Bank (EADB)	Uganda	COMESA	Rwanda	Financial Services
Albatros Energy	Mauritius	COMESA	Uganda	Coal, Oil and Natural Gas
African Development Bank (AfDB)	Cote d'Ivoire	Other African	Zimbabwe	Financial Services
African Reinsurance (Africa Re)	Nigeria	Other African	Ethiopia	Financial Services
United Bank for Africa	Nigeria	Other African	Kenya	Financial Services
United Bank for Africa	Nigeria	Other African	Zambia	Financial Services
SecureData Holdings	South Africa	Other African	Kenya	Software & IT services
Tourvest	South Africa	Other African	Zimbabwe	Hotels & Tourism
MTN Group	South Africa	Other African	Rwanda	Communications
Dimension Data Holdings (DiData)	South Africa	Other African	Uganda	Communications
Standard Bank Group	South Africa	Other African	Zimbabwe	Financial Services
Sanlam Group	South Africa	Other African	Uganda	Financial Services
Pick n Pay	South Africa	Other African	Zambia	Food & Tobacco
Pick n Pay	South Africa	Other African	Mauritius	Food & Tobacco
JHI	South Africa	Other African	Zimbabwe	Real Estate
Basil Read	South Africa	Other African	Zimbabwe	Metals
Altech Group	South Africa	Other African	Kenya	Communications
Exim Bank (Tanzania)	Tanzania	Other African	Zambia	Financial Services
Exim Bank (Tanzania)	Tanzania	Other African	Djibouti	Financial Services

Source: Financial Times, FDI Markets database

Greenfield FDI Projects in COMESA

Greenfield FDI projects in COMESA dropped to 217 in 2010 compared to 265 in 2009. The bulk of these Greenfield projects were in the services sectors through from the perspective of estimated capital investment, the represented 35 percent of capital investment. Primary sectors accounted for just 9 percent of the total number of Greenfield FDI projects but in value terms accounted for 52 percent of capital investment.

Asia was the largest source of these Greenfield FDI projects accounting for 35% in 2010. This was followed by the European Union accounting for 29 percent. Africa was the third largest source accounting for 16 percent of reported Greenfield FDI projects in 2010.

Among the COMESA countries, Egypt received the largest number of Greenfield FDI projects, 34 percent. This was followed by Kenya (16 percent), Uganda (10 percent), Libya (8 percent) and Zambia and Zimbabwe tied at 6 percent respectively.

Table 18: Number of Greenfield Projects in COMESA by destination country

Destination economy	Greenfield FDI projects in the COMESA countries (COMESA as destination) - Number of projects							
	2003	2004	2005	2006	2007	2008	2009	2010
COMESA	94	91	139	139	132	288	265	217
Burundi	-	-	-	-	-	1	5	2
Comoros	-	-	-	-	-	1	-	-
Democratic Republic of Congo	3	2	10	8	5	15	5	8
Djibouti	-	-	1	2	1	3	2	3
Egypt	40	34	47	51	54	85	103	73
Eritrea	1	1	4	1	-	-	-	-
Ethiopia	2	1	1	3	10	10	8	8
Kenya	13	15	13	12	8	19	29	35
Libyan Arab Jamahiriya	4	7	15	11	20	40	17	17
Madagascar	4	3	4	3	3	4	3	-
Malawi	-	-	-	-	-	2	4	3
Mauritius	4	8	5	1	4	14	5	5
Rwanda	-	-	2	-	8	13	26	6
Seychelles	-	3	3	-	3	2	1	1
Sudan	10	5	10	15	2	13	12	9
Swaziland	-	2	2	-	-	3	1	-
Uganda	5	5	6	15	7	41	16	21
Zambia	5	4	14	14	5	17	15	13
Zimbabwe	3	1	2	3	2	5	13	13

Source: UNCTAD based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

Outward FDI

Among the reporting countries, FDI outflows registered a growth of 25 percent in 2010. At the country level, the key drivers of this growth were Egypt, Libya and Zambia whose outflows grew by 59, 10 and 7 percent respectively.

Inward FDI Stocks in COMESA

Total COMESA inward FDI stock increased from US$132 billion in 2009 to US$148 billion in 2010, a 13 percent rise. Significant increases in stock levels were observed for Swaziland, DRC, Mauritius and Seychelles in the same period.

2010 inward stocks as a percentage of GDP were highest for Seychelles (215%), Djibouti (84%), Zambia (53%) and Uganda (35%).

Table 19: Inward FDI Stocks

	COMESA Inward Foreign Direct Investment Stocks, Millions US$					
	2005	2006	2007	2008	2009	2010
Burundi	47.42	47.45	47.95	61.55	71.45	85.55
Comoros	24.25	24.83	32.35	39.87	48.96	58.35
Djibouti	158.74	322.32	517.67	751.67	851.67	878.47
DRC	908.25	800.53	1,520.53	2,520.53	3,057.96	3,993.96
Egypt	28,881.90	38,925.00	50,503.10	59,997.70	66,709.30	73,094.90
Eritrea	382.61	383.06	382.95	382.71	382.75	438.35
Ethiopia	2,820.75	3,366.01	3,588.01	3,696.55	3,918.01	4,102.01
Kenya	1,113.24	1,163.92	3.3	4,008.36	2,129.07	2,262.11
Libya	2,021.36	4,034.36	8,723.36	12,834.36	15,508.36	19,341.75
Madagascar	32.9	224.6	707.52	1,110.40	735.17	331.17
Malawi	767.24	1,017.26	1,315.38	2,583.53	820.74	960.74
Mauritius	804.74	910.05	1,249.10	1,632.02	1,889.25	2,319.20
Rwanda	77	103.23	170.37	273.72	392.39	434.72
Seychelles	809.35	954.94	1,193.54	1,372.85	1,647.71	2,016.69
Sudan	7,684.10	11,225.50	13,661.80	16,262.30	19,142.70	20,742.70
Swaziland	75.36	69.36	86.26	72.91	56.46	901.69
Uganda	2,024.37	2,668.63	3,460.93	4,189.79	5,031.37	5,893.08
Zambia	5,409.00	6,024.80	7,603.90	6,634.06	7,473.55	8,514.90
Zimbabwe	1,230.00	1,270.00	1,338.90	1,390.50	1,645.50	1,730.72
Total	55,272.58	73,535.83	96,106.92	119,815.39	131,512.35	148,101.05

Source: COMESA and UNCTAD

The Business Environment – Country Performance

In the period under review, there have been varying degrees of reform in the performance critical to enhancing investment in the region. Regional and international assessments have been drawn from the COMESA Business Survey, the World Bank's Doing Business 2011 Survey, and the World Economic Forum's Global Competiveness Report, and the emerging consensus is that of a widely varying country to country status of the extent of policy reforms and performance.

The COMESA Business Survey, 2011 provided critical perceptions of the private sector of the investment climate. The salient findings suggested the following:

- The need for improvement of the business environment by ratification of double tax agreements and bilateral investment agreements;

- The need to implement regionally enforceable legal and institutional reforms. This would address the barriers to trade in form of corruption, poor security, and poor infrastructure in the region; and

- The need for simplification of procedures related to the registration of firms.

The World Bank's Doing Business Survey 2011 placed Rwanda among the top ten fastest countries in registration of business (with 30 days) while Mauritius is recorded among the top ten in the least number of procedures to getting an electricity connection (two formalities). Among the ten most improved economies, three sub-Saharan African countries are recorded. Two of them are Rwanda as a consistent reformer of business registration, as well as Zambia. It was also noted that 16 COMESA countries, out of 18 have made at least one policy reform.

The table below indicates the progress made by countries regarding the ease of doing business between 2010 and 2011.

Table 20: Ease of Doing Business Performance for COMESA Countries

Economy	Ease of Doing Business Rank - Worldwide			Relative Rank in COMESA		
	2010	2011	2012	2010	2011	2012
Mauritius	20	20	23	1	1	1
Rwanda	70	58	45	2	2	2
Zambia	84	76	84	3	3	3
Egypt, Arab Rep.	99	94	110	6	4	6
Seychelles	92	95	103	4	5	4
Kenya	94	98	109	5	6	5
Ethiopia	103	104	111	7	7	7
Swaziland	116	118	124	8	8	9
Uganda	129	122	123	9	9	8
Malawi	132	133	145	10	10	12
Madagascar	138	140	137	11	11	11
Sudan	153	154	135	12	12	10
Zimbabwe	156	157	171	13	13	16
Djibouti	157	158	170	14	14	15
Comoros	159	159	157	15	15	13
Congo, Dem. Rep.	179	175	178	16	16	17
Eritrea	180	180	180	17	17	18
Burundi	181	181	169	18	18	14

Source: World Bank

Regional Strategy for Addressing Cost of Doing Business

During 2011 there has been focus on the need to address the cost of doing business in the region. Progress has been made towards the implementation of the non-binding aspects of the COMESA Common Investment Area (CCIA) Agreement of 2007. The main objective of the Agreement is to attract greater and sustainable levels of investment into the region through creating a competitive area that allows for free movement of capital, goods, labour and services across the borders of Member States. Various recommendations were agreed on for the development of individual country strategies, and these include:

- The adoption of the World Bank's Doing Business Indicators as the common indicators of progress on improving business setting up procedures and costs for all COMESA Member States.
- Setting up of a mechanism within each country to monitor the progress being made on the Doing Business Indicators.
- Advocating for and strengthening political support for the improvement and harmonisation of the legal, regulatory and procedural frameworks for company start ups, covering registration, licensing and transparency.
- Establishment of the appropriate institutional structures to support business start-ups, including One Stop Shops and Investment Promotion Agencies as a priority for all Member States.
- All relevant legislation and procedural information related to business start-ups should be published on IPA websites.
- Donor support for capacity development, institutional and regulatory changes that are needed to improve and harmonize business start-ups should be sought.
- Information sharing between COMESA Investment Promotion Agencies should be encouraged.
- Investment promotion agencies should regularly inform the Secretariat and the COMESA Regional Investment Agency (RIA) on the efforts made by countries in the area of improvement of the business climate.

A regional roadmap, which will serve as a guide for the region and also indicate the objectives to be attained, has been developed. This is to be further synthesized with individual country road maps. The relevant ministries in the Member States will then take ownership of the road map, and come up with relevant strategies on the way forward with the collaboration of all stakeholders. In 2011, the first countries involved in the programme of improving the business environment are: Djibouti, DR Congo, Zimbabwe and Swaziland.

Industry

INDUSTRY

Standardization and Quality Assurance (SQA)

In 2011 the following strides were made in putting in place standards bodies; accreditation and conformity assessment facilities; industrial, scientific and legal metrology capacities; and also the development of the requisite human resources for international standards:

The SQA Sub-Committees on Standardization, Metrology, Accreditation, Technical Regulations, Testing and Quality Assurance met in Lusaka in August 2011, and deliberated on progress made so far in the area of quality infrastructure, and developed work plans. They noted the need to develop a coherent programme across the respective disciplines, based on the current and emerging needs as well as challenges being faced by the Member States in the standardization process.

The SQA Sub-Committee recommended that COMESA should develop a strategic plan for quality infrastructure. The sub-committee welcomed the proposal and cleared it for adoption.

At its meeting in Malawi in October 2011, the Council adopted:

i) The development of a strategic plan to guide the implementation of the SQA policy taking into account the common challenges facing Member States in quality infrastructure and to meet the requirements of the Customs Union.

ii) The 65 electrical standards as COMESA harmonised standards for generation, transmission and distribution of electrical power.

A key component of the tripartite arrangement is the sector-specific annexes, which include one on standards. Product standards are cardinal to regional integration because they underpin improved productivity, sustainable trade and economic growth. It is, therefore, incumbent upon the RECs to harmonise their standards if regional trade is to improve under a grand Free Trade Area or the Customs Union. A programme on the development and harmonisation of standards needs to be guided and approved by tripartite arrangements. That is why COMESA, EAC and SADC gave top priority to the development of the principles and procedures for the development and harmonisation of tripartite standards in 2011. Two meetings were held in 2011: one in March in Nairobi, which developed the draft document; and another in October in Lusaka, which fine tuned the document for consideration by the Tripartite Task Force, prior to its endorsement by the Tripartite Council of Ministers.

As the three RECS endeavoured to forge a way forward with the development and future implementation of tripartite standards, they also identified focus areas of co-operation and work programmes in metrology, conformity assessment, and accreditation.

Science & Technology

During the years 2010 and 2011, the COMESA Policy Organs meetings have been held under the theme, “Harnessing Science and Technology for Development”. This is in realization of the importance that science and technology as well as innovation, play in the development of nations.

It was noted that the use of science and technology was limited in the region hence the need to intensify co-operation in this field and transform Member states from being raw material based to becoming knowledge and technology driven.

In compliance with the Policy Organs' decisions, a COMESA Science and Technology Strategy and Implementation Plan was elaborated and discussed by the meeting of the Science and Technology Committee held in July 2011. The Strategy comprises three essential aspects, namely putting in place innovation systems; considering a clustering approach and adopting an action oriented, strategic learning approach.

An innovation system may be defined as a network of institutions in the public and private sector whose activities and interactions initiate, import, modify and diffuse new technologies. Clusters are geographic concentrations of interconnected companies and institutions in a particular field. Clustering fosters the diffusion of industrial organization in which innovation is built directly into a process whereby firms establish their core capabilities and network with other firms. The development of innovation systems is a continuous process that requires a comprehensive and consistent strategy, shared and understood vision, clear priorities and an action plan.

Focus in the coming year is going to be on the establishment of science, technology and innovation parks, priority industry clusters, and developing a mechanism of sharing experiences amongst the Member States.

Intellectual Property

Following the adoption of the COMESA Policy on Intellectual Property Rights and Cultural Industries by Council in August 2010, the Secretariat has undertaken activities in the implementation of the policy. The objective of the policy is to transform the COMESA region from one that is raw material driven to one that is knowledge driven. Furthermore, given that all Member States are either developing or least developed countries the emphasis of the policy is on development.

Partnerships continued to be utilized in 2011 with two officers going on a study tour of the World Intellectual Property Organisation (WIPO) offices. The study tour afforded the officers an opportunity to learn about the functions of WIPO and the training programmes offered by WIPO as well as collaboration with the countries and RECs.

The Secretariat with the support of the ACP-MTS programme organised a workshop on Intellectual Property, Public Health and Access to life saving medicines.

With the assistance of an international consultant, the Secretariat prepared model legislative provisions which Member States can draw from as they either develop or amend their laws on strategic areas of intellectual property.

The guidelines on formulating and implementing national intellectual property policies and strategies were adopted by Council in October 2011 while the other legislative guidelines were discussed at the Meeting of the intellectual property experts that was held on 23-25 November 2011.

It is important that action at the national level be properly coordinated so that synergies are created.

The model legislative provisions have been developed and it is expected that the Member States will utilize them as they formulate or amend their IP laws.

The region will carry out Intellectual Property Audits to determine the IP assets in the Member States and the contribution of IP to the national economies. It is envisaged that those Member States that will be either developing or amending their IP laws will utilize the model legislative provisions that have been developed.

The EU-All ACP Agricultural Commodities Programme

The COMESA Secretariat, with support from the European Union and in collaboration with five International organisations, implemented the EU-All ACP Agricultural Commodities Programme (AAACP) in Eastern and Southern Africa. The five international organisations included: the International Trade Centre, United Nations Conference on Trade, Food and Agriculture Organization, The World Bank and Common Fund for Commodities.

The programme interventions in the ESA region focused on the following five crops/commodities:

- Cassava (cassava represents 75% of total root and tuber production and is an important food security staple)
- Coffee (mainly quality coffees)
- Cereals (maize is becoming the most common dietary staple)
- Horticulture
- Cotton

Notably, the following has been achieved in the reporting period:

(i) Empowering commodity chain stakeholders in ACP countries

The development of the cotton to clothing value chain strategy that was adopted and launched in 2009 has enabled the functioning of the sector in a more effective and well coordinated manner.

The Zambia cassava strategy was finalised and launched and has contributed to the creation of a framework for coordination, expansion and value addition of the cassava sector in Zambia. The Zambian experience will be cascaded to regional agri-foods strategy development where roots and tubers have been identified as one of the crops for sustainable agricultural production for food sufficiency and wealth creation. The Zambia cassava strategy also led to conducting the financial risk profile of the cassava sub-sector by a local bank with the support of FAO; to develop innovative financial solutions for the sector.

In Zambia, a number of SMEs have managed to process cassava into flour, stock feeds and chips as a result of the strategy development process. A link has also been created between SMEs and the milling industry, food and livestock feed firms. Thus domestic market linkages have been created. For example, an agreement has been reached with Universal Industries to purchase cassava flour from the project's entrepreneurs and Tiger Feeds have purchased a trial consignment of cassava chips to use in feed formulation. More industries have expressed interest in purchasing produce directly from smallholders.

The development of the cassava nurseries has increased access to quality seeds resulting in high yields. This has enhanced food security as cassava is a drought tolerant multi-purpose crop with low input requirements.

The regional agri-foods strategy development process was initiated under the programme. It contributed to regional and national stakeholders and development partners buying into the process. Further, the process of aligning the regional CAADP compact, UNECA, UNIDO, the African Union value chain initiative and Aid for Trade to the strategy development process has been initiated.

The launch of MoZaZiMa cotton-to-clothing value chain collaboration initiative between Mozambique, Zambia, Zimbabwe and Malawi aimed at developing synergies in the areas of research, policy and value addition in the cotton to clothing value chain. One of the immediate outcomes of the collaboration is the evolution of working relationship with the Competitive African Cotton Initiative (COMPACI) in the area of policy. COMPACI has contributed US $10,000 for the completion of the Malawi cotton-to-clothing strategy that was initiated by COMESA.

(ii) Access to, as well as use of markets, production factors and support services

Zimbabwe and Mauritius now have trade linkages in cotton and yarn; Zambia, Malawi, Mozambique and Zimbabwe have linkages in the area of cotton seed for cooking oil production; while South Africa and the rest of the region have linkages in the area of capacity development in research and BT cotton.

There also are market linkages between Zimbabwe seed manufacturers and the Kenya, Uganda and Tanzania cotton development authorities in the areas of seed multiplication to enhance certified seed production.

(iii) South-South capacity building programme

Over 200 farmers and ginners in the region have been trained in reduction of cotton contamination, best agronomic and agri-business practices, and direct marketing and promotion of cotton. The impact has been increased value addition by farmers; transparency in ginner-farmer relationships, and direct sales to Bangladesh, China and Thailand.

Farmers' marketing skills have been improved in Malawi. An analysis was conducted on marketing opportunities and investment profiling for cassava starch; financing opportunities and mechanisms with the focus on starch and High Quality Cassava Flour (HQCF) sub-sectors. This has also led to establishment of a national cassava platform to bring stakeholders together for the promotion of cassava commercialization.

The inclusive business models to improve farmer–buyer linkages that were implemented under the programme have offered farmer organizations, and those supporting smallholder-market linkages, conceptual guidance and a tool to upgrade operations.

(iv) Stakeholder use of market-based risk management instruments

Training was conducted for various stakeholders in weather risk management with a focus on assessment of feasibility and possible piloting of agricultural insurance products. The price risk management for cotton ginners and trade support institutions in the region has led to enhancement of stakeholders' capacities in risk management. Over 30 trainers were equipped to upscale and cascade price risk management skills to cotton ginners, farmers and traders in the region.

Capacity has been enhanced at country-level in weather risk mapping in order to identify major weather risks, assess current risk, and assist governments in designing a risk management strategy for agriculture.

Farming

AGRICULTURE

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 2011 focused on: support to countries in pre and post-compact work for the signature of national compacts and development of robust national agriculture and food security investment plans; the regional process; monitoring; communication and information sharing; capacity strengthening at national and regional levels; and joint organization and participation in different regional events and workshops in collaboration with various partners.

The Multi-Donor Child Trust Fund Grant Agreement, signed between COMESA and the World Bank in August 2010, continues to be the main source of finance. This is complemented by a contribution from the USAID through its broader COMESA support programme, IPAA.

The 2011 implementation progress is as follows:

Eleven Member States have now concluded their Comprehensive Africa Agriculture Development Programme (CAADP) compacts.

Zambia successfully signed the CAADP compact on 18 January 2011, significant because it had been planned and postponed twice in 2010.

DRC signed the compact in March 2011 and is currently completing the stock-taking exercise.

A support mission went to Zimbabwe in May 2011 and as a result there was successful brokerage between the Government and the agriculture sector development partners including USAID, the Netherlands, the EU and the World Bank. A roadmap was agreed upon for the compact signature and development of the investment plan.

The CAADP focal point meeting was held in the margins of the Joint Meeting of Ministers on Agriculture, Environment and Natural Resources held in Swaziland in July 2011.

The Seychelles CAADP Compact validation workshop took place on 06-07 September 2011 on Mahe Island and the compact was signed on 16 September 2011.

In Djibouti, COMESA supported the recruitment of a national consultant to provide support to the CAADP country team and contribute to the drafting of the National CAADP Compact.

Post compact activities were conducted in Burundi, Malawi, Swaziland, Zambia, Rwanda, Kenya, Ethiopia and Uganda.

In July 2011 COMESA engaged the SADC Secretariat 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.

In October 2011, COMESA undertook a Mission to the East African Community headquarters in Arusha, Tanzania for the same purpose. Dialogue between the two regional economic communities (RECs) has continued into 2012.

Various capacity strengthening initiatives were initiated and delivered during the reporting period:

In partnership with AUC, NPCA, and USAID, COMESA facilitated the Climate Smart Agriculture Programme Design Workshop held in Kenya from 24-27 October 2011. It was attended by Member States, RECs, development partners and sub-regional organizations involved in agriculture and food security.

The Secretariat facilitated the participation of eight COMESA Francophone CAADP country team members in the French delivered Pillar III Learning Programme jointly organized by CILSS-ECOWAS and FAO.

COMESA participated in the AUC-IFDC training on opportunities for indigenous fertilizer development.

CAADP participated in the workshop on accelerating operationalisation of the AU-NEPAD Agriculture Climate Change Adaptation-Mitigation Framework from 17-18 August 2012. This workshop was hosted by NPCA in Durban, South Africa.

Staff from the Secretariat's CAADP unit and the Gender Division participated in the African Women in Agriculture and Rural Development Conference in Johannesburg, South Africa. The conference focused on mainstreaming gender in agriculture and rural development.

On 07-11 November 2011, COMESA participated in the Joint AUC, NPCA, RECs and partners meeting which took place at Dar-es-Salaam during which progress, challenges and the way forward for CAADP implementation were reviewed.

CAADP staff contributed to, and participated in, the COMESA Business Forum held in Lilongwe, Malawi from 11-12 October 2011.

From 05-09 December 2011, CAADP participated in the COP 17 Meeting held in Durban, South Africa.

On food security, it is worth noting that 10 million people in the COMESA region need emergency food aid. Therefore, it is critical to have accurate and timely information on regional food availability, and to have a Regional Food Balance Sheet.

A joint COMESA, SADC and FAO High Level Seminar on Policy and Programmatic Actions to address high food prices, was held on 06-08 June in Lilongwe, Malawi. The seminar emphasized the importance of balancing the needs of both consumers and producers when designing responses to high food prices; and the need for agriculture, food security and development programmes to integrate nutrition in order to address both the immediate needs of households while at the same time strengthening the resilience of vulnerable groups.

They also called for further involvement of key stakeholders in the decision making processes, including the choice of varieties and commodities by producers, and the requirement to close the nutritional gap through nutrition-sensitive food and agriculture-based approaches.

The Ministers of Agriculture Environment and Natural Resources adopted the COMESA Strategy for the Sustainable Development of Fisheries and Aquaculture.

COMESA is implementing a policy research and outreach programme called "Guiding Investments to Strengthen Agricultural Markets in Africa (GISAMA)" with the support from the Bill and Melinda Gates Foundation through the Michigan State University (MSU). The programme supports the CAADP process in the area of market development by facilitating evidenced-based stakeholder discussions to guide future investments and policies necessary for competitive food markets to thrive at national and regional levels. The programme activities seek to contribute to improved market participation of smallholder famers in region. Currently, only 40 percent of smallholder farmers effectively participate in the staple food markets as sellers, despite the fact that the region has been implementing the agricultural reform and liberalization agenda for more than three decades.

Under the Africa Agricultural Markets Programme (AAMP), the fifth regional policy seminar and training workshop on the theme, "Successful Smallholder Commercialization" was held in Kigali, Rwanda on 18-22 April, 2011. The background research reports, training materials and a policy brief were developed and can be accessed at www.comesa.int.

The AAMP also embarked on the Strengthening Markets and Regional Trade for Food Security Programme (SMART-FS), which seeks to improve policy environment and competitiveness of the staple food sector.

COMESA/ACTESA also strengthened its collaboration with Automated Geospatial Watershed Assessment (AGWA), and a collaborative Memorandum of Understanding (MoU) with International Water Management Institute (IWMI)-Southern Africa was signed.

In order to ensure a sustainable, regional food balance sheet, Member States should:

- Adopt a short to medium term strategy to protect the poor without distorting the domestic food economy;
- Endorse the initiative to establish a Regional Food Balance Sheet to be based on the national balance sheets; and

The Secretariat also produced support to the implementation of the balance sheet through the provision of the necessary information that includes data on production, food stocks, imports and exports.

The Agency for Commodity Trade in Eastern and Southern Africa (ACTESA)

The Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) was launched on 24

September 2008 by COMESA's Ministers of Agriculture. On 09 June 2009, it was established by the COMESA Authority as a specialized agency to integrate small farmers into national, regional and international markets.

ACTESA signed an agreement with COMESA on the implementation of agricultural programmes in the region, aimed at accelerating the implementation of regional initiatives in agriculture, trade and investment. The area of focus include the development of regional agricultural policies; promotion of investments in agriculture; promotion of trade in agro commodity products and development of production and marketing structures; development of the agricultural, livestock, pastoral and fisheries sectors and consultation with the private sector and civil society organisations on agricultural development matters especially agro commodities trade.

During the reporting period, two key personalities were added to the ACTESA Advisory Committee. The COMESA Director of Gender and Social Affairs, Mrs Emiliana Tembo, and the head of the COMESA Technical Committee of Agriculture, Mr Bongani Masuku were co-opted, bringing the number of institutions on the committee to nine.

The first ACTESA Regional Farmers' meeting was held in Livingstone, Zambia on 13 - 15 April 2011 under the theme: Aligning Production to Markets. The meeting - jointly hosted by ACTESA, the Southern Africa Confederation of Agricultural Unions (SACAU) and the East African Farmers Federation (EAFF) – resolved to empower and strengthen farmer organisations; establish competition laws to enable a fair and transparent competitive environment for farmers; promote local seed multiplication by farmers; and promote rural based warehouse receipt systems among others.

ACTESA held a meeting with the media in Livingstone on 11-12 April 2011. The purpose of the meeting was to develop knowledge and understanding among journalists in the region on the role of ACTESA and its programmes. It was also to promote access to sources of accurate and reliable information and research on agricultural development; and to help foster professional and personal contacts between agricultural journalists and stakeholders. The meeting was attended by reporters and editors of private and public media institutions from Zambia, Zimbabwe, Uganda, Kenya, Ethiopia, Swaziland, Malawi, Mozambique and Tanzania.

Agreements were finalised with the African Seed Trade Association (AFSTA) and the International Potato Centre (CIP) with support from USAID, for the launch of a public-private seed alliance and development of a private sector seed multiplication and marketing roadmap for the potato. ACTESA also concluded agreements with AGRA and CROPLIFE, to foster agricultural development in the region.

On 31 December 2011, the COMESA Regional Agro-Inputs Programme (COMRAP) came to an end after 18 months of implementation in the COMESA region. The EC funded €20 million programme managed to encourage food producers to increase supply; to deal directly with the effects of volatile food prices on local populations; and to increase food production capacity.

COMRAP also achieved the following results in the COMESA region:

- 755 people from financial institutions were trained and sensitized.
- Over 1,700 insurance and bank personnel were trained on weather index insurance.

- Weather index insurance was piloted in the four countries of: Malawi, Uganda, Rwanda, and Zimbabwe.

- The seed multiplication programme produced about 25,000 metric tons of seed in all the Member States put together.

- 5,686 agro-dealers; and 1,816 agents were trained.

National consultative workshops on the COMESA regional bio-safety policies and guidelines were conducted in Swaziland, Kenya, Zimbabwe, and Seychelles, bringing the number of Member States that have conducted national consultations to 14. The consultations will continue in the remaining Member States.

The COMESA Biotechnology and Bio-safety Programme participated at the AU-NEPAD African Bio-safety Network of Expertise meeting held on 11-12 April 2011. The meeting discussed strategies for the implementation of agricultural biotechnology regulatory frameworks in Africa.

During the reporting period, national consultative workshops on the draft COMESA regional bio-safety policies and guidelines were conducted in Madagascar, Mauritius and Djibouti. That brings the number of Member States in which the consultations have been held, to 17.

In February 2011, the Strengthening Markets and Regional Trade for Food Security (SMART-FS) programme held joint sensitization workshops in Burundi, Rwanda and the Democratic Republic of Congo, for the expansion of AAMP activities to these countries. SMART-FS also helped to finalise and facilitate the presentation of the ACTESA five-year Strategic Plan to the COMESA Intergovernmental Committee meeting which was held from 06-13 October 2011 in Lilongwe, Malawi.

In 2012 and beyond, ACTESA will pursue a partnership agenda that will strengthen the capacity of state and non-state actors to plan and initiate programmes in support of regional agricultural trade and integrated value chains. This will mostly be done by providing a platform for sharing information so the successes achieved elsewhere can be replicated or scaled up across the region.

The Programme to Harmonise Sanitary and Phytosanitary (SPS) Measures

In their meeting of October 2011, SPS regulators identified specific SPS issues affecting trade and agreed on collective actions to resolve the trade barriers. Priority SPS risks identified as crucial for intra regional trade include: aflatoxins in maize, peanuts and other staple crops; and pests and plant diseases in horticulture and plant products.

In line with action plans developed by the Member States themselves, the Secretariat has mobilised resources and partnerships to provide training and technical support, including training in the Multi Criteria Decision Analysis (MCDA) framework to prioritise SPS capacity options, regulatory reforms and the necessary investments. However, trade barriers of SPS nature persist in the midst of an expanding FTA. The Secretariat will continue to strengthen capacities and provide evidence on the benefits of free uninterrupted trade as well as support the affected countries to utilize available mechanisms such as the SPS committee of the World Trade Organisation to have sufficient attention paid to removing the trade restrictions.


Ethiopian


City to City
Marcopolo
City to City
INTERCAPE

PART: 6 INFRASTRUCTURE DEVELOPMENT

The primary objective here is to develop new infrastructure, and maintain existing infrastructure in transport, Information and Communication Technology (ICT) and energy. It is also necessary to develop facilitation instruments to harmonise the provision of services so as to reduce the cost of doing business and to enhance competitiveness in the regional as well as the international market. Infrastructure development forms one of the three pillars underpinning the enlarged regional co-operation programme within the COMESA-EAC-SADC Tripartite; the other two being trade development and industrialisation. The three main intervention areas under infrastructure are: policy and regulatory harmonization; development of regional physical infrastructure; and transport facilitation.

TRANSPORT FACILITATION

(a) Civil Aviation

Air transport is crucial for the region's development and in the last decade important strides have been made in this sector through the implementation of air transport liberalisation programmes based on Legal Notice No 2 of 1999. This programme is premised on the Yamoussoukro Decision (YD) which was adopted by the African Union. Currently, 16 Member States namely: Burundi, Djibouti, DRC, Comoros, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Sudan, Seychelles, Uganda, Zambia and Zimbabwe are implementing Phase One of the Legal Notice No. 2. 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 programme of air space integration in the COMESA and the larger Eastern and Southern Africa region is being addressed through the Communications, Navigation and Surveillance Air Traffic Management (CHS/ATM) to optimise on the utilisation of the common airspace.

The issue of aviation safety is being addressed through the COSCAP Project through a programme of capacity building to develop human skills and establish appropriate institutional and regulatory regimes in line with ICAO guidelines.

(b) Road Transport

Road transport is the primary mode of transport for goods and people in the region and hence continues to receive sustained attention through road development and road transport facilitation programmes. During the reporting period, COMESA has promoted the development of reliable road networks and various transit transport facilitation instruments to address the constraints and bottlenecks for the smooth operations of cross-border and transit transport services. These instruments address the issues of licensing of transit and cross-border transporters, harmonisation of axle load limits, overload control, gross vehicle weight, vehicle dimensions, and road user charges.

Following the decision of the COMESA-EAC-SADC Tripartite Summit held in Kampala, Uganda in October 2008, a strategy has been developed to facilitate the adoption of a harmonised transport facilitation instrument across the region. In this regard, the Comprehensive Transport and Trade Facilitation Programme (CTTFP) has been adopted to cover the entire ESA region.

(c) Railways

The railways in the COMESA region remain an important component of surface transport although its share in terms of both freight and passengers lifted has continued to decline over the last three decades. There has been limited growth in the stock of rail infrastructure during the last ten years even though it is the most cost effective mode of transport for the long distance haulage and for low value freight.

However, there are 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. Studies are also being undertaken for the development of new railway networks such as the Isaka Musongati and the Great Lakes railway networks.

In order to improve performance in the existing railways, a number of networks have been concessioned to private operators though the outcomes have not been very dramatic due to unfavourable concession agreements entered into. Concessions have already been undertaken in Malawi, Zambia, Kenya and Uganda, while closure or suspension of services in some segments and branch lines have been made in Ethiopia, Kenya, Malawi and Uganda.

(d) Corridor Development and Management

The corridor approach has been adopted for the development of physical infrastructure in transport and trade and transport facilitation in the region. The approach entails 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.

The projects developed under the approach now cover various corridors in the ESA region and focus on the implementation of harmonised policies, regulations, trade and transport facilitation. In 2011, 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. The outputs of corridor diagnostic studies were applied in the identification of priority projects in transport and energy, which were presented in the infrastructure investment conference held in Nairobi in September 2011.

(e) Maritime and Inland Water Transport

The maritime sector is vital in the conveyance of the region's sea borne regional and international trade products. As in the previous reporting period, the sector remained dominated by foreign shipping lines, and shipping continued to face very adverse conditions due to the effects of the global financial crisis resulting in low freight rates and increased lay up for both container and bulk carriers.

The good news is that the few 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.

The ports in the ESA region recorded no significant growth rates in both container traffic and in tonnage handled save for Mombasa and Nqukka where there were increases in the volume of containers handled. Large ports such as Durban experienced declines in traffic volumes.

In terms of port productivity, Mombasa, Dar-es-Salaam and Durban continued to experience significant ship and cargo congestion primarily because of poor off take on the landward side. This calls for measures to address the issues of land transport by both road and rail in order to decongest port terminals through quick deliveries of imports into or out of the ports.

In terms of the development of ports facilities, projects are ongoing in Djibouti, Mombasa, Dar-es-Salaam, Maputo, Durban and the port of Nqukka to provide additional capacity for container handling capacity.

On inland water transport, the Shire-Zambezi Waterways Project intended to provide access to the Indian Ocean particularly for Malawi, Zambia and Zimbabwe 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 third quarter of 2012.

The Lukuga Barrage Project is ongoing, and the consultant submitted the Draft Hydrology and the Environmental and Social Impact Assessment (ESIA) reports which were reviewed by a stakeholders' workshop held in Bujumbura.

Other projects on inland water transport are ongoing for the expansion of the Mpulungu, and Bujumbura ports and the rehabilitation of ports facilities on Lake Victoria.

Key Strategies to Develop Regional Infrastructure

A COMESA-EAC-SADC Tripartite and IGAD Infrastructure Investment Conference was held in September 2011 in Nairobi, Kenya where priority investment projects in transport, ICT and energy were presented to potential investors, funding agencies and cooperating partners. The key message in this conference was to attract private investors to projects either directly or through PPPs.

On the 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 2011, 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:

- The successful holding of the COMESA-EAC-SADC Tripartite and IGAD Infrastructure Investment Conference;
- 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 Transport Facilitation

- 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

The provision of efficient and affordable energy plays an important role in reducing the cost of doing business and COMESA has, therefore, recognized energy infrastructure development as a priority and strategic focus area. The strategic objective here is to foster physical, regional energy connectivity and integration as well as enhance competitiveness. The removal of supply-side constraints related to energy is an essential pillar necessary for improved market access and enhanced productive capacity.

Energy is scarce and expensive in the region, for instance the average electricity cost is between US $0.10 to US $0.12 per kilowatt. This is an impediment to regional economic growth and competitiveness. In many Member States the electrification rate is as low as 33 percent (in 2010). The total installed capacity of the COMESA region in 2010 was 48,730 megawatts. Almost 69% of the installed capacity is thermal, whereas, 30% of it is hydro. Per capita electricity consumption was 475 kilowatt-hours (KWH) per person in 2010. However, insufficient investment in the energy sector, increased demand for economic growth and inefficient use of the available energy systems are all factors that are contributing to the existing energy challenges of the region.

1. In 2010-2011, COMESA has adopted a model energy policy framework and strategy to develop

energy resources through improving efficiency and increasing investment. We have also developed some electric power standards to facilitate trade in energy services, and many Member States are implementing them. And an association of energy regulators, to facilitate regulatory harmonization and capacity building, was established.

2. COMESA is fast tacking the implementation of power generation with projects like the Batoka Gorge Hydro Power Project and the regional power interconnection projects of Zambia-Tanzania-Kenya, Ethiopia-Kenya, Zimbabwe-Zambia-Botswana-Namibia (ZIZABONA), Eritrea-Sudan, and South Sudan-Uganda.

In 2011, the Eastern Africa Power Pool (EAPP), one of the specialized institutions of COMESA in the field of electric power, prepared a regional 25-year master plan. This is because power projects have a long gestation period as well as a long economic life of operation. The plan for the first ten years is detailed whereas the remaining 15 years is indicative to provide long term insight to decision makers. The master plan is supposed to provide the basis for structured discourse amongst stakeholders on a sustained basis, on issues pertaining to power infrastructure development. It is to be updated annually given the fast changing circumstances in the region, and preparatory work is underway to start revising it soon.

The EAPP master plan indicates that interconnection projects, existing and committed by 2014 are as follows:

a. Uganda–Kenya, and Tanzania-Uganda are existing power interconnectors;

b. Ethiopia-Djibouti and Ethiopia-Sudan have been completed are operational; and

c. Uganda-Kenya and Uganda-Rwanda are under construction.

The interconnection projects that should be ready before 2018 include the following:

a. Tanzania-Kenya, 2015;

b. Ethiopia-Kenya, 2016;

c. Ethiopia-Sudan, 2016;

d. Egypt-Sudan, 2016; and

e. Rusumo transmission system 2015.

The power generation projects are:

a. Ethiopia: Mandaya (2,000 MW), Karadobi (1,600 MW), Border (1,200 MW), Baro I and (500 MW), Genji (200 MW) plus under construction projects: Gibe III, Chemoga Yeda, Halele Worabesa;

b. Uganda: Karuma (700 MW), Murchison Falls (750 MW) and Ayago (550 MW);

c. Burundi, Rwanda and Tanzania: Rusumo Falls (63 MW);

d. Tanzania: Stieglers Gorge (I, II & III – 1,200 MW), Ruhudji (358 MW), Rumakali (222 MW), Mnazi Bay (300 MW); and

e. Kenya: Large Geothermal projects.

The EAPP has also completed a number of instruments necessary to facilitate power trade in the region. They include the following:

a. Interconnection code and power transmission standards in order to facilitate the integrated development and operations of the power systems of the member countries;

b. The EAPP project on technical assistance and capacity building whose major objective is to strengthen the capability of the EAPP Permanent Secretariat so that it successfully manages the progress of the integration of the electricity markets of the Eastern Africa countries and to create a regional power market for Eastern Africa and the component of the project include the following:

    i. assessment of the eastern Africa power market development,

    ii. preparation of a strategic road map and a business plan, and

    iii. preparation of power market rules and agreements for cross-border trade; and

c. The facilitation of institutional set-up of the EAPP Coordination Centre and Independent Regulatory Body in order to facilitate efficient power trade in the region when the critical masses of interconnection projects are realized.

Implementation Agreement on the Zambia-Tanzania-Kenya (ZTK) Interconnector Project

On 03 December 2011, the Secretary-General, Mr Sindiso Ngwenya, signed the Implementing Agreement between 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 10^{th} European Development Fund, a European Union funded programme.

This agreement is intended to finance activities to establish and maintain 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 €4.4 million.

The short and medium-term objective of the ZTK Interconnector Project is to supply firm energy from Zambia and/or the Southern Africa Power Pool (SAPP) to Tanzania and Kenya and the long-term objective is to provide opportunities to conduct power trade in the region and facilitate the creation of a Pan African power market from Cape Town in South Africa to Cairo in Egypt and Tripoli in Libya.

The HVAC design will make it possible to drop power along the route, which will go a long way in assisting these countries achieve one of the key Millennium Development Goals (MDG), increased access to electricity.

It is worth noting that since the project was established in 2001, the Office for the Promotion of Private Power Investment of the Ministry of Mines, Energy and Water Development of the Republic of Zambia (OPPPI) has been monitoring and coordinating the project on behalf of the three Governments.

Ethiopia-Kenya Interconnection Project

Some co-operating partners such as the African Development Bank, Development Bank of Southern Africa Bank, the World Bank, Agency Francaise Development and European Investment Bank have firmed up their pledges to finance the East Africa Power Corridor Project, that is, the Ethiopia/ Kenya power interconnection project as follows:

a. The African Development Bank - UA 240 million;

b. The Development Bank of Southern Africa Bank - between US $200 million and US $300 million;

c. The World Bank – US $510 million;

d. Agency Francaise Development - €105 million; and

e. The European Investment Bank - €50 million.

Baseline Renewable Energy Database and the Road Map

During the year under review, the project on baseline renewable energy database was commissioned by the Secretariat, with USAID as its financial partner. The aim of the project was to facilitate the widespread introduction of renewable energy projects that are sustainable and contribute towards the availability of locally generated energy. The project also aimed at facilitating commercialization of renewable energy technologies in the region and in particular identification of barriers to renewable energy provision, and recommendations on how to overcome barriers to renewable energy production and provision; and the diversification of the energy mix for the region through promotion of environmentally sound and efficient energy production technologies and practices that reduce inputs and levels of pollution.

One of the major findings of the report is that COMESA should consider developing renewable energy programmes straddling different countries for each renewable energy resource. The different programmes can attract clean energy technology funding, build manufacturing capacity in at least one country and ensure the industry has a meaningful economic impact in the bloc.

The harmonization of renewable energy regulatory frameworks and policies for widespread of renewable energy technology is, therefore, the first step towards the development of such a programme. Given the region’s low level of access to non-biomass based energy carriers, renewable energy is the least cost technology that can supply remote and poor sections of the population. Although still generally expensive, renewable energy is a quicker and cheaper alternative to expanding the major utilities’ transmission and distribution network.

In 2012, it is essential that the energy projects, which have already been identified and prioritized through the master plans of the power pools indicated above and also prioritized by the different investment forums, are presented to potential investors.

INFORMATION & COMMUNICATION TECHNOLOGY (ICT)

Growth in Africa's mobile telephone sector has defied all predictions. Africa remains the region with the highest annual growth rate in mobile subscribers and added no less than 65 million new subscribers in 2007 for example. Penetration rates reached an estimated 41% at the end of 2010, with even greater opportunities for growth. Mobile success is driven largely by competition and liberalisation of the services as well as spawning new services such as micro-payment prepaid recharging, single rate inter-regional roaming and the uptake of ICT applications.

The Cyber Crime Model Bill

In 2011 the Cyber Security Model Bill was adopted by the Council. The purpose of the policy guidelines was to assist Member States - when developing policies on cyber security - to do so in a manner that would ensure the harmonization of legal frameworks so as to establish sound legal foundations that would ensure confidence and trust in using ICTs. The policy particularly highlighted the importance of having organizational structures for incident response, capacity building and user awareness programmes, and international co-operation in measures expected to be taken to ensure cyber security.

Where appropriate cyber security laws were available, the policy guidelines would enable the Member States review them to ensure they were in line with international standards. Where they are lacking, Member States are expected to make necessary amendments to facilitate the security of information infrastructure, protection of critical information infrastructure, and enable local law enforcement agencies to co-operate with those in other countries in the investigation and prosecution of cyber crime. The model law particularly highlighted the need to have in place provisions that criminalized actions such as identity theft, computer fraud, illegal access, data interference, copyright violations and child pornography.

The Cyber Security Implementation Roadmap

The Cyber Security Implementation Roadmap was also finalised in 2011 and it seeks to:

- Address key challenges in cyber security ranging from lack of adequate skills to limited coordination between stakeholders at national, regional and global levels.
- Develop relevant policies, legal and regulatory framework, strategies, and to establish the code of conduct for improving cyber security.
- Promote and enforce compliance of technical and operational standards.
- Establish the technical issues, which may be imposed on stakeholders such as service providers, financial institutions, vendors/merchants, as well as work towards building the necessary trust and confidence demanded by users, key stakeholders, both within Africa and from around the world.
- Collect; analysis and disseminate incident, threat and vulnerability information.
- Establish effective and appropriately secure communications mechanisms.

- Promote regional co-operation and co-ordination of cyber security efforts.
- Follow up with the activities carried out by the RICTSP to promote e-readiness assessment and information society measurement in Eastern and Southern Africa.
- Share best practices among Member States; and promote national and regional culture of cyber security.

The E-transaction Model Law

The draft Model Law for Electronic Transactions has taken into account the UN Convention on the Use of Electronic Communications in International Contracts 2005 (UNECIC). There was a specific discussion on the approach to electronic signatures; and this law requested for the changing the COMESA Court of Justice Law to incorporate an act on conciliation and mediations.

Consumer Protection in the Use of ICTs

The consumer protection project was sponsored by the International Development Research Centre (IDRC). The project covered the following five ARICEA member countries: Ethiopia, Mauritius, Rwanda, Uganda, and Zambia. It was noted that the survey produced a rich insight to consumer issues in the countries concerned. The overall findings show that consumer issues concern the following:

- Complaints about mobile operators but more complaints from smaller number of Internet users;
- Poor network coverage a theme in all countries;
- Lower Quality of Service: Dropped calls, missed calls alerts and voice mails; and
- Irritation at on-net/off-net tariff disparity (multiple SIMs issue)

The key recommendations of the study are to improve consumer protection including strengthening the consumer protection laws, regular survey of consumer perceptions, improved regulatory complaints handling and undertaking of consumer education, among others.

Geographical Information Systems (GIS)

The Secretariat developed a regional GIS system covering initially the transport Infrastructure in the COMESA region while funds for the development of the peace and security component are still to be released. The GIS system is meant to facilitate transporters plan for better and safe transportation of goods between countries.

The GIS would also show the interventions on the different roads and rail sections and assist Member States appreciate the need to maintain or rehabilitate the remaining sections in order to create a seamless network. The first version of the GIS system with the transport and infrastructure component was developed in the period under review.

The Northern Transit Transport Corridor VSAT Network

Transit transport facilitation along the Northern Corridor has remained a challenge for countries that use the Mombasa port for their international trade. The countries served by this port include Burundi, DR Congo, Kenya, Rwanda, Southern Sudan, Northern Tanzania and Uganda. Ethiopia also uses Mombasa port to a limited degree.

The main objective of the Northern Corridor VSAT project is to improve the exchange of information through good means of communication along the border posts. As a result time and business cost will be minimized; there will be effective monitoring of the movement of goods, trade efficiency, competitiveness and consolidation of regional integration. Five VSAT terminals were installed at the border posts in Uganda along the Northern Corridor and these were linked to the customs authorities' headquarters in the Member States to provided data and voice information.

THE COMESA INFRASTRUCTURE FUND

The objective of the COMESA Infrastructure Fund is to invest in trade related infrastructure projects in the region. CIF aims to raise US $1 billion in equity capital from regional and international, public and private sectors.

The Fund seeks to achieve a portfolio of infrastructure investments that will generate a pre-determined financial yield per annum within certain investor requirements. It will make equity and quasi equity investments using a variety of instruments including common shares, warrants, options and convertible debt. CIF aims to select well-prepared and profitable projects and work with highly qualified sponsors and technical partners to design profitable operating structures. It will also have reasonable exit strategies preferably through structured option contracts or initial public offerings.

The enhanced co-operation among Member States will improve the efficiency and competitiveness of their markets; upgrade and increase the supply of domestic and regional infrastructure services and ultimately promote economic growth and wealth creation.

The CIF will also partly address the regional funding gap for infrastructure investment requirements in the region, for the next ten years, estimated at US $93 billion.

On 04 November 2011 the CEO relocated to Mauritius to establish the Fund's office. She is, with the assistance of the Mauritian Government, finalising the relocation procedures so that the Fund's headquarters are suitable for a regional infrastructure fund.

Pursuant to the floatation of international tenders inviting proposals from qualifying companies to bid for the provision of Financial Advisory; Legal Advisory; and Reporting Accounting services, bids were received and evaluated. The winning bidders PWC (Financial Advisory/Lead Advisors); SNR Denton (Legal Advisory) and Deloittes (Reporting Accounting); were notified in November 2011.

Approval was given for the Fund to borrow US $528,550 from the Base Fund to meet the costs

01 February 2011 - Chief Executive Officer of the COMESA Infrastructure Fund assumed duty of recruiting transaction advisors. The advisors are expected to come up with a comprehensive document that will form the basis for marketing the infrastructure projects to all potential investors.

PART: 7 PEACE AND SECURITY

The Committee on Peace and Security comprises senior officials in the Ministries of Foreign Affairs. At the Eleventh Meeting of the COMESA Ministers of Foreign Affairs, which was held in Lilongwe, Malawi on 12-13 October 2011, 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 2011.

- 2011 was arguably the most active year for COMESA since the establishment of its Programme on Peace and Security. It was a year that saw the birth of a new nation, born from conflict; and the change of regime in two of COMESA's large economies, following unprecedented popular uprisings.
- In compliance with the Comprehensive Peace Agreement (CPA) following the 21 year old conflict in Sudan, a referendum for the independence of South Sudan was held. The referendum, which marked the end of the six year interim period, overwhelmingly favoured separation and South Sudan became an independent state on 09 July 2011.

The new nation was faced with huge challenges of reconstruction and building of national institutions including the challenges of accommodating over half a million people returning from the Sudan. A referendum for Abyei was, however, not held in 2011 as scheduled due to difficulties in interpreting the Abyei Protocol of the CPA and this led to continued tensions and clashes at the common border for much of the year. Instability and unrest also continued at other border areas of the Sudan and South Sudan and armed conflict broke out in June 2011 at Southern Kodafan, following the disputed elections for Governor in May resulting in a humanitarian crisis while fighting also broke out at Blue Nile State in September 2011. These continue to threaten the peaceful co-existence of the two nations.

At the start of the year, Egypt and Libya experienced crisis that resulted in changes in regime and consequent democratisation processes. Former President Hosni Mubarak stepped down on 11 February 2011 following an 18-day revolt ending his 30-year rule in Egypt.

Following the resignation of President Mubarak, the country started to undertake reforms. In March 2011, Egyptian voters approved constitutional reforms that have among other things set a term limit for the presidency. Parliamentary elections were held in November 2011 and ran into 2012.

In Libya the revolt escalated into an armed conflict between the Transitional National Council and the Ghadafi regime. While the AU PSC developed a roadmap towards the resolution of the crisis on 10th March, the UNSC imposed a no-fly zone over Libya on 17th March and NATO was mandated to enforce it, resulting in heavy fighting until the death of the former President in October. A national transitional government was established in November 2011 to govern the country until the parliamentary elections are held in 2012.

During the Eleventh Meeting, the Ministers of Foreign Affairs expressed solidarity with the people of Egypt and also support to the national reconciliation process in Libya. The Ministers further, in solidarity with the AU, reiterated the need for the respect of the sovereignty and independence of Libya.

During the year, great strides were made in Burundi towards consolidating peace and the setting up of structures and strategies for post conflict reconstruction and reconciliation. The country also put in place a Human Rights Commission and a national strategy on good governance.

The DRC was able to conduct the second post-conflict elections on schedule in November 2011 despite huge logistical challenges. Although the results were disputed, the country remained relatively stable after the elections.

The Union of Comoros emerged from a long period of political unrest and His Excellency, President Dhoinine from Moheli, the smallest of the three Islands, was sworn in. This was done in accordance with the Constitution and in also in line with the country's Agreement on the Management of the Interim Period.

In Madagascar, following several diplomatic efforts to return constitutional order, a political roadmap was signed by ten out of the eleven political parties on 11 September 2011. This is expected to pave way for elections in 2012. Madagascar has been under sanctions by the AU, SADC and COMESA following the unconstitutional change in government in 2009.

A significant challenge that faced the region during the year was the ongoing crisis in Somalia, which was compounded by what was recorded as the worst drought in 60 years resulting into numerous refugees fleeing into Kenya and Ethiopia. The tensions persisted for much of the year and threatened to escalate in May 2011 following an impasse on the extension of the Trans-Federal Government. Following talks mediated by President Museveni of Uganda the parties agreed on a roadmap to end the transitional phase and signed the Kampala Accords in June 2011. This will facilitate the setting up of democratic institutions with an elected parliament and government.

The instability in Somalia, the rise of piracy and the threat of terrorism due to weaknesses in government, have continued to be a subject of consideration by the Ministers of Foreign Affairs. In December 2011 the ESA-IO RECs started to implement the first phase of a joint programme to combat piracy. COMESA is taking the lead on the economic front, specifically in strengthening the region's capacity to address illicit financial flows relating to piracy.

In June 2011 and October 2011 the Committee of Elders made pre-election assessment missions to Egypt and the DRC. Both of these missions were undertaken in partnership with the African Union Panel of the Wise. Former President Sir Joseph Mancham of Seychelles and Ambassador Simbi Mubako of Zimbabwe led the COMESA delegations to the Egypt and DRC missions respectively.

Regarding conflict prevention, the Eleventh Meeting of the Ministers of Foreign Affairs adopted indicators and an analytical framework for the COMESA Conflict Early Warning System (COMWARN), which is among six regional early warning systems and units that have been designed to act as a building block of the Continental Early Warning System (CEWS). With respect to democracy and good governance, COMWARN raised €1.6 million to implement a programme to strengthen democracy and good governance in the region. To further support conflict prevention, COMESA, working together with EAC and IGAD has supported the democratisation process of the region by strengthening electoral management bodies and processes.

To support countries emerging from conflict, the War Economy Programme targeted the artisanal mining sector in the Great Lakes region for capacity building on a pilot basis with the aim of ultimately supporting them to move up the value chain.

The Trading for Peace Programme was able to establish five new Trade Information Desks (TIDs) at the border posts of Kavimvirira and Gatumba in Burundi; Kasumbalesa in Zambia; and Bunagana both on the Uganda and DRC sides. These bring to a total of eight TIDs, which have become instrumental in spurring trade, and reducing conflicts in the border areas. The Programme also supported the establishment of cross border traders' associations at Uvira and Bunagana in the DRC; and started a training programme to rehabilitate ex-combatants.

The civil society organisations have also been engaged in conflict prevention and peace building. National consultations were held in 15 Member States and 19 civil society organisations were accredited to support the Peace and Security Programme in various areas including early warning and training of election observers.

In 2012, regarding conflict early warning focus will be on the following areas:

i. The development of an index that will have a "peace" dimension and an "economic development" dimension and thus respond to the core objectives of COMESA;

ii. Compilation of historical data on the explanatory variables that were adopted by the 11th Meeting of the Ministers of Foreign Affairs and start the process of validation of the data with national bureaus of statistics;

iii. Trail run of the model for its forecasting value;

iv. Close collaboration with AU CEWS, IGAD CEWARN and ECOWAS ECOWARN on division of labour in SVAs;

v. Customise the African Union CEWs Africa Media Monitor (AMM) for COMESA by COMWARN and start to produce regular news briefs for COMESA using the tool.

With respect to democracy and good governance, the focus will be on:

i. Building consensus with Member States on priority areas for strengthening with respect to electoral processes and electoral management bodies;

ii. Election observation;

iii. Development of election training manuals and regional standards for elections observation.

iv. Identification of priority policies on governance (in collaboration with EAC).

v. Regarding mediation support, 2012 will focus on strengthening meditation capabilities by exposing COMESA Committee of Elders to the AU Panel of the Wise and other eminent persons; identify a niche for the COMESA Committee of Elders based on a gap analysis on existing mediation efforts.

Regarding post conflict reconstruction, the Trading for Peace the Programme will focus on:

i. Installation and strengthening of TIDs;

ii. Establishment and strengthening of Cross Border Traders Associations (CBTAs) in post conflict countries

iii. Elaboration of new programme that will support the development of border zones through access roads and markets.

The War Economy Programme will focus on:

i. Capacity building of artisanal miners at the Great Lakes Region;

ii. Elaboration of a code of conduct to curb war economies

iii. Development of a model law on illegal exploitation of natural resources

The Maritime Safety and Security Programme will also be finalised and preliminary work in preparation of the programme will be conducted; and the national consultations in countries that have not been reached for example Mauritius, Libya and Eritrea will be conducted; and the production and dissemination of a newsletter for civil society organisations will commence.


SHURE

PART: 8 CROSS CUTTING ISSUES

GENDER AND SOCIAL AFFAIRS

COMESA recognises that the achievement of its goals of regional integration and the economic empowerment of its people requires the full participation of women in the development process. Women constitute the majority of the poor in the region. Therefore, the institution adopted a number of policy frameworks to serve as entry points for the implementation of gender equality and equity.

The overall goal of the COMESA Gender Policy is to foster gender equality and equity at all levels of regional integration and co-operation in order to achieve sustainable, socio-economic development. The policy commits Member States to fulfilling their gender obligations under the various international and regional instruments such as the Social Summit for Sustainable Development, the AU Solemn Declaration on Gender Equality in Africa, the African and Beijing Platform for Action, the SADC Gender Declaration, the Millennium Development Goals and the new commitments under NEPAD.

The Thirtieth Meeting of the COMESA Council of Ministers held in Lilongwe, Malawi from 10–11 October 2011, endorsed the African Union Protocol on Gender Parity; and directed the Secretariat to observe the Protocol when implementing all its programmes and when setting up structures. COMESA has already put in place a Gender Mainstreaming Strategic Action Plan as a guiding tool for implementing the Protocol through some pillars that have been identified.

During the year under review, the activities implemented focused on fostering the mainstreaming of gender equality and equity; HIV and AIDS; enhancing the participation of women in agriculture; climate change mitigation and adaptation; enhancing women's empowerment through entrepreneurship; and promoting social development. Those activities are cardinal to achieving the Millennium Development Goals by 2015.

With financial support from RISP II, the Secretariat finalised eight (8) sets of gender mainstreaming manuals on Trade Development; Investment Promotion and Private Sector Development (IPPSD); Infrastructure Development; Peace and Conflict Prevention; Environment; Health; HIV and AIDS; COMESA Institutions and Information and Communication. The manuals were adopted by the Fifth Meeting of Ministers responsible for Gender and Women's Affairs and endorsed by the Thirtieth Meeting of COMESA Council of Ministers in October 2011 in Lilongwe, Malawi.

In addition, COMESA conducted sensitisation training in gender and HIV/AIDS for a total of 75 border officials. These were customs and immigration officers from Chirundu, Kariba and Chipata border posts, which cover Zambia-Zimbabwe (Chirundu and Kariba) and Zambia-Malawi (Chipata) Border posts, respectively.

Another workshop was conducted for members of the national associations of cross border traders from Burundi, the Democratic Republic of Congo, Kenya, Zambia and Zimbabwe.

The Thirtieth Meeting of Council of Ministers also endorsed the COMESA Women Economic Empowerment Fund (WEEF).

This year, 2012, a regional stakeholder forum will be organized to finalise the structures and purpose of the fund. The forum will also concretise the base and general fund before taking the process to the next level.

The Secretariat, with financial support from USAID, carried out programmes aimed at fully integrating the female farmers who are involved in agri-business, in the value and supply chains. In 2011, a regional workshop brought together participants from DR Congo, Kenya, Malawi, Swaziland, Uganda, Zambia and Zimbabwe. The workshop, held in Zambia, identified priority areas to focus on when dealing with gender, agriculture and climate change.

Furthermore, the Secretariat conducted consultations with regional agricultural institutions such as the Golden Valley Agricultural Research Trust (GART), the Food, Agriculture and Natural Resources Policy Analysis Network (FARNPAN) the Women in Agri-business in Southern Africa Alliance (WASAA), and THE Uganda Farmers Federation (UFEE) to identify areas of comparative advantage for COMESA, and avoid duplication. Following the consultations with regional organisations, the COMESA Secretariat developed a Regional Strategy on Gender Mainstreaming in Agriculture and Climate Change (RESTRAP). The strategy was endorsed by the Thirtieth Meeting of Council of Ministers held in October 2011 in Lilongwe, Malawi. It provides policy direction in mainstreaming gender in agriculture and climate change, and its overall objective is to facilitate and promote climate-smart agricultural policies, structures and programmes to promote gender equality and equity towards sustainable development by 2015.

It was also acknowledged that integrating female farmers as direct beneficiaries of agriculture and climate change initiatives is crucial. The Secretariat was mandated to enhance the visibility and participation of youths and women and this year it will organize regional fora to advocate for eh implementation of the relevant Council decisions.

In 2011, negotiations for a grant agreement with NEPAD for the establishment of a two-year Business Incubator for African Women Entrepreneurs (BIAWE) Project were finalised. The project implementation will commence this year, 2012.

The project's main objective is to support women entrepreneurs by increasing the capacity of SMEs run by women in African countries. It is expected to play a key role in providing credit guarantee for women entrepreneurs in order for them to improve their businesses. The project, which will be implemented by COMESA, FEMCOM, NEPAD and the Spanish Fund, will be piloted in eight Member States.

The Secretariat developed a multi-sectoral programme on HIV and AIDS through the financial assistance of the Swedish/NORAD grant. The programme document was endorsed by the Thirtieth Meeting of COMESA Council of Ministers held in Malawi in October, 2011. The programme document was finalised following consultations with the other RECs because they also run HIV and AIDS programmes funded by the same donor. Six COMESA Member states of: Comoros, Kenya, Malawi, Uganda, Zambia and Zimbabwe were also consulted.

During the same period, discussions were held with the EAC Secretariat to undertake a joint regional response to HIV and AIDS along the major transport corridors in East, Central and the Horn of Africa with financial support from the EU. This particular response involves three collaborating RECs, namely: the East African Community, the Inter-Government Authority on Development (IGAD), and COMESA. This five-year project seeks to ensure that across the region there are harmonised HIV and AIDS policies and regulatory frameworks to enable continued access and availability of HIV and AIDS prevention, care, treatment and control services.

The European Commission will fund this project to the tune of €10 million, and counterpart funding is to be made available by the three RECs and individual Member States. In addition, the Secretariat has in the year under review engaged in discussions with the Great Lakes Initiatives on AIDS to enter into a memorandum of understanding with the organisation on policy advocacy for HIV prevention in the region.

In 2011 COMESA developed a draft Social Charter, which was endorsed by the Thirtieth Meeting of the Council of Ministers. It will become a policy document to guide the Secretariat on programming for social and cultural issues.

The overall goal of the Charter is to integrate the social development perspective into the regional integration agenda and to realise the achievement of MDGs II, IV and V, among other commitments.

The Social Charter will establish the major principles on which the COMESA labour law model would be based and more generally, the role of work in society. The charter covers social protection, equal treatment for men and women, health and environment protection, safety at the workplace and other social and cultural protections.

The Gender and Social Affairs Division will continue to focus on programmes aimed at mainstreaming gender equality and equity, integrating social development and promoting women empowerment in 2012. Emphasis will be put on implementing the gender mainstreaming strategic plan. Most importantly, the activities, which were initiated in 2011, marked the beginning of a process that will be carried over to 2012.

In 2011 the draft Social Charter was developed. It will establish the major principles on which the model COMESA labour law will be based. It covers social protection, equal treatment of men and women, health and enviroment protection and enviroment protection and safety at the workplace.


Climate
change
solutions

CLIMATE CHANGE ADAPTATION AND MITIGATION

The aim of the Programme on Climate Change Adaptation and Mitigation in the Eastern and Southern Africa region is to infuse the African Climate Solution into the post-2012 United Nations Framework Convention on Climate Change global agreement; support Member States to access adaptation funds through national investment frameworks; promote the up-scaling of climate smart conservation agriculture; and support Agriculture, Forestry and Other Land Uses (AFOLU). The promotion of sustainable forestry management and land use practices is to ensure that the majority of the people in the region contribute significantly to climate change adaptation and mitigation efforts.

The programme requires over US $100 million for its activities over five years. Of this amount, €4 million was secured in 2010 through a contribution agreement signed with the EU. The Royal Norwegian Government signed a grant agreement of NOK 117 million (about US $20 million) in December 2011; and the DfID approved a grant worth £38 million. The Member States have to leverage these investments in climate change negotiations and through national investment frameworks in order to achieve greater results.

In the period under review, the programme organised a regional climate change workshop for negotiators, alongside the joint meeting of Ministers of Agriculture, Environment and Natural Resources in Mbabane, Swaziland in July. The workshop gave a report to the ministers after reviewing the negotiating texts with particular emphasis on agriculture. The ministers made key pronouncements in support of the African Climate Solution and called on Member States to strengthen their participation in the negotiations.

In August, COMESA facilitated a meeting on agriculture and climate change adaptation organised by NEPAD in Durban, South Africa.

A regional youth climate change conference was held in October in Lusaka, Zambia to consolidate a common approach to the 17th Conference of Parties to the United Nations Framework Convention on Climate Change (COP 17). The inputs of the scientists who were supported to participate in the pre-COP meetings as well as the COP 17 negotiations in Durban, South Africa, were included in the Africa position on agriculture and financing in the Durban Declaration.

Representatives of COMESA and EAC attended the 4th special session of the African Ministerial Conference on Environment (AMCEN) in September where the decisions of the COMESA Ministers of Agriculture, Environment and Natural Resources were presented, in South Africa.

The programme engaged the media and produced different advocacy materials. These included flyers, pamphlets, posters and a music CD entitled, “Save the Earth”. These materials were distributed at different events including at the UNFCC/COP 17, thus enhancing the programme’s international audience. Two documentaries were produced on COP 17 covering the preparations, as well as the African experience, and the peoples’ opinions on the outcomes of the conference. These documentaries were, and will be re-aired, on different television channels in the region including Africa Magic, Eye on Africa programme as well as on e-news Africa.

In preparation for COP 17, Member State delegates were supported to participate in climate change talks in Bonn, Bangkok and Panama.

During the COP 17 held in Durban, South Africa from 29 November – 10 December 2012, twenty country delegates were integrated into respective country groups to follow up on the different negotiation tracks. This was to ensure that the countries and COMESA's interests were incorporated into the discussions and outcomes. Further, a gender expert was supported as part of the COMESA Secretariat team to participate as a panellist on the AU and NEPAD High-level COP 17 side event on Gender and Climate Smart Agriculture.

These delegates also participated in daily negotiating block co-ordination meetings including the African Group, the Least Developed Countries (LDCs) group as well as the Group of 77 and China. The most important outcomes were consensus on the Adaptation/Green Fund, and a decision on Agriculture.

On the margins of COP 17, COMESA organised two side events. One was the launch of the Tripartite Programme on Climate Change Adaptation and Mitigation in the COMESA-EAC-SADC region showcasing the model partnership existing among the three RECs on the one side and the three co-operating partners (Norway, European Union Commission and DfID) on the other.

The second event was on climate smart agriculture and food safety – placing emphasis not just on food quantities but also on food that is safe to trade and consume.

The programme supported the design of the Conservation Agriculture (CA) investment framework for Malawi. The COMESA Gender Division availed technical assistance to the stakeholders involved in designing the framework, which was validated by stakeholders at a specially convened round table meeting.

Further, the programme supported the convening of the national conservation agriculture round table in Djibouti. The meeting agreed that an investment framework for up-scaling of climate smart agriculture be developed and that a model demonstration farm be supported.

COMESA's Programme on Climate Change Adaptation and Mitigation also supported the design of the conservation agreement investment framework for Zimbabwe. The stakeholders involved in designing the framework were also sensitised on the need to mainstream gender in the investment framework. The sensitisation, done with support from the Gender and Social Affairs Division, is part of the programme objective to ensure that all implemented activities at both regional and Member States level adopt MDG 3 on Gender Equality and Women Empowerment in all interventions.

The programme also facilitated the exchange of best practices and information sharing among national women's groups, associations and organisations on conservation agriculture and AFOLU.

STATISTICS

The objectives of the Statistics Programme are to improve and harmonise the production of statistical data, and the capacities at the national statistical bureaux and at the Secretariat. The 2010 COMESA Committee on Statistical Matters (CCSM) adopted a multi-annual work programme that serves as a template for monitoring progress until 2013.

Dissemination of quarterly external trade statistics that meet international quality criteria has been done; and statistics and publications are now available on the COMSTAT website.

Production of statistics on FDI and TNCs according to international methodological standards has also been achieved; and technical assistance was provided to Burundi on their planned national FDI survey; and the first COMESA Investment Report was produced.

The interim regional Harmonised Consumer Price Index (HCPI) was successfully launched in early 2011. Work on stage 2 regulations also reached advanced stages, and it is scheduled to be launched this year, 2012.

The comprehensive infrastructure statistics based on the COMESA Infrastructure Statistics Framework has been compiled.

Green house farming

PART: 9 SUPPORT SERVICES

INTERNAL AUDIT

The mission of the Internal Audit Unit is to provide independent and objective assurance on the adequacy of COMESA's risk management, governance practices and internal controls in meeting its objectives. It also provides consultancy services designed to add value and improve operations.

In 2011, the Unit continued to implement its 2011-2013 strategic plan that is focused on: enhancing good corporate governance, improving internal controls and institutionalizing risk management; offering assurance and consultancy services to the Secretariat, COMESA institutions, COMESA implementing partners and Member States in the execution of the medium term strategic plan; and instituting quality control.

During the year, the Unit conducted financial audits for COMESA institutions and major COMESA European Union funded projects. These audits assisted the auditees to prepare for external audits and also fast track the reimbursement of funds from the European Union.

A tool to monitor key risk indicators was developed and various organisational implementation procedures were drafted. The position of Internal Auditor at P2 was filled and auditors received continuous professional education in the area of financial auditing, performance auditing and information technology audits.

The Audit and Budget Sub-Committee meeting was held in Lusaka in September 2011. The sub-committee considered the Internal Audit report, which contains the areas that the Unit has audited during the year together with a status of implementation of audit recommendations.

In 2012, the Unit shall continue to implement its strategic plan and fill the positions of Internal Auditor at P2 and Senior Audit Assistant at GS 9.

MONITORING AND EVALUATION

Monitoring and Evaluation contributes to the sixth pillar of institutional strengthening. The main objective is to improve the capacity of the Secretariat and coordinating ministries in Member States to fulfill their respective missions; and support the development of COMESA Institutions.

To address the perennial challenges of poor implementation of the regional integration agenda and of the Council decisions by Member States, the COMESA Secretariat has obtained an IDF grant from the World Bank. The US $869,000 grant is to build capacity in M&E to help in the development of a results-focused MTSP for the period 2011-2015, and to strengthen the alignment of national M&E systems with key regional priorities and outcomes. It is also aimed at developing greater capacity for the incorporation of decisions and policies agreed on by the Policy Organs.

Table 27: Monitoring and Evaluation (M&E) Progress in 2011

Activity	Progress
Develop System and Capacity for M&E	Country Reporting Format was revised in line with the 2011-2015 MTSP. The Secretariat now provides a standardized format for Member States to report on their status of implementation of COMESA programmes. In 2011, however, only three countries presented their reports.
Develop a Regional Integration Monitoring Mechanism	A draft COMESA M&E framework has been developed. Workshops were held in six (6) Member States namely Kenya, Malawi, Zambia, Ethiopia, Zimbabwe, Mauritius and Seychelles.
Develop an on-line reporting system	Terms of Reference for development of the on-line reporting system were completed and sent to the World Bank for "no objection". The Secretariat advertised an Expression of Interest, received submissions from 13 firms, and the consultant is expected on board by June 2012.
Coordinate preparation and compilation of the COMESA Work programmes and Budgets	2012 Work programme and Budget was prepared, submitted to Policy Organs in October 2011, and approval for activities to be implemented in 2012 was given.
Provide technical support to COMESA Institutions	The Court of Justice was assisted to revise its MTSP 2011-2015. It was presented during the Court's Publicity Seminar in Addis Ababa, Ethiopia on 26-27 July 2011. In July 2011, FEMCOM was assisted to elaborate indicators in their strategic plan. The Draft Monitoring and Evaluation Framework for the Leather and Leather Products Institute is ready. Initial discussions with the Regional Investment Agency have been made and the zero draft prepared.
Developing and implementing training programme for Member States, Secretariat Staff, and COMESA institutions on Result-Based Management	In collaboration with UNECA, a two day workshop on Results Based Management was conducted for professional staff. Further training for Members States is included in the 2012 work programme under the World Bank project.

PART: 10 COMESA INSTITUTIONS/AGENCIES

The PTA Bank

- The Bank’s membership increased to twenty with the joining of the Democratic Republic of Congo (DRC) in March 2011.
- The Bank’s management accounts as at 30 June 2011 indicate a net profit of US $13.718 million comparing favourably with US $8.019 million for the same period in 2010.
- As at 30 July 2011, the Bank had approved 13 projects worth US $112 million committed 14 projects worth US $168 million and disbursed to 21 borrowers worth US $73 million.
- The Bank entered the category of “billion-dollar banks” with total assets reaching US $1.2 billion.
- The Bank was awarded a rating of BB- (long term) and B (short term) from Fitch, and Ba1 from Moody's, placing it among highly rated DFIs in the region.

The RE – Insurance Company (ZEP-RE)

For the period ending 30 June 2011, the Company wrote a premium income of US $32,447,288.

During the same period, the Company’s investments stood at US $77,191,443. 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 will, in 2012, embark on the construction of a regional office building in Lusaka, Zambia.

The claims incurred position for the Company as at 30 June 2011 was US $11,463,863; and the net profit realised as at 30 June 2011 was US $5,122,148.

The African Development Bank (AfDB) joined the membership of ZEP-RE and invested a 15 percent stake in the Company.

ZEP-RE had maintained its financial strength rating of “B” and a credit rating of “bb+” with AM Best.

The Regional Investment Agency (RIA)

The Agency hosted the fourth COMESA Investment Forum in Dubai; it hosted the one day international India-Africa Forum in Mumbai in November 2011; and it also produced practical guides to doing business in Zambia, Swaziland, Comoros and Malawi; and the Comoros FAQ. The Agency also finalised and launched its website www.comesaria.org.

The African Trade Insurance Agency (ATI)

- Generated a Gross Written Premium of US $4,772,302 which represented another year of growth for the Agency, compared to a year prior.
- The Net Earned Premium of US $2,362,966 was 91 percent above that of the previous year. ATI's gross exposure rose to US $384 million, which is a significant improvement compared to the previous year's US $253 million.
- To date the Agency has supported trade and investment flows for its Member States in excess of US $4.8 billion.
- The Agency reached the required capital needs of US$ 80 million on 31 December 2010 and subsequently triggered additional disbursements towards capital increase amounting to US $26,326,400.49.
- The Agency distributed new share certificates on the occasion of its 11th Annual General Meeting held on 19 May 2011.
- ATI's increase capital stands now at US $123,200,000.
- The African Trade Insurance Agency has been assigned, by Standard & Poor, a long term A (strong) rating for both its Counterparty and Insurer Financial Strength Ratings, with a "stable" outlook. Standard and Poor re-affirmed ATI's rating on 14 September 2011.
- In respect to partnerships development, the ATI began supporting new investment projects and trade transactions in West Africa. On 14 June 2011 the World Bank Board of Directors extended financial support to Ghana and Benin for the purpose of investing in ATI and approval of financing agreements for Ivory Coast and Togo will follow shortly.
- In addition, the Agency initiated a membership dialogue with Angola, Cameroon, Ethiopia, Gambia, Nigeria, Senegal, Sierra Leone, Sudan and South Sudan.
- The Agency concluded and signed Memoranda of Understanding with the Islamic Cooperation for the Insurance of Investment and Export Credit (ICIEC) and Euler Hermes (the German Export Credit Agency). These partnership agreements paved the way for more business with the Muslim world and the African continent amidst the ongoing turmoil n the Middle East and North Africa on one hand and with German investors/exporters on the other hand.

FEMCOM

FEMCOM's main objective is to promote trade through women in business programmes in COMESA.

The following was achieved in the year under review:

- A host agreement was signed with the Government of Malawi.
- Provision of technical services to FEMCOM National Chapters in Burundi, Egypt (Business Incubator Project), Kenya, Malawi and Zambia; Technical advisory services provided at African Women Entrepreneur Program, AWEP/AGOA Forum.
- Mobilisation of funds (US $200,000) from ACTESA for trading houses including bulking centres and warehouses.
- A total of 260 women were trained in five Member States under the PACT II project that focuses on export market access training.
- Organisation of a regional consultative forum under the theme “Women in Business and Food Security”. Sixty delegates participated from the Member States.
- FEMCOM was appointed as a member of the private sector technical committee at the UNLDC international meeting in Turkey, held in May 2011.

The COMESA Business Council (CBC)

The year 2011 has seen the growth and expansion of the COMESA Business Council operations across the region, through the ownership of the 19 national apex private sector bodies in the region. Following a commitment by the private sector representative bodies to engage as designated National Focal Points for the CBC, 15 of the 19 Member States have signed formal Memorandums of Understanding on mutual roles, responsibilities and commitments to implement regional, private sector-led activities at the national level. Today, CBC indeed lives up to its reputation as the voice of the private sector in the region.

The CBC membership is inclusive of chambers of commerce, private sector federations, investment promotion agencies, export promotion bodies, sectoral associations and corporate bodies that have a presence in more than one country in the COMESA region. It is on this basis that companies such as Nestle Group and BAT have enjoyed membership services under the Secretariat. The operational budget for the secretariat, drawn from the private sector mobilisation, stands at more than US $50,000. Additionally, the institution has engaged two development partners to support its activities, namely Programme for African Capacity to Trade- PACT II- CIDA and the USAID Programme.

In terms of staff expansion, CBC has engaged the support of the International Lawyers and Economists against Poverty (ILEAP) to directly support the secretariat in the recruitment of one technical officer under the trade and business advocacy pillar.

In December 2011, the CBC formed the CBC Non Tariff Barriers working group chaired by the Burundi Manufacturers’ Association, with a core task force team representing all COMESA private sector apex associations. The first barrier to trade and business that has been addressed is the facilitation of the movement of business persons and the elimination of visa requirements in the region.

The private sector has actively participated in the COMESA technical committee meeting of the

Chiefs of Immigration, where recommendations were made that required the COMESA Business Council to present a business facilitation tool to the Council of Ministers of Immigration for review as an interim measure whilst the various policies and protocols are legislated, signed and ratified at the national level.

The CBC NTB working group has also actively participated in the Tripartite NTB Taskforce, the Intra African Co-operation on Migration and Development Policies meeting and the most recent being the WTO Trade Facilitation Symposium.

Advocacy services have also been extended to the tobacco sector working group focused more on a having a harmonized COMESA position from the tobacco value chain on how to deal with the impact of global tobacco bans on Africa's tobacco chain. This work group feeds into the agriculture and industry technical committee.

The private sector has also lobbied for the establishment of a system of a "COMESA Label" for products that originate from the Member States in accordance with the Rules of Origin. This is meant to improve the branding and image of products from the region and to further promote a seamless COMESA market for originating products.

Through extensive consultation, the CBC has put together a regional website that supports business information and policy related services for the private sector. The website: www.comesabusinesscouncil.org also provides members with a platform through which Member States can get to know each other and request for joint partnerships with their regional counterparts. This service will be extended to businesses across the region.

The CBC facilitated 38 business linkages between the US private sector and AGOA countries in the region, as part of their efforts to provide value added services to businesses visiting the USA during this period. This activity was implemented as part of the Memorandum of Understanding on Co-operation between the Corporate Council of Africa (the US private sector arm in Africa) and the CBC.

The private sector has also been provided with an income generating tool known as the Trade Support Institution Profiler - that compiles relevant information, which positions and sells an institution or company to its target audience. About 40 percent of the membership has submitted the profiles of their associations to the CBC. The Profiler is to go online by the end of 2012, making it available to all members and their clientele.

The 8th COMESA Business Forum and International Exhibition that will take place in Kampala, Uganda in November 2012, will be an opportunity for public-private dialogue in the green economy and its opportunities, smart win-win partnerships, building industrial clusters for export, and boosting Intra-Africa trade. This will be conducted under the theme "COMESA: A new Dawn of Innovation"; and more than 450 business leaders from within Africa and the international business community are expected for the event. The high expectations for the business forum are that business partnerships, resolutions to business constraints, joint ventures and advocacy to the highest offices in decision making will be formed.

The third CBC general assembly, 2012 will bring together all members of the CBC to discuss the performance of the Council in the past year; the achievements, challenges and possible approaches of improving the secretariat. A new board will also be elected this year.

Together with COMESA Secretariat's Investment Promotion Unit, the CBC is to hold a regional public-private dialogue that will bring together investment promotion agencies, tourism boards, and tourism businesses to review a regional policy framework on sustainable tourism in the COMESA region. It is expected that an action plan that will see a more regional approach to increasing sustainability and competitiveness in the tourism sector will be formulated at this meeting; and that the CBC Tourism work group will also be formed.

The public-private dialogue will also bring together businesses and SMEs in agriculture and agro-industry to discuss pertinent constraints to trade and competitiveness in their line of businesses. An agreed position from the private sector will be prepared; to be submitted to the Council of Ministers and COMESA Summit for deliberation under the CBC.

PART: 11 LIAISON OFFICE

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.

During the period under review, focus was mainly on the three areas of: resource mobilisation, strengthening regional integration and technical cooperation, and organisation of/ or participation in the technical meetings.

In 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 regional integration and technical co-operation; the Office continues to maintain good co-operation 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.

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 the 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.

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.

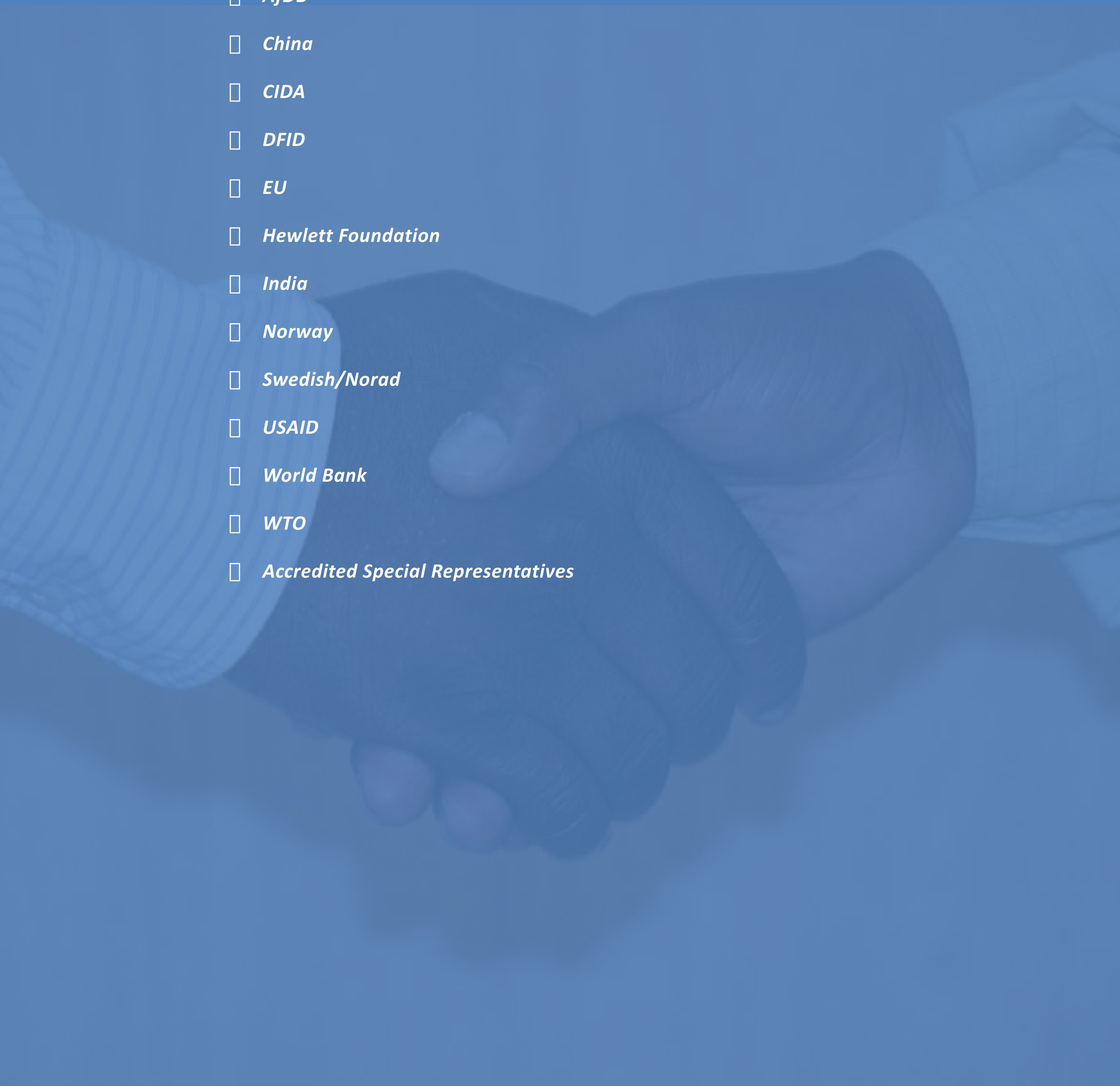
The COMESA workshop organised at Chisamba, Zambia from 12-21 March on identification and formulation of projects was supported by Trade.Com; the workshop for validation of the COMESA-EAC study on CET was held in Nairobi on the dates of 22-23 March - the study and the validation workshop were funded by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

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 on the establishment of the African Free Trade Area.

PART 12 COOPERATING PARTNERS

- *AfDB*
- *China*
- *CIDA*
- *DFID*
- *EU*
- *Hewlett Foundation*
- *India*
- *Norway*
- *Swedish/Norad*
- *USAID*
- *World Bank*
- *WTO*
- *Accredited Special Representatives*



The details of support from COMESA co-operating partners over the reporting period are contained in the matrix in the tables below.

· The funds in the tables below correspond with the period of the Financing Agreement with each respective partner and are not necessarily an indication of resources disbursed in the reporting period but a reflection of the multi-annual nature of donor resources received by COMESA.

Table 22: COMESA Donor Matrix as at September 2011

EU (10th EDF)

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
Regional Integration Support Programme (RISP)	To develop the capacity of the four RIOs and their Member States in policy formulation, implementation and monitoring of regional integration and multilateral and regional trade.	COMESA, EAC, IOC and IGAD Secretariats and Member States.	€50 million	The 10th EDF (RISP) continued on 01 July 2010, to strengthen the capacity of ESA-IO regional organisations and Members States in implementing regional integration agendas. COMESA is the lead organisation together with the European Commission. Participation of the other RECs is through implementation agreements. In 2011-2013, €10 million is to contribute towards the preparation of the North-South Corridor pilot project.
Regional Multi-Disciplinary Centre for Excellence (RMCE)	Regional training and advisory centre for capacity building and expertise hub for development activities	COMESA, EAC, IOC and IGAD Secretariats and Member States.	€5.6 million	RMCE was established as a not-for-profit company with three members: COMESA as Chair of the Board, IOC, and Mauritius as Host country. The Executive Director was appointed and she took office in August 2011.
Regional Integration Support Mechanism (RISM)	To assist countries in addressing short-term constraints met at national level in implementing trade liberalisation policies	COMESA and EAC Member States	€78 million	Compensation adjustment payments made to Rwanda and Burundi for €12.3 million and €8.3 million respectively. The COMESA Fund Ministerial Committee recommended the expansion of the scope to include adjustment support.
Regional Food Security and Risk Management	Contribute to the sustainable reduction of vulnerability to food insecurity and poverty in Eastern and Southern Africa. Develop and support Cross Border Traders' Associations (CBTA) in ten Member States and facilitate implementation and improvement of the STR.	Small scale (informal) traders	€2.391 million	There are five CBTAs so far. Kenya and Uganda are building CBTA at their borders. The STR is being implemented in 6 Member States out of the 10 pilot countries. Trade Information Desks (TID) are operational in six countries.

COMESA Regional Inputs Programme COMRAP	Food Security Facility	All Member States	€20 million	The US Government provided US $250,000 to integrate livestock marketing activities in ACTESA. This is being finalized with the EU under COMPRAP as part of the ACTESA inputs agenda.
EU-ACP All Agricultural Commodities Programmes Focal Point	To improve the incomes and livelihoods of agricultural producers and reduce income vulnerability at producer and macro levels	All ACP Countries	€45 million. A-third of the funds were allocated to the cotton sector, and €260,000 was allocated to COMESA in July 2011.	
Conflict Prevention Management and Resolution Programme (CPMR)	To enhance the capacity of Member States to address conflict by focussing on war economies and their linkage to conflict propagation.	IGAD, COMESA, EAC and their Member States	€2.25 million under the 9th EDF	
Regional Political Integration and Human Support Programme (RPIHSSD)	To enhance democracy, governance, and human security (with the EAC and IGAD)	AU, ESA	€1,605,000	Project staff (Democratisation officer) reported in April 2011.
Africa peace and Security Architecture (APSA) Support Programme	To support the implementation of the Africa Peace & Security Architecture	COMESA Member States and Secretariat	€3,817,611	First work plan with budget of May–December 2011 submitted.
Development of immigration procedure in the region	To enable the free movement of persons in the region	COMESA Member States		The 7th Meeting of COMESA Chiefs of Immigration and 4th Meeting of COMESA Ministers Responsible for Immigration were held. Draft Immigration procedures formulated.
Capacity building for conflict prevention and peace building	To enhance the capacity of COMESA and other RECs in establishing an early warning system and establish a Liaison Bureau at the AU.	All Member States	€ 928,176 Long term: €545,980	

USAID

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
Regional Customs Transit Guarantee/ Bond Scheme (RCTG)	To facilitate the movement of goods in the region	COMESA	US$1 million	The 5th Meeting of the Management Committee of the RCTG scheme was held on 07-08 July 2011 in Lusaka, Zambia. Tanzania and Mozambique are participating in the scheme; and consultations are underway for Zambia to participate in the scheme along the North-South corridor.
Comprehensive Africa Agriculture Development Programme (CAADP)	CAADP serves as a common framework for agricultural development, growth and poverty reduction for African countries.	All Member States	From the World Bank managed Multi-Donor Trust Fund (MDTF), US $4.5 million was approved to support CAADP implementation in the COMESA region for the 3-year period from July 2010 to June 2013.	COMESA has initiated the CAADP implementation Round Table process in 15 of its 19 Member States. To-date ten countries have signed the national CAADP Compacts namely Rwanda, Burundi, Ethiopia, Swaziland, Uganda, Malawi, Zambia, Kenya, DR Congo and Seychelles.
COMESA Business Council (CBC)	Trade policy and business advocacy; Public-private dialogues on business development and competitiveness agendas.	All Private sector entities within the COMESA Member States		The CBC is part of the Programme for African Capacity to Trade-PACT II. It has presently lobbied for a number of activities within the year 2011 with a view of sourcing for funds from various development partners in the region.
Northern Corridor Transit Facilitation	Undertake national assessment on status and constraints faced in implementing the COMESA Transit Facilitation Instruments in the NCTTA.	Burundi, DRC, Kenya, Rwanda, Sudan, Uganda	US $650,000	Country assessment studies were completed in the six countries and national workshops conducted. The current strategy is to facilitate the corridor states to implement the instruments by addressing each state's challenges.

Trading for Peace Project	To enhance the sustainable and equitable use of natural resources in the interest of regional stability and poverty eradication (in the DRC)	Focus on DRC, with links to Uganda, Rwanda, Burundi, Zambia	US $300,000	
Integrating Female Farmers in Agribusiness into Regional and Global Value Chains	Increase participation of female farmers involved in agribusiness into regional and global value and supply chains	COMESA Member States	US $82,000	On going
Integrated Partnership Assistance Agreement (IPAA) Strengthening Markets and Regional Trade for Food Security (SMART-FS) a programme by AusAID through USAID.	Increase regional economic growth, integration and stability in the COMESA region focusing on activities in trade and investment, infrastructure, agriculture, food security, environment conflict mitigation and reconciliation and capacity building. SMART-FS aims to improve the policy environment and competitiveness of the food staple sector; improve and expand market facilities and services for staple foods; and ACTESA's institutional capacity strengthening.	All COMESA Member States	Total budget for FY 2010/2011 was US $16.73 million IPAA contributed US $4.29 million as direct funding to COMESA Complementary programme by USAID is US $7.67 million	Of the US $16.73 million budget for FY 2010/2011, US $4.29 million The IPAA supported the activities of CAADP and ACTESA during 2011

DFID

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
Strengthening FTA and development of the Customs Union Regional Trade Facilitation Programme (RTFP) Trademark activities.	Providing technical and financial support in strengthening the FTA, development of the Customs Union, and competition policy, implementation of safeguard and trade remedy measures, capacity building in Member States on regional trade matters and in multilateral trade negotiations.	COMESA Secretariat	UK£10 million (2004 - 2009) £2,600,000	

ADB

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
Agricultural Marketing Promotion and Regional Integration Project (AMPRIP)	To improve incomes from agriculture, promote food security and nutrition through agricultural trade promotion Marketing Information Improve Sanitary and Phytosanitary systems	All Member States	UA 3.736 (US $5.6 million)	The Food and Agricultural Marketing Information System (FAMIS) has been designed and is being operationalised. A review of the national SPS systems in the region has been undertaken and existing gaps and potential interventions identified. The laboratory equipment has been procured and installed at the three reference laboratories in Mauritius, Kenya and Zambia.
COMTEL Project	To establish a holding company to be known as COMTEL to link national systems through ATM and optic fibre systems.	All Member States	US $800,000	A new strategy has been adopted to establish the COMTEL as an overlay network utilizing the existing national optic fibre. A business plan is under preparation.

AfDB

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
CNS/ ATM	To prepare a programme for the development of an up air space control for the Eastern and Southern Africa Region.	ESA region	US $4.5 million	Project Implementation Unit to be established in Rwanda. The Secretariat to convene a meeting of the Tripartite Civil Aviation Authorities to establish institutional framework for implementing the Tripartite CNS/ATM systems programme.
Enhancing Procurement Reforms and Capacity Projects	Promote good governance Build capacity in public procurement and harmonise public procurement laws and regulations	All Member States	UA 5.658	13 out of 19 Member states have modern procurement laws that are compliant to COMESA directives; and the developed PROMS system is now being utilised to support the regional procurement market.

COMESA

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
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 and identify areas of improvement and reform	All Member States	€200,000	The project is ongoing and ARICEA, the regional association of ICT regulators has been strengthened to manage its work programmes. Model regulatory guidelines have been prepared for customisation in Member States.
Postal Sector Reform	Establish positive postal policy environment in countries and speed up the postal reform process	All Member States	US $200,000	The model policy and model bill have been developed. Malawi and the Seychelles have implemented the model policy; and the DR Congo, Uganda, Kenya, Rwanda, Zimbabwe and Malawi have implemented the model bill.

World Bank

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
North- South Corridor	Multi-donor trust fund set up to help countries improve their competitiveness and reduce trading costs.	All Member States	US$ 40 million	
Developing COMESA's M&E capacity to monitor MTSP implementation	To develop a results-focused MTSP for 2011-2015 Strengthen the alignment of national M&E systems with the MTSP M&E system for key regional priorities and outcomes.	COMESA Secretariat and Member States	US $869,000	National consultative workshops as an input to finalization of the MTSP have been undertaken in Kenya, Uganda, Burundi, Zambia, Sudan and Zimbabwe. February 2011 - TOR for development of an online Reporting System have been forwarded to World Bank for "no objection

Norway

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
COMESA Climate Change Initiative	To build and strengthen the capacity of African countries to address adaptation and mitigation to climate change; and include sustainable agriculture and land-use practices, forestry, bio-diversity conservation, and maintenance of environmental services in the post Kyoto Climate regime.	COMESA, EAC, SADC Secretariats and Member States.	17 million Norwegian Kroner (US $2,463,942) US $1 million Rockefeller Foundation and WWF US $37,000 IRDC	Increased advocacy and policy dialogue through 13 national round tables and 3 regional consultations.

Hewlett Foundation

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
Strengthening trade in agricultural inputs	To enable the region set up mechanisms for promoting access to inputs.	COMESA Member States	US $300,000	On going. Review of constraints to fertiliser access has been done and strategies to address the constraints are being pursued.

WTO

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remark
Competitiveness and Trade Expansion (COMPETE)	To enhance economic growth and food security in Eastern and Central Africa by stimulating increased trade and competitiveness in both regional and global markets.	The project will dedicate between US $6 to $10 million per year over the next four years to improve the efficiency of selected corridors in East and Central Africa as part of the USG commitment to the WTO "Aid-for-Trade Agenda".		The Secretariat has identified areas and specific activities for support in the implementation, under the COMESA work plan. The COMPETE project operates mainly in Eastern and Central Africa with the primary focus on economic growth and food security, and stimulating increased trade and competitiveness in both regional and global markets.

CIDA

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
Trade Development and Promotion (TDP) Programme for Expansion of Africa's Capacity to Trade (PACT II)	Strengthen COMESA Business Council and FEMCOM; Strengthen regional trade information system; Support trade development in the leather sector	All Member States	Canadian $20 million for the 3 RECs. US $4.3 million for COMESA	Various commodity chain activities have been undertaken. The cotton-to-clothing sector strategy was developed and it has assisted in the utilisation of the AGOA. The Zambia cassava sector strategy was developed and it has assisted in providing food security for small scale producers. The leather and leather products sector strategy was also developed. Marketing activities were undertaken to Italy and India where the private sector obtained orders estimated at over US $10 million.

Swedish/Norad

Project	Project Objective	Beneficiary	Financing Agreement	Status/Remarks
HIV/Multi-Sectoral Programme	To build capacity for mainstreaming HIV/AIDS in all COMESA programmes.	COMESA Member States	US $30,000	**On going**

China

COMESA does not, at the moment, have direct, bilateral co-operation with China. The linkages between the two therefore, need to be strengthened since China is the world second largest economy and Africa is the fourth largest destination for Chinese development.

In December 2011, China signed a memorandum of understanding with EAC to which four Member States out of five also belong to COMESA.

For 2012, COMESA needs to look for ways to engage in direct partnership with China. There is potential for win-win co-operation between China and ourselves. COMESA has the raw materials and mineral resources necessary for China's fast growing industry, and we need China's technology and particularly assistance in infrastructure development.

India

The Indian Government is to promote capacity building in Africa by setting up institutes in the following African countries: Libya, Vocational Training Centre; Egypt, Vocational Training Centre; Uganda, India Africa Institute of Foreign Trade (IAIFT; Ethiopia, Vocational Training Centre; Kenya, Human Settlement Institute; Rwanda, Vocational Training Centre; and Burundi, Vocational Training Centre and the India-Africa Institute of Education, Planning and Administration (IAIEPA). The construction and initial three-year financing of these training centres will be financed by India.

The Indian Government is offering access to its market for African products, duty and quota free; and the Indian private sector and business community are keen to strengthen linkages with their African counterparts.

COMESA participated actively in the Africa-India Forum Summit held in May 2011 in Addis Ababa during which the Indian Prime Minister Manmohan Singh announced the allocation to Africa of lines of credit and grants worth US $5.7 billion.

COMESA also participated in the meeting of the Government of India and African RECs held in November 2011 in New Delhi, India. The main programmes under discussion were the hosting of the four institutions by the eight RECs in Africa and in the case of COMESA the finalization of the terms of reference for the joint group study to identify specific areas to increase trade and investment as well as examine the feasibility of a Preferential or Free Trade Area towards setting up a COMESA-India Comprehensive Partnership Agreement. In 2012, COMESA and India will start the feasibility study of a Preferential or Free Trade Area between India and COMESA.

Accredited Special Representatives

The list of the 24 accredited special representatives to COMESA for the year 2011 is as follows:

- 22 non African countries: USA, France, India, China, Germany, Italy, Russia, Cuba, Brazil, Norway, Finland, Denmark, Royal Netherlands, Sweden, Japan, the EU, Palestine, Qatar, United Kingdom, the Vatican, Belgium and Saudi Arabia.
- Two African countries: Nigeria and Botswana.

03 June 2011 – The Vatican accredited a Special Representative to COMESA

FINANCIAL STATEMENTS

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA SECRETARIAT

(COMESA SECRETARIAT)

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Secretary General of COMESA is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information in respect of the Common Market for Eastern and Southern Africa Secretariat (the "Secretariat") which have been audited by the independent external auditors, Messrs Deloitte & Touche and their report is shown on pages 7 and 8.

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 statement of comprehensive income is drawn up so as to present fairly the surplus of the Secretariat for the financial year ended 31 December 2010;
- the statement of financial position is drawn up so as to present fairly the state of affairs of the Secretariat as at 31 December 2010; and
- the financial statements have been prepared in accordance with Generally Accepted Accounting Principles.

Signed on behalf of COMESA by:

....

Secretary General

....

Assistant Secretary General- Administration and Finance

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 the Common Market for the Eastern and Southern Africa (COMESA) which comprise of the statement of financial position as at 31 December 2010, the income and expenditure statement, 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 (COMESA) 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 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 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 Agency'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 Agency's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary General, 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.
Opinion

In our opinion, the financial statements present fairly the financial position of the COMESA Secretariat as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting principles ("GAAP") and COMESA Financial Rules and Regulations.

DELOITTE & TOUCHE **DATE:**

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA SECRETARIAT

(COMESA SECRETARIAT)

STATEMENT OF INCOME AND EXPENDITURE

for the year ended 31 December 2010

COM $			
	NOTES	2010	2009
INCOME			
Member states contributions	4	**9,249,285**	8,930,234
Other income	5	**154,314**	202,688
		9,403,599	9,132,922
EXPENDITURE			
Division expenditure			
Administration	6	**(2,227,367)**	(2,154,197)
Secretary General	7	**(2,152,020)**	(1,904,420)
Meetings	8	**(1,043,258)**	(976,344)
Trade, customs and monetary harmonisation	9	**(682,954)**	(580,198)
Infrastructure development	10	**(541,509)**	(517,127)
Investment programme and private sector development	11	**(547,962)**	(902,164)
Information networking	12	**(560,483)**	(467,626)
Finance	13	**(364,479)**	(334,668)
Total division expenses		**(8,120,031)**	**(7,836,744)**
OPERATING SURPLUS		**1,283,568**	**1,296,178**
Other charges			
Amortisation of grant	21	**74,398**	48,634
Net exchange gains/(losses)		**115**	(20,755)
Depreciation	14	**(233,360)**	(213,826)
Total		**(158,847)**	(185,947)
Exceptional Expenses			
REFORM ineligible expenses		**(38,772)**	-
Regional Investment Agency (RIA) ministerial expenses		**(34,783)**	-
Donation to Malawi for earth quake victims		**(5,000)**	-
Total		**(78,555)**	**-**
Other funding credited to accumulated fund			
Unutilised project funds	26	**470,508**	-
Bonus shares on investments	16	**145,970**	-
Total		**616,478**	**-**
Surplus for the year		**1,662,644**	**1,110,231**

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA SECRETARIAT

(COMESA SECRETARIAT)

STATEMENT OF FINANCIAL POSITION

at 31 December 2010

COM$			
	NOTES	**2010**	**2009**
ASSETS			
Non-current assets			
Property and equipment	14	**976,462**	727,537
Long term investments	16	**450,570**	304,600
		1,427,032	1,032,137
Current assets			
Contributions receivable	4	**9,151,646**	11,075,886
Loans and advances	17	**4,501,408**	1,985,646
Short term investments	18	**9,524,783**	-
Contributions receivable for EPA	19	**156,000**	275,995
Bank and cash balances	20	**9,207,190**	16,630,414
		32,541,027	29,967,941
TOTAL ASSETS		**33,968,059**	**31,000,078**
FUND BALANCE AND LIABILITIES			
Funds and reserves			
Accumulated fund		**24,363,826**	22,701,182
Capital reserve		**60,000**	60,000
Total accumulated fund and reserves		**24,423,826**	**22,761,182**
Non current liabilities			
Capital grants	22	**229,078**	59,808
Retirement benefits	23	**2,909,950**	2,369,941
		3,139,028	2,429,749
Current liabilities			
Account payables	24	**6,405,205**	5,766,162
Bank overdraft	25	**-**	42,985
		6,405,205	5,809,147
Total liabilities		**9,544,233**	**8,238,896**
TOTAL EQUITY AND LIABILITIES		**33,968,059**	**31,000,078**

The responsibilities of the Secretary General with regard to the preparation of the financial statements are set out on page 4. The financial statements on pages 9 to 29 were approved by the COMESA Secretariat on and were signed on its behalf by:

....**Secretary General** ....**Assistant SG - Administration and Finance**

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA SECRETARIAT

(COMESA SECRETARIAT)

STATEMENT OF CHANGES IN ACCUMULATED FUND

for the year ended 31 December 2010

COM $			
	Accumulated fund	Capital Reserve	Total
Balance at 1 January 2009	**21,590,951**	**60,000**	**21,650,951**
Surplus for the year	1,110,231	-	1,110,231
Balance at 31 December 2009	**22,701,182**	**60,000**	**22,761,182**
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**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

COM $			
	NOTES	2010	2009
OPERATING ACTIVITIES			
Surplus for the year		**1,662,644**	1,110,231
Adjusted for:			
Interest income		**(66,496)**	(243,344)
Dividend income		**(14,018)**	(5,609)
Gain on disposal of property, plant and equipment		**(19,548)**	(19,258)
Depreciation expense	14	**233,360**	213,826
Amortisation of capital grant	22	**(74,398)**	(48,634)
		1,721,544	1,007,212
Movements in working capital:			
Increase in loans and advances		**(2,515,762)**	(1,422,160)
Increase in contribution receivable		**(9,524,783)**	0
Decrease in contribution receivable for Chief Technical Advisor		**119,995**	48,000
Increase in retirement benefits		**540,009**	335,941
Increase (decrease) in accounts payable		**639,043**	(286,502)
Net cash generated used in operating activities		**(9,019,955)**	**(317,509)**
INVESTING ACTIVITIES			
Payments for property, plant and equipment	14	**(484,284)**	(334,890)
Increase in investments held to maturity		**1,924,240**	471,521
Proceeds from disposal of property, plant and equipment		**21,547**	21,457
Interest received		**66,496**	243,344
Increase in investments	16	**(145,970)**	-
Dividend received		**14,018**	5,609
Net cash generated from investing activities		**1,396,047**	407,041
FINANCING ACTIVITIES			
Capital grants received	22	**243,668**	0
Net (decrease) increase in cash and cash equivalents		**(7,380,239)**	**89,533**
Cash and cash equivalents at beginning of the year		**16,587,429**	16,497,896
Cash and cash equivalents at end of the year		**9,207,190**	**16,587,429**
Comprised of:			
Cash and bank balances		**9,207,190**	16,630,414
Bank overdraft		**-**	(42,985)
		9,207,190	**16,587,429**

ACRONYMS

AAMP	African Agricultural Markets Programme
ACTESA	Alliance for Commodity Trade in Eastern and Southern Africa
AGOA	African Growth and Opportunity Act
AU	African Union
AUC	African Union Commission
CAADP	Comprehensive Africa Agriculture Development Programme
CBC	COMESA Business Council
CCIA	COMESA Common Investment Area
CET	Common External tariff
CEWS	Continental Early Warning System
COMWARN	COMESA Conflict Early Warning System
EAC	East African Community
FAO	Food and Agricultural Organization of the United Nations
FDI	Foreign Direct Investment
FEMCOM	Federation of Women in Business in Eastern and Southern Africa
FTA	Free Trade Area
GDP	Gross Domestic Product
GIS	Geographic Information System
GISAMA	Guiding Investments to Strengthen Agricultural Markets in Africa
HIV/AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome
ICT	Information and Communication Technology
MDGs	Millennium Development Goals
NTBs	Non Tariff Barriers
NEPAD	New Partnership for Africa's Development
PTA Bank	Trade and Development Bank for Eastern and Southern Africa
RCTG	Regional Customs Transit Guarantee
SADC	Southern Africa Development Community
SMEs	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary Standards
STR	Simplified Trade Regime
SQA	Standards and Quality Assurance
TIFA	Trade and Investment Framework Agreement
UN	United Nations
UNAIDS	United Nations Joint Programme on HIV&AIDS
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
ZEP-Re	COMESA Re-Insurance Company

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