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**PROGRESS REPORT ON PRIORITY
PROGRAMMES OF COMESA**

Prepared by the Secretariat of the Common Market for Eastern
and Southern Africa (COMESA)

**COMMON MARKET FOR
EASTERN AND SOUTHERN AFRICA**



**PROGRESS REPORT
ON
PRIORITY PROGRAMMES OF COMESA**

1.1 INTRODUCTION

The Common Market for Eastern and Southern Africa (COMESA) is a grouping of 21 countries¹ who are committed, over the long term, to the creation of a Common Market for Eastern and Southern Africa. COMESA is already well on its way to achieving a Free Trade Area by the year 2000 and a Customs Union, with a Common External Tariff, by the year 2004. In this regard, COMESA has made considerable progress by adopting a variable speed approach, with the fastest liberalisers leading the way. Thus, more than half of COMESA members already offer 70 to 80 percent intra-COMESA tariff preferences.

In addition to creating the policy environment for freeing trade, COMESA has created specialised institutions to provide the required financial infrastructure and service support. The Trade and Development Bank for Eastern and Southern Africa (PTA Bank) has an impressive track record in providing trade and development finance, requiring intermediation with international capital markets. The Re-insurance Company (ZEP-RE) allows smaller insurance companies to spread risk in a wider COMESA insurance pool. The Clearing House, established to enable intra - COMESA trade to take place at a time when most COMESA countries imposed strict exchange controls, is being restructured to increase private capital flows by better managing risk and information in the new liberalised market setting.

1.2 MAIN OBJECTIVES OF COMESA

The main objective of COMESA is to assist member states to create favourable conditions for the development of the African Economic Community and the attainment of its objectives, particularly by harmonising their strategies and policies. Within this overall objective, the priority programme of COMESA is to facilitate regional integration through trade development and investment promotion. Hence, the complete elimination of tariff and non-tariff barriers to intra-COMESA trade, while moving to a Customs union, is very central to what COMESA is doing.

1.3 ACHIVEMENTS

Intra-COMESA trade has been growing at about 15 per cent per annum in recent years (while overall trade has been growing at about 10 per cent) as a result of the following policy reforms which have reduced trade barriers and cut transport costs by about 25 per cent:

- As at September, 1998, 11 out of a possible 17 (the rest either being members of SACU, so have a derogation, or are new members) COMESA member states are

¹ Current member States of COMESA are : Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Sudan, Seychelles, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe

applying tariff preferences of 60 to 80 percent, with most planning to reach 80 per cent in their next budget (see Annex 1).

- The classic non-tariff barriers (quantitative restrictions, licensing, import permits and restrictive foreign exchange controls) have been largely eliminated.
- Rules of origin have been simplified, with more scope for import content, by the adoption of a 35 per cent local value added criterion, with the rules undergoing further changes to take into account developments at the WTO and WCO.
- The adoption of single COMESA Customs Document (COMESA-CD) to replace the previous multiplicity of documents (up to 32 in some countries) and to also serve for clearance of customs, warehousing, re-export and transit purposes.
- Implementation of the Automated System of Customs Data (ASYCUDA) to facilitate data and revenue collection and establish the basis for a harmonised tariff.
- A Customs Bond Guarantee Scheme to facilitate transit traffic and reduce the cost of financing transit goods.
- Exploitation of the potential of information availability as a tool for increased trade and investment in COMESA by, among other things, the establishment of a COMESA website (<http://www.comesa.int>).
- Promotion of monetary and fiscal co-operation among member States.
- Adoption of common regulations for axle load limits to facilitate movement by road. Introduction of a COMESA Carrier Licence to replace the need for individual national permits.
- A COMESA Third Party Motor Vehicle Insurance scheme (the Yellow Card) to allow vehicles to move across borders freely.
- Liberalisation of air traffic rights for cargo within the common market.
- Co-ordination and harmonisation of maritime transport policies in order to rationalise the use of existing ports and facilities.
- Improving and promoting inter-State telecommunications interconnectivity; by harmonising tariffs; establishment of a common frequency management and monitoring scheme; and liberalising services and commercialising operations of the existing telecommunications corporations.

1.4 CHALLENGES

The population of COMESA is estimated at about 370 million, with an average annual growth rate exceeding 3 per cent. The main challenge for the region is to create sufficient jobs to absorb the growing labour force (today about 160 million) and for the region to be a food surplus area. Food security in the region is a basic minimum requirement and COMESA perceives trade liberalisation within the region, and increased trade with the rest of the world, as critical to meet this, and other development, challenges.

The burden of debt facing the region (about US\$ 120 billion) implies that, in addition to more trade, massive private investment will be necessary to build up infrastructure and create productive employment. Debt relief and continued assistance in support of economic liberalisation will also be key elements of a successful regional development strategy.

The economic development of the COMESA region must take place within the context of "globalisation". COMESA is an "outward orientated" Organisation, with the objective of creating a regional trading bloc to be able to compete in the global markets as one region rather than a number of small, weaker traders. To create this trading bloc COMESA is in the process of developing a Common External Tariff (CET) and has got to the stage of identifying a common tariff nomenclature and defining an implementation schedule for the CET, which includes tariff classification and studies on the administrative modalities of a CET and identification of alternative sources of revenue.

COMESA is also gearing itself to take full advantage of advances in information and communications technology to allow these tools to be exploited to increase trade. The challenge is to provide information to buyers and sellers throughout the region, to create a virtual market place, and to further reduce barriers to regional trade.

If COMESA is to be successful in promoting increased trade it must also reduce the cost of doing business in the region. This is being addressed by introducing programmes to reduce the cost of transport, reduce the level of risk faced by businesses (such as through the introduction of a political risk guarantee facility) and reducing transaction costs such as through promotion of monetary and fiscal co-operation and improving cross-border payments systems.

The short to medium term focus of COMESA is therefore on achieving its priority objectives of economic development through trade and investment liberalisation within the context of the World Trade Organisation's rules and regulations. This will create the conditions for private investment inflows and justify strong donor support in favour of associated economic reforms. Moreover, COMESA will continue to work with the regional and international private sector to ensure that the regulatory framework facilitates both trade and direct foreign investment.

COMESA Member State are ready to adopt more investor friendly policies and open their markets. However, many of them are not able to implement the desired policies as a

result of budget constraints. It will be a joint challenge for the Bureau, the Secretariat and the international community to ensure that no country which wants to cut its tariffs, or reduce the tax burden on business, is prevented from doing so purely on the basis of cash flow problems. The basis for such collaboration has been established under the Cross-Border initiative, but it is necessary for the co-sponsors to assist liberalising countries to meet the short-term costs of adjustment with conditional balance of payment support.

The medium term agenda for COMESA is to first create a Customs Union by 2004, and to move on the agenda to achieve a Common Market. In collaboration with the private sector and international community, COMESA will complement free trade with the free movement of capital and labour, the standardisation of quality control, value added tax, excise duties, conditions regarding industrial establishments, company laws, intellectual property and investment laws.

The longer-term agenda for COMESA is to implement the COMESA Treaty in its entirety and this includes addressing the important issues of peace and security, good governance and democracy in the region, thus ensuring prosperity in the region goes hand-in hand with the achievement of basic human rights.

1.5 CURRENT PRIORITY PROGRAMMES OF COMESA

To enable it to meet some of the above indicated challenges COMESA has formulated a number of projects/programmes. Some of these programmes are ongoing others are being formulated. The following are few of priority areas where COMESA would focus in the coming years.

- (a) To ensure that the Free Trade Area (FTA) and the Common External Tariff (CET) are achieved by the year 2000 and 2004 respectively, COMESA would;
 - Undertake a study on the problems of those member States which have difficulty to reduce tariff and come up with a recommendation as to how they can be assisted;
 - Catalogue the non tariff barriers that still exist in COMESA member States;
 - Undertake a study on how to administer the Customs Union;
 - Study alternative sources of revenue
 - Undertake a study on how to establish a Common Customs valuation system.

- (b) For the FTA and CET to work effectively fiscal and monetary harmonisation programmes have to be undertaken on the principles of market economy, COMESA would therefore focus on;
- Reorientation of its monetary harmonisation programme;
 - Restructuring the COMESA Clearing House to give it new but important functions in line with the current realities.
- (c) COMESA would continue building the capacity of the private sector through provision of training on WTO rules and regulations. COMESA would also assist the national Chambers of Commerce to be able to access and disseminate information to their constituencies.
- (d) To promote investment in the region, COMESA is currently doing National Investors Roadmaps in the COMESA countries so that a Regional Investors Roadmaps could be drawn on the basis of the information to be made available by the national Roadmaps. This exercise will identify all the impediments to investment with a view to bringing them up to the attention of government.
- (e) On Free Movement of People, although 9 COMESA member States have ratified the Protocol and is now in force, its implementation is impaired because of the social and economic instabilities in the region. In this regard COMESA would like to learn from the successful experience of ECOWAS and is cooperating with OAU/AEC in this regard.
- (f) Liberalizing the COMESA Rules of Origin - To facilitate trade and to attract investment to the region COMESA has recently reduced its 45% local value added requirement to 35%. It is currently undertaking a study in collaboration with SADC to further liberalise it.

1.6 COLLABORATION WITH UNECA-SRDC

COMESA has always enjoyed the unreserved support of UNECA. The importance that ECA attaches to regional integration is manifested by the recent restructuring which strengthened the Regional Offices with mandate and resource to support the sub-regional organisations.

The SRDC and COMESA meet and consult regularly to identify programmes that can be undertaken jointly. A good example is the High Level Policy Seminar in Gender which was jointly organized last year by COMESA and the SRDC.

Recently ECA has provided COMESA with technical support to undertake two major studies - i.e. study on Restructuring and Re-organisation of the COMESA Secretariat and

the study on Self Financing Mechanism. ECA is currently doing a study on equalization and also supporting COMESA in the implementation of the restructuring exercise.

1.7 CONCLUSION

COMESA believes that it is going in the right direction and is positively contributing towards the establishment of the African Economic Community (AEC).

Despite its broad mandate, for the short to medium term COMESA has chosen to focus on Trade Development and Investment Promotion and wants to build on the achievements it has already made. It believes in working together towards the common goal and is committed to assist and collaborate with the other Regional Economic Communities (REC's) in what they are doing.

COMESA recognizes the need to harmonise the programmes of the REC's to avoid duplication and wastage of resources. In this regard, it believes that the UNECA-SRDC is best placed to assist the regional organisations to harmonise and coordinate their programmes.