COMESA AID FOR TRADE STRATEGY

UNECA Expert Group Meeting and Workshop on Aid for Trade

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Hope Situmbeko, COMESA

hsitumbeko@comesa.int

Overview

- *Background*
- *COMESA A4T Strategy*
- *What has been done*
- *Progress Made*
- *Where to now*
- *Challenges*

Background

- WTO Ministerial Meeting in December 2005 agree on Aid for Trade Initiative
- COMESA Council of May 2007 (Nairobi) adopted the COMAid decision.
- AfT unit set up in 2008
- COMESA Aid for Trade Strategy adopted by Summit in 2010

COMESA A4T Strategy - Objectives

- *The overall objective of the Regional AfT Strategy is to contribute to the impact, efficiency and effectiveness of ESA-IO Member States' trade reforms and regional integration initiatives so that they can fully benefit from regional and international trade opportunities to reduce poverty and to achieve their (MDG) development objectives.*

COMESA A4T Strategy – Objectives cont'd

The specific objectives are that:

1. *The private sector of the COMESA Member States reduces regional costs of doing business with and within COMESA region through a coherent package of inter-related*
   - *investments in trade related infrastructures,*
   - *trade facilitation instruments, and*
   - *trade regulatory measures*

2. *ESA-IO Member States have access to mechanisms to address trade and integration related adjustments, including social costs.*

Approach

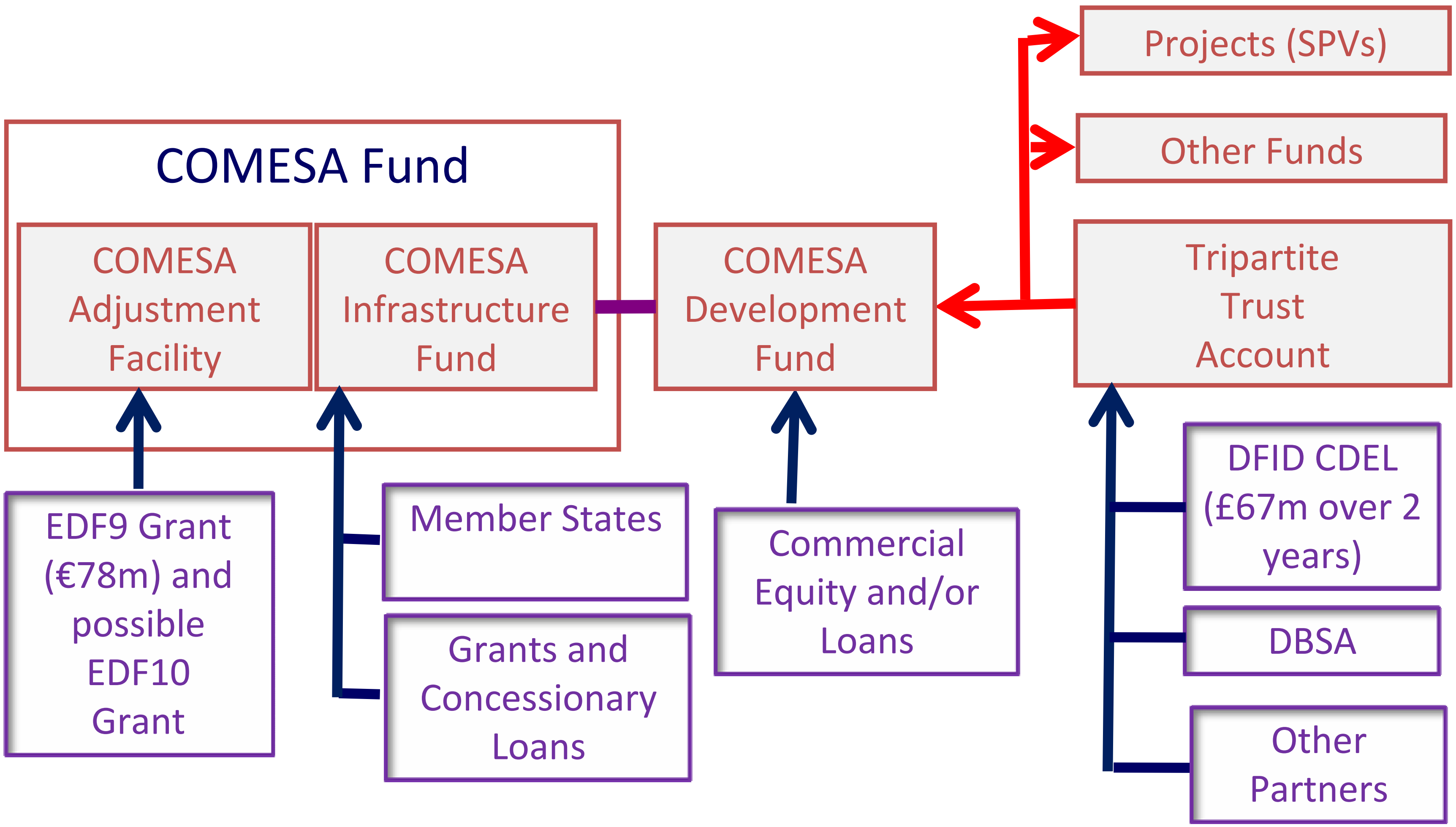
- The approach adopted is a systematic identification of needs based on a gap analysis which then leads to identification of resource requirements to facilitate mobilisation of resources. This draws on the NSC model
- The approach addresses mobilisation of resources based on the regional priorities; efficiency in resource utilisation and effective implementation of programmes.
- It also encourages use of regionally owned instruments for resource delivery (Contribution Agreement, COMESA Fund)
- And it avoids being a shopping list

Progress Achieved

- Development and implementation of regional programmes for improved market access and trade facilitation measures which includes implementation of the FTA to strengthen the internal market, Launching the CU which is to be fully operational in 2012 and setting foundations for the CM and MU
- Trade and transit transport facilitation instruments include; COMESA-CD, the COMESA Carrier Licence, A Regional Customs Transit Guarantee (RCTG) scheme, COMESA Yellow Card vehicle insurance scheme, ASYCUDA and a Transit Data Transfer Module (TDTM).

Progress Achieved

- Progress in implementation of the NSC whose approach is being extended to other corridors and other programmes
- Implementation of OSBP at Chirundi which is being extended to borders
- Mobilisation of resources under the NSC under the framework of the Tripartite (DFID, WB, EU, etc)
- Mobilisation of resources for the trade regulatory measures, trade facilitation and trade development (EU, DFID, CIDA, USAID)
- Operationalisation of the COMESA Adjustment Facility and Infrastructure fund
- Increased use of and improvement in own instruments for implementing programmes eg CA, CAF and CIF
- CAF operational and first disbursements made to two countries; CIF in Mauritius and being operationalised


Projects (SPVs)
Other Funds
COMESA Fund
COMESA Adjustment Facility
COMESA Infrastructure Fund
COMESA Development Fund
Tripartite Trust Account
EDF9 Grant (€78m) and possible EDF10 Grant
Member States
Grants and Concessionary Loans
Commercial Equity and/or Loans
DFID CDEL (£67m over 2 years)
DBSA
Other Partners

Progress Achieved

- The impact on the implementation of COMESA’s regional integration agenda is the increase in intra and extra regional trade

Fig: Total COMESA Trade, 2001-2008

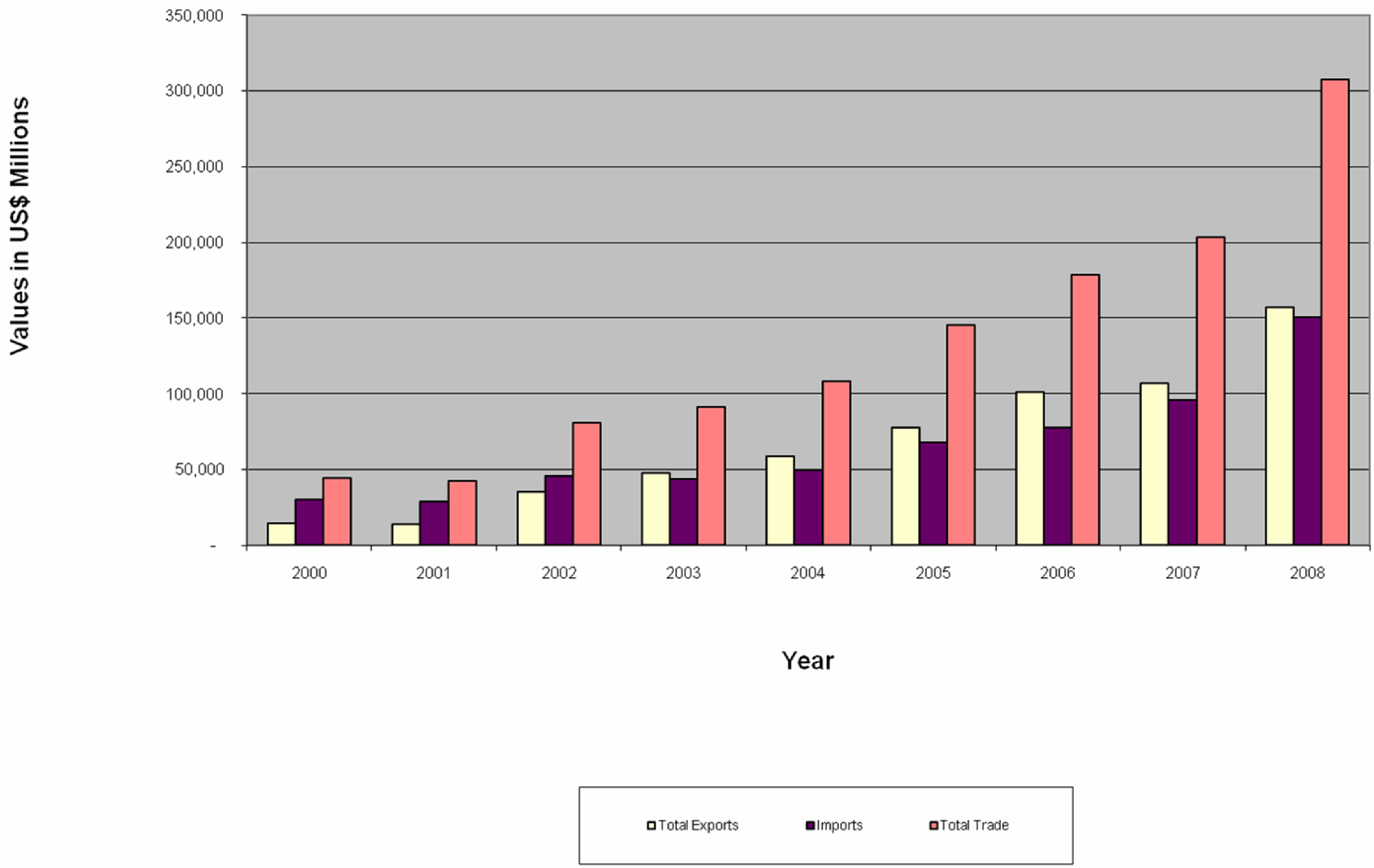


Table 6: COMESA's Major Export Trade Markets, 2004 - 2008, Values in US$ Millions

2008 Rank	Origin	2004	2005	2006	2007	2008
1	EU	38,871	51,453	66,080	69,362	98,844
2	China	1,932	3,462	7,000	3,079	12,237
3	COMESA	2,335	3,208	2,970	4,520	6,986
4	United States of America	2,071	3,548	4,865	5,201	6,636
5	Switzerland	1,266	1,823	3,214	3,714	5,885
6	India	548	693	1,948	1,854	2,793
7	South Africa	2,506	1,785	2,483	3,105	1,772
8	Japan	480	691	800	678	1,738
9	Country Unknown	1,418	2,144	3,176	5,298	1,732
10	Saudi Arabia	524	764	754	903	1,700
	Others	*6,491*	*7,876*	*7,547*	*9,429*	*16,731*
	Total Exports	**58,440**	**77,448**	**100,839**	**107,144**	**157,054**

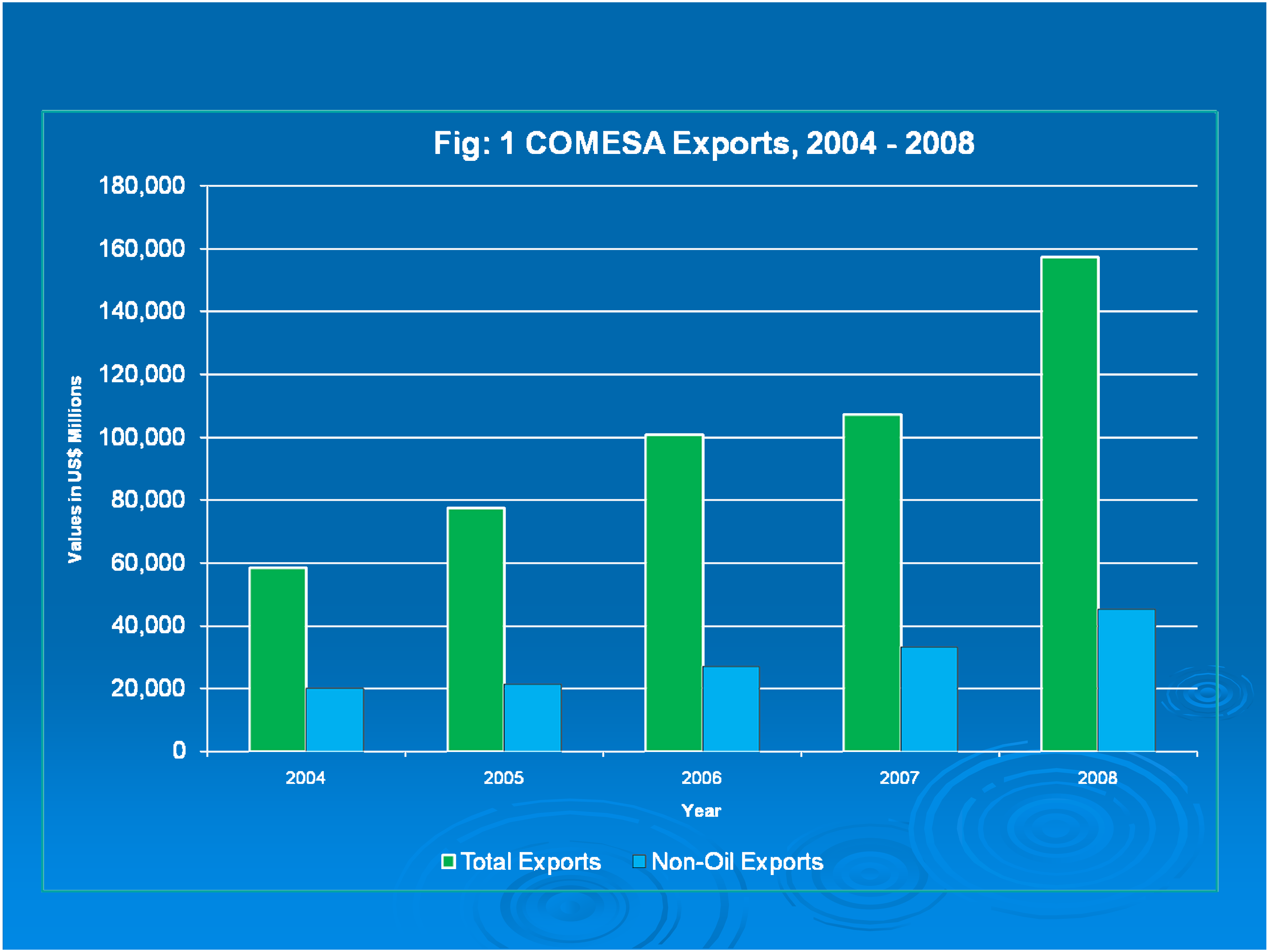


Fig: 1 COMESA Exports, 2004 - 2008
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
Values in US$ Millions
2004
2005
2006
2007
2008
Year
Total Exports
Non-Oil Exports

Table 4: COMESA Total Exports by Product and Value, 2008, Values in US$ Millions

	HS2002	Product Description	2008	% of Total
1	270900	Petroleum oils and oils obtained from bituminous minerals, crude	94,143	59.9
2	271019	Medium oils and preparations, of petroleum or bituminous minerals, n.e.s.	6,700	4.3
3	271011	Light oils and preparations, of petroleum or bituminous minerals	5,019	3.2
4	271111	Natural gas, liquefied	3,765	2.4
5	740311	Copper, refined, in the form of cathodes and sections of cathodes	2,305	1.5
6	240110	Tobacco, unstemmed/unstripped	1,664	1.1
7	260300	Copper ores and concentrates	1,245	0.8
8	090111	Coffee (excl. roasted and decaffeinated)	1,201	0.8
9	090240	Black fermented tea and partly fermented tea, whether or not flavored,	1,188	0.8
10	740919	Plates, sheets and strip, of refined copper, not in coils,	982	0.6
		Other Products	38,922	24.8
		Total Exports	**157,133**	

Were are we going – MTSP 2011-2015

- The draft MTSP covers the Aid for trade areas: Removing barriers to trade; Improving productive capacities and addressing supply side constraints.
- It recognizes the need to strengthen implementation and improve monitoring at the national level
- Building productive capacities includes issues of regional strategies in agric. Ind and services with diversification and value addition being key ; PPP, trade promotion and trade and business intelligence networks

Challenges

- Move from DTIS or similar studies to real integration of trade aspects in the NDP which facilitates provision of complimentary funding through national budgets (whether from Govt or donors)
- Moving from regional agreement to effective transposition at the national level reflected in NDP, Budgets etc
- Given regional nature of programmes, mutual prioritisation, sequencing and implementation of programmes is a necessity among countries. This applies to both soft and hard components of programmes
- Monitoring of programme implementation and impact will require national input

Challenges

- Requirement of programmes to already be prioritised in NDP but policy makers usually not willing to prioritise if funds not predictable
- Dilemma is donors want pre-prioritised lists to commit funds and countries want predictability before definition of needs.
- Issue of definition of bankable projects
- Matching of project preparation phases with availability of funds eg first do feasibility study which defines needs and then prepare project/programme for funds to be committed
- For Infrastructure programmes need to operationalise mechanisms that allow blending of private sector resources with grant funds
- Translating pledges into disbursements. Problems of identification – what is infrastructure, what is new money, what is committed, etc.

conclusion

- Why should RECs harness Aid for Trade for regional Integration? Because the implementation of the Aid for Trade components which are part of the day to day business of regional integration, is having a positive impact on Trade growth.
- How to harness aid for trade? Through addressing at regional and national level some of the challenges highlighted

Projects:

Existing on-going projects initiated by the Tripartite on the NSC include:
-Chirundu – fibre-optic cable, access road, lighting projects prepared as well as the rehabilitation of the bridge and the fast-track building and building modifications
-Consideration of the third section of Lusaka-Chirundu road – 20kms from bottom of escarpment to border
-Design of Serenje-Nakonde road (3 sections)
-ZTK PMU (as start-up SPV)

There are also a number of projects that are ongoing and are financed by other donors (such as the road upgrades financed by the World Bank, EU, AfDB and bilateral donors) and these are also part of the NSC infrastructure upgrade.

Money Pledged at NSCC:

DBSA: Announced a commitment of US$1.5 billion over 4 years for projects in the roads, ICT and energy sectors. These are projects under preparation.

Pledges specifically for NSC Projects:

- World Bank – US$500 million - IDA and loans.
- AfDB – US$380 million - loans and ADF.
- UK – £100 million (£67m capital development) – grants.
- EU (EDF) – €115 million (€60m from EDF10 RIP) – grants.

Pledges for NSC-related Corridors:

- World Bank - US$500 million – loans and IDA
- AfDB - US$160 million (Nacala Corridor)

Remaining Challenges - Chirundu:

Chirundu is still not operating as a true one stop border post and there are three main reasons for this:

1)Change Management Issues: Officials at the border are resistant to changing systems that, in their opinion, work well enough. Their main objective is to collect revenue and not clear trucks faster. Incentive schemes of the private sector? Chirundu could be made a OSBP today with the right incentive structures.

2)Technical issues – data links on ASYDUDA, access road to Otto Beit Bridge and opening of the bridge, communications, signage.

3)Number of agencies at the border and responsibilities. In past Customs were agents for other agencies so there was more coordination. Europe has moved to unified border agencies, SA to the BCOCC.

Some Outstanding Challenges:

-Reducing costs of cross-border trade while raising revenue through new taxes such as carbon taxes and road tolls.
-Preparing “bankable projects” – means different things to different people: Infrastructure projects all different and no single way. Should prepare with financier.
-Regional projects are still two or more national projects – challenges of funding, procurement, political economy, etc.
-Trade Facilitation – aligning GVM and axle loads; regional customs bonds; regional carriers licenses; single window and community platforms; OSPB and customs modernisation.
-Aligning national and regional priorities – but progress is being made – NSC April Harare Ministerial meeting.
-Translating pledges into disbursements. Problems of identification – what is infrastructure, what is new money, what is committed, etc.