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United Nations
Economic Commission for Africa

MISSION REPORT
ON THE COMESA WORKSHOP ON
REGIONAL INTEGRATION NETWORK
PROJECT PHASE II

HELD IN LUSAKA, ZAMBIA

8-9 FEBRUARY 1999

S. A. OCHOLA
MARCH, 1999



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I. INTRODUCTION

1. The Workshop to launch Phase II of the Research Project and Regional Integration which was held in Lusaka from 8-9 February, 1999 was convened as a follow-up to Phase I of the Research Network Project financed by the International Development Research Centre (IDRC) which began during the second half of 1993. The first phase of the research programme aimed at realising the following objectives:

- to promote policy-relevant research on regional integration through a network of researchers in the Eastern and Southern African region;
- to support linkage activities that would ensure effective dissemination and utilisation of research results from network members; and
- to strengthen COMESA's ability to organize and direct research of this magnitude, strengthen research skills on integration issues and provide the groundwork for a regional research centre on regional integration issues.

2. The research carried out during Phase I, covered four main areas, namely:

- informal cross border trade;
- industry and trade issues in regional integration;
- the role of NGOs and the private sector in regional integration; and
- the future of regional integration process.

3. The research work was carried out by researchers over a four-year period and produced 18 research papers in the four main areas. The research results were presented during the Final Dissemination Workshop which was held in Lusaka in April 1997.

4. The lessons derived from Phase I of the Network were four-fold. First, the COMESA Secretariat did benefit from the research activities to the extent to which the studies revealed useful insights for the better understanding of the integration process. There is now better appreciation of the nature, magnitude and constraints associated with informal cross-border trade in Eastern and Southern African region. Secondly, the studies explored the degree of industrial activities and how they relate to the trade issue. The case studies provided empirical evidence of the prospects and challenges that face the region in the enhancement of investment and production. Thirdly the studies generated useful data on the role of private sector and NGOs in economic integration. The data indicated that the private sector need to be strengthened in the integration process and be employed to facilitate cross-border investment and trade. Lastly, the papers on the theory of regional integration helped the Secretariat in the conceptualisation of the integration process against the emerging challenges of the 1990s and beyond.

5. The need for Phase II of the Research network is necessitated by the fact that there are still many outstanding issues which pose challenges on which a more informed

discussions are necessary. Some of these issues include:

- intra-regional trade promotion and enhancement;
- the role of bilateral free trade arrangements;
- the facilitation of investment and production in the region;
- the position of the region in global trade regime;
- advocacy for region integration.

6. These areas were considered by both IDRC and COMESA to be important and to warrant further research. Indeed, the need to use the existing regional economic cooperation groupings such as SADC, SACU, EAC, IOC and IGAD within the region made it more urgent than ever, to find out how these institutions could be interfaced and be used effectively in the process of economic integration.

II. OBJECTIVES OF THE MISSION

7. The objective of the mission was to participate and contribute to the debate at the Workshop convened to discuss and brainstorm on the Research Agenda on Regional Integration in Eastern and Southern African region which reviewed the current issues that required research support. Specifically the workshop examined a three-tier research programme which was proposed to cover Phase II and involved the following categories of studies:

- Thematic Research
- Medium- to Long-term Perspective Research
- Current Issues.

8. In order to achieve this objective the ECA mission participated actively in the brainstorming discussions on the issues relating to regional economic cooperation and integration. The ECA had been involved in the drawing up of the project document which resulted in Phase I of the Research project, as well as the workshop that had been convened in Lusaka, Zambia in April 1997 to review the Phase I research results. Indeed, the invitation of the ECA was extended on the basis of the contribution which it was expected to make in defining Phase II of the research project in the light of its past involvement. Secondly, the invitation was also extended to ECA so that close collaboration could be forged between the two institutions during Phase II of the Research Project. ECA as one of the leading research institutions needed to be involved in making contribution to the ongoing research efforts within the region and to bring its vast experience to bear in the area of regional economic integration in order to guide these efforts.

III. ATTENDANCE OF WORKSHOP

9. The workshop was attended by Research institutions, International organization, and Donor organizations. The list included: International Development Research Centre (IDRC), Organization of African Unity (OAU), United Nations Economic commission for Africa (ECA), United nations Development Programme (UNDP), African Institute for

Policy analysis and Economic Integration, (AIPAEI), Economic Policy Research Centre (EPRC), Institute of Economic Affairs (IEA), Economic and Social Research Foundation, Imani-Capricorn Economic Consultants Limited (PTY), University of Zambia, southern African Development Community (SADC), European Union, Canadian High Commission, Embassy of Japan, Embassy of the Arab Republic of Egypt, and COMESA Secretariat. List of participants is attached as Annex I, while Annex II gives Tentative Programme for the organization of the Workshop.

IV. DISCUSSION AND PROCEEDINGS OF THE WORKSHOP

PART I: PROPOSED RESEARCH AREAS

10. The brainstorming was based on the draft concept paper prepared by a consultant under six themes, namely:

- Intra-regional Trade Enhancement;
- Bilateral Free Trade Arrangements and the Region;
- Investment and Production Enhancement;
- Financial Aspects;
- The Position of the Region in the Global Trade Regime;
- Advocacy for Regional Integration.

In addition, the proposed operational principles and project administration structure was also considered.

11. Under Intra-regional Trade Enhancement, indicative research areas were:

- (i) Evaluation of the progress for the implications of trade and investment in the region, policy of liberalization of trade in goods and services, particularly:
 - the abolition of remaining non-tariff barriers;
 - the harmonization of external tariffs.
- (ii) Using the Global Trade Analysis database and modelling framework, analyse how reduction in tariff will affect inter- and intra-regional COMESA trade within Africa and the rest of the world. The study will examine:
 - the viability and realism of the levels of tariff reductions agreed to by the COMESA Summit in July 1998;
 - appropriateness of the sequencing of the reforms in the context of the region and global market;

- identification of the anticipated regional welfare as a result of tariff reductions in terms of production, employment generation and better terms of trade; and
 - how the expected transition to complete free trade in the region is likely to impact on member countries.
- (iii) Analyse the regional state's customs administration, monitoring and control processes with a view to making practical and policy-relevant recommendations on the following:
- strengthening and simplifying procedures through inter alia, documentation and standardisation;
 - improvements on the enforcement of the COMESA "Yellow Card";
 - extension of border opening hours;
 - computerizing the processes;
 - minimizing the time spent at the border ports.
- (iv) Analysis of the best ways of ensuring that the benefits derived from integration accrue equitably to the participating members. In this regard the followings will be examined:
- how best to enhance and take advantage of investment –inducing capitals flows from South Africa to the rest of the region in a manner that would reduce massive trade surpluses the country holds with the region;
 - assess the degree to which regional economy may benefit from South African Governments to extend the operational mandates of both the Development Bank of Southern Africa (DBSA) and Industrial Development Corporation (IDC) to include the rest of the region;
 - explore the value to other regional economies of the preferential free trade treatment accorded to SADC member States under South Africa's policy on the relaxation of exchange rate control announced in early 1998; and
 - review the full implications to the region of the South African proposals on non-reciprocal tariff removals.

12. Under Bilateral Free Trade Arrangements and the Region, the indicative research areas include:

- (i) analysis of the implication of the RSA-EU Free Trade Area negotiations or arrangement;
- (ii) the potential effects of the bilateral free trade agreement which the EU is proposing as a part of the EU-ACP future relations and the likely impact on the COMESA and SADC regional integration efforts.

13. On Investment and Production Enhancement, the possible indicative research areas are:

- (i) identification and analysis of the supply-side constraints that affect the smooth flow of investment capital both local and FDI in the region;
- (ii) analysis of how best to link regional trade liberalisation to industrial restructuring and development;
- (iii) examine how best to set up one-step investment approval authorities/centres along the lines prescribed by the CBI;
- (iv) critical assessment of trade and investment opportunities that could accrue to regional economies from South Africa's decision to take the lead on spatial development initiatives (SDIs) in the region as a concrete measure to enhance the effectiveness of targeted investments;
- (v) examine the best way to harmonize procedures across the region with a view towards the adoption of a standard system;
- (vi) examination of the centrality of the business community in the process of formation, consolidation and sustenance of integration, and to this end review:
 - the efforts of respective governments to improve private entrepreneurship through, inter alia, assistance to the private sector with restructuring in order to take advantage of the wider regional and world markets;
 - the role and/or contribution of medium and micro-enterprises to investment; and examine the availability to micro-credit facilities;
 - how best to facilitate private sector participation in socio-economic policy formulation;

14. Within the context of Financial Aspects, the indicative research areas involve:

- (i) establishment of a series of fiscal, monetary, and macro-economic targets and indicators that accurately reflect progress being made in the achievement of the ultimate goal of a single currency, recognizing the need for discretionary-based series of monetary and fiscal integration policies within the framework which leaves some discretion in policy formulation to individual countries;
- (ii) examination of the option of 'locking in' monetary and fiscal harmonization into an outside agency (such as the European Union) or to seek a mutually-beneficial linkage with multilateral financial institutions (e.g. the World Bank and the IMF);
- (iii) explore the merits and demerits of facilitating greater regional competition in the provision of the following:
 - finance and banking;
 - the development of a regional securities market;
 - establishment of a cross-border investment facility as strongly proposed by the 1993 ADB Study on regional integration;
 - establishment of stock-exchanges where they do not already exist;
 - the feasibility of a regional facility for trading in stocks, bonds, securities and other financial instruments; and
 - the development of a regional development bank and the appropriateness of already existing institutions (e.g. the DBSA) to assume this role.

15. With regards to the position of the region in the global trade regime, the indicative research areas are:

- (i) the degree to which the COMESA trade liberalization initiatives are in line with the more global (multilateral/multinational) considerations as enshrined in the governing principles of WTO. In particular, examine the possible options that the region should consider in the proposed next round of WTO negotiations on agriculture to ensure that the ensuing WTO rules and regulations are of direct benefit to the region;
- (ii) the minimisation of the risk of trade diversion as well as the adjustment cost of integration into the world economy (e.g. assess

how COMESA can minimise trade diversion through the introduction of a common external tariff);

- (iii) assess the impact of the COMESA and (the proposed) SADC Free Trade Area (FTA) on regional economies. In this regard, key industries should be identified and the impact of the FTA on such industries should incorporate qualitative assessments of their potential to survive and expand within the dynamic context of a growing regional market;
- (iv) establish the sectors and trading blocks within the COMESA region that would gain the most from trade liberalisation that takes into account the international and multilateral perspectives.

16. In the area of advocacy for regional integration, the indicative research areas should focus and include:

- (i) how best to engage the private sector in the regional integration to ensure that policies reflect realistic business concerns;
- (ii) strengthen the capacity of advocacy groups through, for example, training, equipment support, and information linkages (both within and outside the region) through electronic facilities such as the Internet. These groups should include chambers of commerce; research institutes; trade and import/exports associations; agricultural policy networks, and other policy networks;
- (iii) analysis on how to streamline the publishing of the investment codes in regional economies as well as their dissemination to the wider regional audiences (including the possibility of utilising the Internet).

PART II: PROPOSED OPERATIONAL PRINCIPLES AND PROJECT ADMINISTRATION STRUCTURE

I. Principles

17. This two-year Research Network Phase II ought to improve upon the successes of the first Phase. The principal difference between the two phases is that while the first one was more general in coverage and enlisted the special research interests of regional researchers on the subject of regional integration and co-operation. This second Phase attempts to go one step further by confining its coverage to areas that have a direct policy and practical relevance for COMESA and similar regional institutions in the Eastern and Southern African region. In this regard, the Phase should consider employing the following principles:

- a more vigorous process of appointing researchers and/or their institutions;

- a more thorough induction of the researchers and participating institutions in to the project through:
 - participation in the inception workshop that shall develop the needed regional consensus on what are immediate and medium-term research topics that posses practical policy implication for the region;
 - adoption of *a process approach* to research whereby the project administration structure is expected to serve as a guidepost for participating researchers/institutes to develop their proposals and present their findings at a number of workshops. The aim of the workshops is to provide the needed orientation support and advise, as communicated to the network by the beneficiary regional organisations. This interactive and inclusive process shall also allow members of the Network Research Advisory Committee to provide feedback and comments on the works produced;
 - adoption of applied approach to research that requires that each study that shall be adopted at the conception Workshop should clearly define the key policy issues and the problems to be addressed. In this regard, there shall be need for each approved project to demonstrate, first, the existing constraints, norms, regulations, laws, policies, etc. that compromise the enhancement of regional integration in the subject area identified. Secondly, the proposal should show how it would work towards the itemisation of realistic practical and policy-relevant recommendations on how changes in the current modus operandi/status quo would advance the course of regional integration;
 - strengthening of the regional network through information sharing that, in turn, should enhance the capacity of regional researchers and policy-makers in the field of regional integration;
 - promotion of a stronger and more sustainable interaction between policy-makers and regional researchers on integration and cooperation.

18. Against the above principles, the Project Management Committee (see below) should design a checklist on acceptability of proposals. The checklist may include the following:

- regional relevance;
- thematic relevance (i.e. its relevance to the issue of regional integration);
- policy relevance (including practical considerations);
- realisable time-frame and budget (i.e. it should be completed within a two-year timeframe within the confines of the available financial resources);
- realistic dissemination component;

- appropriate institutional base; and
- appropriate researchers.

19. With respect to last two checklist points above, the Project should allow (in fact encourage) institutional collaboration between research centres on one topic. It is worth re-stating that the research activity shall be classified by the Project Management Committee into the three categories, namely, thematic research that focuses on key policy-relevant topics that require urgent answers; medium- to long-term perspective research, and research, on current issues.

II. *Structures*

20. It is recommended that the following Project Management Structure be adopted.

Project Management Committee (PMC)

Responsibilities

- receive, consider, and make decisions on the bankability of research proposals using the yardsticks specified under 'principles' above;
- facilitate informed dialogue among the researchers and between the researchers and policy-makers and other major stakeholders, including the private sector;
- receive (from the Project Co-ordinator), review, and pass decisions on financial and research activity reports and plans;
- mobilize, in close collaboration with the COMESA Secretariat, the required resources for the Network;
- oversee the quality, intellectual and scientific components of the Network;
- manage, through the Co-ordinator, the project resources in the context of the COMESA Secretariat financial regulations and system as may be modified to reflect the expectations of the other funding agencies. In his regard, the Committee shall receive and approve all financial reports and proposed annual budgets from the Co-ordinator.

Composition

- 1 Senior official from COMESA;
- 2 Representative from Donor Agencies;

- 4 Africans (residing within the Eastern and Southern African region) that possess an outstanding record of research, publications and management skills related to the field of regional integration;
- ECA;
- OAU;
- SADC;
- 1 Project Co-ordinator;
- Task Manager from COMESA (in attendance only).

21. It is proposed that the Committee should be appointed by the COMESA Secretariat and that it should meet at least twice a year.

22. It is further recommended that COMESA appoints a Task Manager from among its senior staff members. The functions of the Task Manager shall be as follows:

- serve as the main liaison person between the Project Management Committee, the Project Secretariat-cum-the Project Co-ordinator;
- furnish COMESA Secretariat with routine briefings on the progress of the Project;
- facilitate the mobilisation of resources for the Project;
- in liaison with the Project Co-ordinator, develop Project budgets on the basis of the approved areas of research and agreed project modalities;
- develop and communicate to the Project Co-ordinator the administrative and financial procedures of COMESA in so far as it applies to the Project management system.

III. *Project Secretariat and Co-ordinator*

Responsibility

23. There shall be a Project Secretariat headed by a Project Co-ordinator. The task of the Secretariat is to handle the day-to-day Project management functions. The Co-ordinator shall perform the following functions:

- receive and check for accuracy of the project proposals and then submit to the Project Management Committee for approval consideration;

- implement the decisions of the Steering Committee as they relate to the objectives and goals of the Network;
- facilitate informed dialogue among regional researchers and between the researchers and policy makers in line with the decisions of the Steering Committee

V. CONCLUSION

It should be noted from the above report that ECA selected to be a member of the Project Management Committee (PMC) for Phase II of the Research Project. This is a plus to ECA and a recognition of the lead vote it plays in research in Africa.

LIST OF PARTICIPANTS

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Annex I

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**TENTATIVE PROGRAMME FOR THE WORKSHOP TO LAUNCH
PHASE II OF THE PROJECT**

Pamodzi Hotel Board room - 1st Floor

Lusaka, Zambia

8th - 9th February 1999

TIME	ACTIVITY	RESOURCE PERSON	SESSION
15.00-17.00	Proposed Research Theme: <u>Trade</u>	Chairman: Mr. Ngwenya Presenter: Prof. Oliver Saasa	1
17.00 - 18.00	Proposed Research Theme: <u>Investment & Production</u>	Chairman: Mr. Pearson Presenter: Prof. Oliver Saasa	2
Tuesday 9	February 1999		
09.00-10.00	Proposed Research Theme: <u>Financial Prospects</u>	Chairman: Mr. Mark Pearson COMESA Presenter; Prof. Oliver Saasa	3
10.00 - 11.00	Proposed Research Theme: <u>Global Trade Regime</u>	Chairman: Mr. Pearson Presenter: Prof. Oliver Saasa	4
11.00-11.15	TEA BREAK		
11.15 - 12.30	Proposed Research Theme: <u>Advocacy for Regional Integration</u>	Chairman: Dr. N. Mwase Presenter; Prof. Oliver Saasa	5
13.00-14.00	LUNCH		
14.00 - 15.30	Discussion of the proposed Administrative Structure of the Network	Chairman: Mr. Jason Kap-Kirwok Presenter: Prof. Oliver Saasa	6

TIME	ACTIVITY	RESOURCE PERSON	SESSION
15.30-16.00	TEA BREAK		
16.00 -17.30	Discussion of the Proposed Administrative Structure of the Network [Continued]	Chairman: Mr. Jason Kap-Kirwok Present: Prof. Oliver Saasa	7
17.30 - 18.00	Closing Remarks	Chairman: Mr. Tom Lemans - EU Closing Remarks: Mr. Sindiso Ngwenya, Assistance Secretary General - COMESA	8
19.00-21.00	RECEPTION		
END OF PROGRAMME			