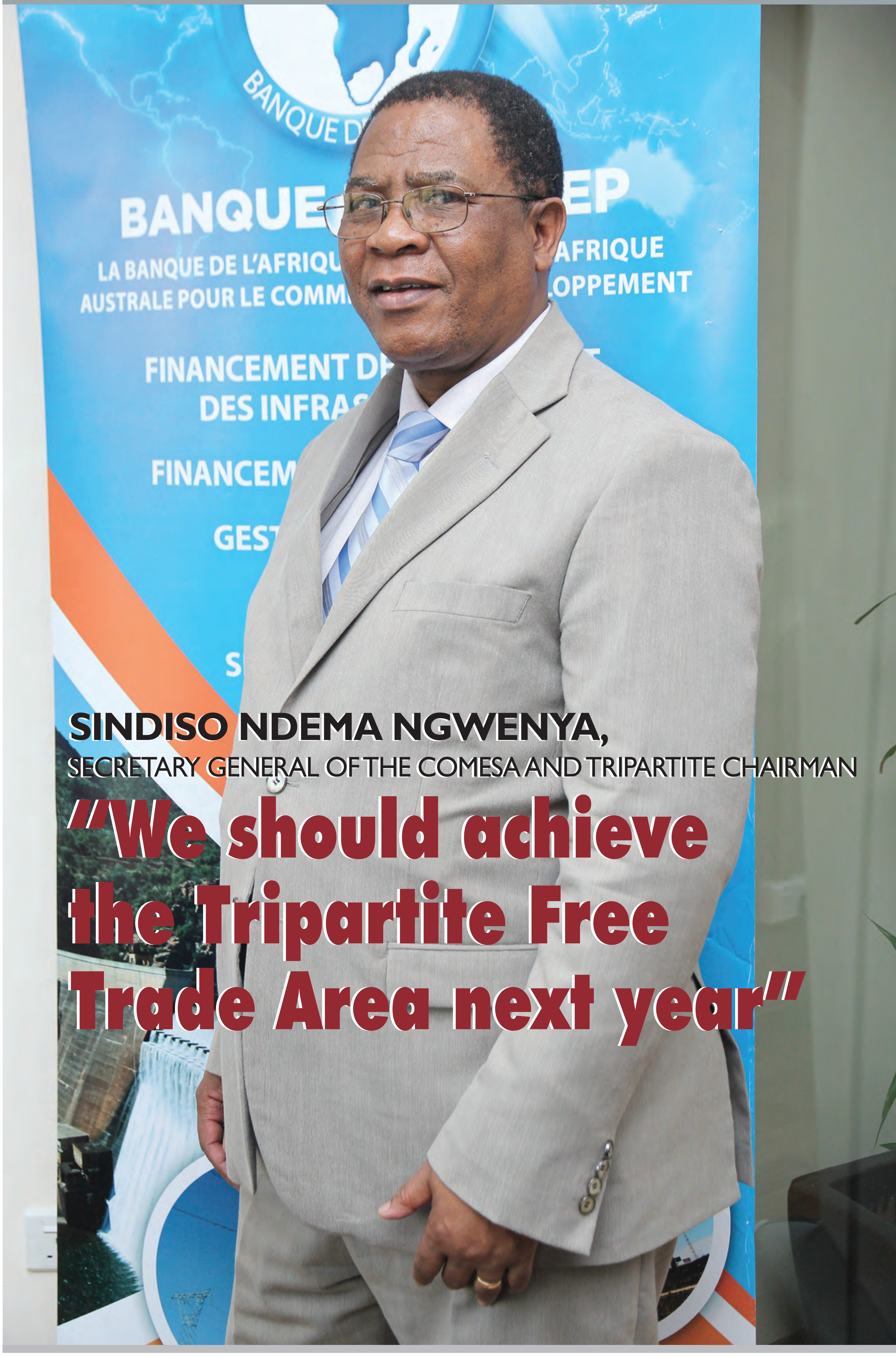
BIZweek

Economie | Business | Finance

ISSUE 13 – SATURDAY 20 SEPTEMBER 2014

SPECIAL ISSUE

COMESA-SADC-EAC TRIPARTITE



SINDISO NDEMA NGWENYA,

SECRETARY GENERAL OF THE COMESA AND TRIPARTITE CHAIRMAN

"We should achieve the Tripartite Free Trade Area next year"

DR ARVIN BOOLELL

"THERE MUST BE A COMPREHENSIVE AGREEMENT BETWEEN COUNTRIES"

ADMASSU TADESSE

"MORE INVESTORS SHOULD PARTICIPATE IN THE INFRASTRUCTURE FUND"

YUFNALIS OKUBO

"THE FTA SHOULD HELP US BETTER ADDRESS MARITIME SECURITY ISSUES"

Krish Bissoonauthsing, *Coordinator and Head of Secretariat, IRCC*

EU provides financial support for the Tripartite negotiations

The EU is now directly supporting the COMESA-EAC-SADC Tripartite negotiations process. An envelope of more than EUR 700 000, from the 10th European Development Fund (EDF), has been earmarked for the period July-December 2014. These funds are supporting both the Tripartite negotiations and the Project Preparation and Implementation Unit (PPIU). They are channelled and managed through the Inter-Regional Coordinating Committee (IRCC), a platform regrouping the several Eastern Africa-Southern Africa-Indian Ocean regional organizations, and from where most of the regional funding under the 9th and 10th EDF – about EUR 1 billion in total (grants) – has been coordinated and translated into major regional integration and regional functional cooperation programmes, spread across COMESA, EAC, SADC, IGAD and IOC.

The Tripartite's significant efforts into project identification and project preparation through the PPIU are also being supported with the 10th EDF funding under the IRCC. This will enable the PPIU to work further with the appropriate donors, IFIs and project preparation facilities to prepare infrastructure projects and leverage funds.

The Tripartite Free Trade Agreement (Tripartite FTA), being negotiated among COMESA, EAC and SADC, is expected to benefit 600 million people in 26 African countries, actually half of Africa, with a combined domestic product of about 1 trillion U.S. dollars.

It is recognized that the Tripartite FTA would provide the foundation of the Continental Free Trade Area (CFTA) promoted by the Africa Union (AU) Commission and its partners.

The CFTA would indeed emanate from the Tripartite FTA and, also, the other regional FTA processes through their consolidation between 2015 and 2016, with the pan-African CFTA launching in 2017, according to the prevailing roadmap.

EU launches new programme to support Africa's continental integration

On 6 August 2014, the European Commission has also launched the first phase of a new programme that will foster Africa's integration process at continental level. The so-called Pan-African Programme will fund activities in a broad range of areas and offer new possibilities for the EU and Africa to work together. It spans the period 2014-2017, with a total allocation of EUR 415 million.

The President of the European Commission, José Manuel Barroso, said: *"The challenges with which we are faced can no longer be tackled within national borders. This is as true in Europe as it is in Africa or elsewhere. This is why I have proposed to create a Pan-African programme to find solutions at regional and continental scale and support the process of African integration, where the African Union plays a critical role. The alliance between Africa and Europe is indispensable, today more than ever. This programme will make it even stronger"*.

EU Development Commissioner Andris Piebalgs commented: *"The major innovation of this programme is that it allows the EU to link up the cooperation it has with Northern Africa, South Africa and sub-Saharan Africa. It will also help us to achieve better policy coherence for development by building synergies between development cooperation and other EU policies."*

The Pan-African Programme, which was announced by President Barroso at the 4th Africa-EU summit in Brussels in April 2014, will amount to EUR 845 million from 2014 to 2020. It will contribute, amongst others, to increased mobility on the African continent, better trade relations across regions and also better equip both continents for addressing trans-national and global challenges, such as migration and mobility, climate change or security. The first phase that was launched today will include projects ranging from sustainable agriculture, environment, and higher education to governance, infrastructure, migration, information and communication technology, as well as research and innovation.

SINDISO NDEMA NGWENYA, SECRETARY GENERAL OF THE COMESA AND TRIPARTITE CHAIRMAN

"We should achieve the Tripartite Free Trade Area next year"

Even if it is with 22 or 24 countries, the Chairman of the Tripartite expects the Free Trade Area (FTA) to be in shape. However, Sindiso Ndema Ngwenya lays emphasis on the need for member states to submit their tariff offers and to agree to the rules of origin. The question of infrastructure funding is also a major issue for the FTA

We understand that the COMESA-EAC-SADC Tripartite Free Trade Area is expected to be in place in 2015, and that it will be the building block for the continental FTA. What is, for you, the biggest challenge in that respect?

Very interesting question. Let me first of all say that according to the roadmap adopted by the Summit of the Tripartite heads of states and governments, in June 2011 in Johannesburg, we were supposed to launch the Tripartite Free Trade Area (FTA) by June this year. But this has not been the case. The negotiations are running behind schedule. Perhaps this is what I can describe as one of the biggest challenges for the FTA.

Whereas we have four chapters and 14 annexes in terms of the agreements of the framework, we still have challenges when it comes to the tariff offers. With the exception of Mauritius and the Seychelles, the rest of the countries have not submitted the tariff offers. For the COMESA countries, a decision will be taken by the COMESA Council of ministers to the effect that COMESA Free Trade Area, which is 100% duty free and quota free, should be the basis for the offer. If those who are not part of the COMESA FTA make an offer which is not equivalent to the current to the FTA, then there will be reciprocity. Let's assume, for example, there is a group of non-COMESA countries that offer 80%. The COMESA countries will then reciprocate the offer by 80%. However, the challenge is basically two fold. The first one is the delay in countries submitting the tariff offers. The second one, which is likely to be more difficult to resolve, will relate to the rules of origin.

Can you please elaborate on this?

Of course. Whereas COMESA and the East African Community (EAC) have identical rules of origin, SADC has rules which are different. But we do take into account that eight of the countries which are members of SADC are also members of COMESA; which in a way resolves the problem. But we all know that SADC has very stringent rules of origin, which is called product-specific rules of origin. It means that if you have 8 000 tariff lines, for each tariff line you must negotiate and agree on the specific working processes to qualify a product. For example, if you produce milk and yoghurt, you have to look at the specific working processes of the yoghurt to ascertain that it does result in substantial transmission of the milk, or even if there is a change in tariff heading, the working process makes it qualify. So, these should be the other challenges. We also have a very interesting situation. We have the COMESA countries, and two Custom Unions that are the Southern African Customs Union (SACU), composed of South Africa, Lesotho, Botswana, Namibia and Swaziland, and the EAC Customs Union. On the 25th of this month, the EAC and its Customs Union will be meeting in Nairobi with Egypt to look at the tariff offers.

Why Egypt?

Four of the countries that are members of the Eastern African Community are members of COMESA. However, Tanzania is not a member. We have discovered that Uganda, which is a member, is also making a tariff offer with Egypt. So, it has become complicated. We also have the meeting scheduled between SACU and the EAC which has been delayed because

the offer of the EAC is ready, but SACU says it needs more time to complete the offer.

We had the COMESA meeting recently, and I requested Mauritius to make a presentation. I told the other countries that Mauritius is a success story – I know Mauritians would not talk of their own successes – in the sense that you have something that works. When we hear what Mauritius has done in terms of the rules of origin and other issues as well, it makes other countries realise that it works. We believe we must have liberal rules of origin. Suppose Mauritius has a milling company which produces flour. Some might not agree on the origin of the flour, while others might be fine with it because of public policies about jobs. Other countries might believe that because Mauritius can do it, they can also get the wheat from outside and do it. If Mauritius is competing against them, it means they are competitive.

These are mostly the basic challenges ahead of us. Therefore, we now plan to have a meeting of the ministers and the Tripartite Forum in October, followed by the Summit in Egypt before the end of the year, so that our heads of states and governments can pronounce themselves on the Tripartite. It has been a long journey, and a necessary one, in my view.

It is true that the Tripartite would serve as basis for the continental Free Trade Area, and we dare not lose the Tripartite FTA. All the eyes of the world are on the region to see whether we can do it. If we are able to achieve this, those who have money will open their wallets in the region and make investments, create employment, transfer skills and technology… It will be good for us.

But, what I can only say now is that we need our political leaders to really assume the leadership. Without the latter, my fear is that the negotiators will continue to negotiate. We have seen what happens with the Doha Development Round. When people ask about its status, I say the Doha Development Round is between the Intensive Care Unit and the crematorium. But the Tripartite is not in that condition.

Are we going to achieve the target of 2015 then?

We should achieve it. Even if it means we achieve it with only 22 or 24 countries. One of the principles, negotiated and agreed, of the Tripartite, is the principle of variable geometry, which results by simply combining the existing FTAs of the three – COMESA, EAC and SADC – into a single FTA.

We understand the FTA is much more product-based. How do we then accommodate those countries dealing mainly in the services sector?

Before answering the question, let me tell you how mouth-watering the Tripartite FTA is. Imagine a combined population of 650 million people, half the population of India. Imagine a combined Gross Domestic Product of USD 1.3 trillion. It means that if the Tripartite were a single country, it would have ranked number 13, above Indonesia in terms of GDP. It provides a projection that the Tripartite is growing at an average of 5.5% for the coming 10-15 years. The Tripartite becomes dynamic because it might be positioned at number 10 or 9 of the global economy. When you look at it from this angle, the Tripartite is not only good for politicians, but for businesses also. If I were a business person, what would I be looking for? For a bigger market. Let's look at Mauritius. What are the benefits to Mauritius by participating in the COMESA, in SADC or the Tripartite? It is mostly because it represents a bigger market with transparent predictable rules. Why are the European Union and the United States negotiating the Transatlantic Trade and Investment Agreement? Because they will benefit from it.

As regards your question, it is a very important one. Services are key to everything that we do. When you look at any manufactured product, services account for 60% of the product. This is something people need to know. We cannot not want services. I do understand if people say, during the Doha Development Round, that they don't want services, simply because they might not be strong in terms of services like shipping, etc. I was in Singapore last week. Its GDP is about 3 billion. Their total trade turns around 1.3 trillion dollars. It is three times the size of the economy. When you have a closer look, you realise the income does not emerge from its manufacturing sector, but from its services sector. Any country that positions itself for that is bound to succeed. When I landed in Mauritius, I thought about you having the A380 airbus of Emirates landing here. It tells you that Mauritius is positioning itself for the services. If you look at the shipping services – and I am happy the Government of Mauritius is to provide facilities for bunkering and container facilities – at Mombasa, Dar-es-Salaam or others, the maximum space they can provide is for 3 000 containers, not more. They cannot even accommodate from the other regions. These are done from Dubai, Singapore… To me, services are very important because the barriers to entry are not as high as in technology-intensive industries. If you look at the hospitality sector, you find you need an excellent cook, people who are able to welcome with a smile… It would be a mistake to say the services would be part of the second phase of the Tripartite. They should have been in the first phase. But there is this fear – and I don't know where it comes from – that by including services, they might not be competitive. People should understand that if you don't participate in a segment of services in the global value chain, then you are out. These days, services are not only limited to what you do here, but are part of the whole value chain.

We are talking of customs, of business, of services… What about the legal structure?

I would not go into the legal structure, but rather talk about its governance. The latter is key because institutions are governed by a legal structure. It includes the business environment… One of the themes I am thinking of is reform, because governance is about reforms. Most fundamentally, we need to have institutions that are capable because without them, you cannot do anything. Institutions that are efficient and effective are important. When governments pronounce policies, they should be implemented. The question is: who implements the policies? You need institutions that are effective in executing. It therefore means these institutions should be staffed by technocrats, people who are competent, transparent and independent of political interference. You should also have continuous reforms, which are key to governance. It has been

> I told the other countries that Mauritius is a success story – I know Mauritians would not talk of their own successes – in the sense that you have something that works. When we hear what Mauritius has done in terms of the rules of origin and other issues as well, it makes other countries realise that it works. We believe we must have liberal rules of origin

proven that successful economies are those that continuously reform. When there is no rule of law, people end up doing illegal things. This is why in COMESA, we have set up the Common Investment Area modelled along the Association of Southeast Asian Nations (ASEAN) Investment Area. Under the framework of the latter, for example, if a government nationalises, the compensation will have to be based on the fair market value. It therefore acts as a deterrent. Secondly, it provides for double taxation agreements. Third, let's say a Mauritian company invests in Zambia or in Kenya, it is provided with all the privileges of being a COMESA investor. It must be able to invest in other countries without it being subjected to national regulations. Therefore, we thought we must have a minimum framework which provides a common approach both inside and outside the region.

Why has the COMESA Infrastructure Fund, which has been subject to an interim Advisory board last week, been set up?

In a meeting we had with the ministers of Finance of the COMESA Fund, it has been agreed that the Infrastructure Board will be hosted by Mauritius. We need massive investment in infrastructure – USD 25-30 Billion – and without infrastructure, roads, railways, ports, etc., you cannot reduce the cost of doing business and become competitive. It has also been agreed that the Infrastructure Bond will be hosted by the Mauritius Stock Exchange.

The Tripartite Market Integration is based on three pillars: market integration, infrastructure and industrialisation. It is therefore important that the Infrastructure Fund lives up to its promise with some innovative ideas. For example, under the Indian Ocean Commission, we had the maritime aspect in terms of the shipping line, which they have been looking into. Without good shipping services between the islands and countries of the mainland, trade is hindered. So, infrastructure is key.

Our Infrastructure Fund is not that very big and it is important that the African Development Bank launch its Africa 2050 Fund, which will be a capitalization of USD 100 Billion. I must make one thing clear, it is not in our expectation that the COMESA Infrastructure Fund will deal with ordinary projects and our focus will be on Public Private Partnership projects. There is no vehicle at the moment to do that and this is what we shall be addressing.

THE ECONOMIC INTEGRATION DEVELOPMENT STRATEGY

Resulting from the horror and devastation of the Second World War (1939-45), and in order to make war unthinkable, to reconstruct Europe, to ensure peace and prosperity, Europe adopted economic integration as the overarching strategy for building the future, for building an ever-closer Europe. Europe was to pursue ever-closer integration of its peoples, economies and countries. It became a Customs Union in 1968 and a single market in 1992. It is now the European Union

BY DR FRANCIS MANGENI, DIRECTOR OF TRADE, COMESA

The deeper integration has been pursued to achieve the development and security objectives prioritized consistently over the years. The one most important achievement of the European integration project, has been a full generation of peace and prosperity; and the moral of the story has been that deeper economic integration assists to make war unthinkable and to promote prosperity for the people, and of course that like anything else in life, there will be challenges along the way, to be overcome.

In the case of Africa, decolonization has now been achieved, which was the stated priority and objective of closer cooperation among Africa's States under the Organisation for African Unity, since the 1960s. Fighting together, pooling and sharing financial and military resources, one country after another became independent. But political emancipation was never the only or end goal of the struggle; economic emancipation too has been equally prioritized over the years. Following the adoption of the Lagos Plan of Action in 1980, successive instruments establishing regional economic communities in Africa have provided for economic integration as overarching development strategies to be pursued by the member states. The economic integration typically envisages deepening integration beyond FTAs into customs unions, common markets and economic unions and monetary unions, together with cooperation in key sectors such as infrastructure, industry and agriculture. This template has been consensus in Africa for decades, and COMESA was no exception when the Treaty was concluded in 1993; it provided for this same template. The other eight RECs in Africa, recognized by the African Union, provide for the same template for regional economic integration.

Of the RECs in Africa, the EAC has achieved the most progress along the template, for it is now a common market, since 2010, having become a customs union in 2005, levels of integration yet to be achieved in the other RECs. The experience of the EAC will always be valuable, as it can provide important lessons for the other RECs, such as COMESA for which it was in fact supposed to be a fast track; COMESA was supposed to follow suit as the EAC trail-blazed ahead. Evidence so far strongly suggests that the EAC integration programs have been successful. Intra-EAC trade has doubled since 2005, and the closer integration and consultation framework has increasingly resulted in a peaceful and secure EAC, an island of peace amidst some war torn neighbours. Revenue collections from trade taxes have increased, especially on VAT and excise, resulting from increased

> "In the case of Africa, decolonization has now been achieved, which was the stated priority and objective of closer cooperation among Africa's States under the Organisation for African Unity, since the 1960s. Fighting together, pooling and sharing financial and military resources, one country after another became independent

trade, though revenue loss was grossly feared during the negotiation of the customs union. For instance, according to the Kenya Revenue Authority, revenue collections in Kenya quickly increased from a third a billion dollars to half a billion dollars annually, after the first year of the Customs Union.

A number of studies have been conducted to assess the impact of economic integration in Africa. All these studies have on the whole recommended that deeper economic integration will be beneficial. Before the conclusion of the Treaty establishing the African Economic Community, in 1991, a major World Bank Study, and studies by the Economic Commission for Africa and the African Development Bank, ascertained that deeper economic integration in Africa was the way forward and would be the appropriate economic development strategy. These studies continue to be done today, a typical incarnation being the "Assessing Regional Integration in Africa" series (ARIA), which is an annual joint publication of the Economic Commission for Africa, the African Development Bank and the African Union Commission. These annual flagship publications have consistently argued and demonstrated that deeper integration is the way forward for Africa. The publications since 2010 have inspired the program, now adopted by the African Union Heads of State and Government, for building a Continental Free Trade Area and a Continental Customs Union, on the basis of a number of pillars in the categories of market integration, industrial development, infrastructure development, and trade facilitation. Other notable institutions that have produced well researched and informative studies similarly recommending deeper integration are UNCTAD and the United Nations Development Program . These studies have also projected and demonstrated significant welfare gains from deeper integration.

DEVELOPMENT OBJECTIVES

The analytical work has been unanimous that elimination of customs duties on trade among the member states, by itself, will not achieve the developmental aspirations of the people and will fall short of the potential welfare benefits available. By implication, this means free-trade areas are not enough to achieve the developmental objectives of the member states. The analytical work has demonstrated that market integration should be coupled with industrial and infrastructure development, trade facilitation, and policy coordination and harmonization to address policy and regulatory constraints. Projections have been unanimous that elimination of customs duties, when coupled with elimination of non-tariff barriers and trade facilitation, results in far more welfare. Recent work in July 2013 by the Institute for Development Studies of Sussex University, for instance, estimates that a Tripartite FTA involving elimination of duties and non-tariff barriers as well as trade facilitation will generate additional new trade worth $7.7 billion annually, constituting an increase of about 20% over the 2014 baseline; whereas mere elimination of duties would generate just $250 million annually. The analysis has shown further that every member state has industries that will gain from the Tripartite FTA, where growing incomes and jobs will be generated.

LINEAR APPROACH

The importance of not limiting integration programs to trade liberalization alone, or to free-trade areas as such, has therefore become received wisdom. COMESA, for instance, has always pursued various integration programs simultaneously, rather than following the linear approach to economic integration, of first completing the FTA, then completing the Customs Union, and only then moving on to the common market and other stages of integration. Rather than watertight or compartmentalized stages of regional integration, COMESA already implements all necessary programs that support the achievement of its developmental objectives. Some of the key programs already being implemented include, services liberalization, because services facilitate trade and are essential welfare generating activities in themselves; infrastructure covering surface and air transport, energy, and ICT in order to promote competitiveness; industrial and agriculture development in order to improve the productive capacity of member states so they can better utilize the market access opportunities and achieve such public policy objectives as food and nutrition security and wealth creation including among the ordinary people and rural populations; science, technology and innovation, because development has always been technology-led and we live in the age of information and knowledge-driven economies; visa relaxation and freer movement of people; macroeconomic and fiscal convergence in order to promote macroeconomic stability; and peace and security in order to promote political stability and safety of human life, which are key location factors for generating investment.

REGIONAL INTEGRATION

Properly speaking or under the linear model of regional integration, these other programs are supposed to be initiated and implemented during advanced stages of regional integration, such as the common market or the economic union. On the contrary, this pragmatic approach seeking to tackle the existing challenges in order to achieve the common developmental objectives, is the template for continental integration, and is embedded in the constitutive instruments of the RECs of Africa, including in the COMESA Treaty. To pose the question of whether or not COMESA should pursue deeper economic integration is therefore to re-open a lot of issues that have been considered settled since the emergence of independent Africa, issues that have been investigated and settled in authoritative policy publications over the years by continental and international institutions. For any REC to change direction, it would be wise to think collectively at this continental and global level, revisiting all the work done so far and the resulting instruments and decisions already adopted at the highest political level as the continental and regional consensus.

As said earlier, COMESA has been a free trade area since 1 November 2000. It launched its Customs Union on 7 June 2009. Since then, however, progress on the regional integration program has been slow. Due to entrenched national trade or economic policies that are diametrically inconsistent with customs unions particularly the element of the common external tariff, some member states, notably Egypt, Mauritius, Seychelles and Zimbabwe, have been quite reluctant to implement the COMESA customs union, giving a number of reasons.

POLICY QUESTIONS

If forming the customs union is considered problematic, going any deeper into the common market or economic union or monetary union must be even more difficult, raising far more serious policy questions. What are considered problems or obstacles to forming the customs union will emerge more voraciously with respect to common markets and economic unions or monetary unions. Therefore, the real question is whether the road to regional and continental integration in Africa should come to an end. Fortunately, there is no shortage of analytical work and of empirical experience to draw upon. As indicated, the literature strongly demonstrates that deeper integration must be the way forward in Africa; and experience, for instance from the EAC, verifies that deeper integration is indeed feasible and enormous welfare benefits will result.

> "The analytical work has demonstrated that market integration should be coupled with industrial and infrastructure development, trade facilitation, and policy coordination and harmonization to address policy and regulatory constraints

VISION AND MISSION

Primer on Regional Integration in COMESA

"I am African" is a slogan the African Union has adopted to promote ownership of the continental integration programs and institutions among the people, especially children and the youth. The closing ceremony of the special Summit of the African Union on 26 May 2013, marking fifty years since the founding of the Organisation for African Unity, was graced by children singing and reciting poems proudly declaring they were African, in different languages. And the Heads of State and Government adopted Agenda 2063, a vision that all Africa should be peaceful and prosperous by 2063. Programs that promote peace and prosperity can therefore be expected to remain key pillars of the economic integration agenda in Africa

The Treaty establishing the African Economic Community, in Article 6, provides for the gradual establishment of the continental economic community, through progressive stages beginning with free-trade areas established by the Regional Economic Communities (RECs), customs unions established by the RECs, the continental customs union, the continental common market, and the continental economic and monetary union. The RECs are building blocs for the continental integration program. The African Union has recognized eight RECs in this regard, as the building blocs, namely, the East African Community, the Economic Community of Central African States, the Economic Community of West African States, the Common Market for Eastern and Southern Africa, the Southern African Development Community, the Community of Sahara-Sahelo States, the Intergovernmental Authority for Development, and the Arab Maghreb Union. If the building blocs fail to make progress towards deeper integration into customs unions and common markets, the continental objective will not be achieved. The political and economic implications would therefore be vast.

NOT MUCH PROGRESS

At the African Union's Eighteenth Ordinary Summit in January 2012, the Heads of State and Government decided that a Continental FTA should be formed by 2017, and the Continental Customs Union by 2019. The COMESA-EAC-SADC Tripartite FTA, expected to be in place in 2015, will be the building bloc or launch pad for the Continental FTA. While the Economic Community of West African States, the Economic Community of Central African States, the Sahara-Sahelo Community of States, and the Arab Maghreb Union are expected to emulate the COMESA-EAC-SADC Tripartite FTA initiative, by also establishing a single FTA among themselves, it doesn't appear that much progress is being made in that direction, except for a brief exploratory meeting organized by the African Union Commission in the margins of the African Union Conference of Ministers responsible for integration held in Mauritius in 2013. This would suggest that if this matter of forming the Continental FTA and Customs Union is not addressed soon, the timelines will come soon and pass without much to show. If the Tripartite FTA negotiations fail to result in the Tripartite FTA, there won't be the Continental FTA, since the Tripartite FTA, given its economic and geographical size, is the key building bloc or the cornerstone for the Continental FTA.

TIME TO TAKE A STAND

Economic integration as a development strategy in Africa, has therefore reached a cross-roads. Time has come to take a stand. In COMESA for instance, some member states, for different reasons, are yet to join the free-trade area, established way back on 1 November 2000; namely, the Democratic Republic of Congo, Eritrea, Ethiopia, Uganda and Swaziland, being five out of the 19 member states of COMESA. Congo DR largely didn't join because of a debilitating war that has plagued the country for years. Eritrea and Ethiopia have pointed to their weak private sector and argued that they will not be able to beneficially participate in the FTA, though after a number of studies and in light of the robust economic performance of an 11% annual economic growth rate for Ethiopia, this stance might be changing, very slowly though. And due to sibling rivalry, Eritrea is unlikely to join the FTA until Ethiopia does so. Uganda didn't take the necessary steps to join the COMESA FTA when the integration momentum was high in the country, in the early 2000s when the COMESA FTA was established, focusing instead on the structural adjustment programs and the economic liberalization reforms that the government continued to implement from the 1980s to the 2000s; poverty reduction strategy papers subsequently took root. Swaziland is a member of the Southern African Customs Union and as such is required to maintain the SACU common external tariff against the rest of the world including COMESA member states. Under the bilateral trade arrangements though, some SACU countries have concluded free trade areas with third countries, for instance the Trade and Development Cooperation Agreement between South Africa and the European Union, and the Economic Partnership Agreement with the European Union.

MUCH HARDER

The customs union was launched on 7 June 2009 against the backdrop of the mighty falls in Victoria Falls Town, but the three-year transition period within which it was supposed to become functional passed in June 2012 without any member state indicating that it was ready to implement the customs union, and a number of reasons were advanced for this state of affairs, which will be considered later. COMESA is due to formally launch its common market by 2015, according to its 2011-2015 Medium Term Strategic Plan; but the common market is already legally established by Article 1 of the Treaty. In considering the common market, the FTA and the customs union will provide the inescapable backdrop. Implementing the common market is much harder than implementing the FTA or the customs union, because of the deeper nature of the integration and the policy implications for the powers of governments in jointly implementing rules on free movement of services, persons, labour, capital, and enterprises; all of which can be considered to be politically sensitive areas. It is therefore important at this point in the long trajectory of economic integration in Africa, to think clearly and design a way forward in terms of relaunching the integration programs or modifying them, but either way, to take decisions that can be implemented with gusto and with results.

The state of regional integration in COMESA holds out many best practices for the entire continent, but also raises some issues that need urgent attention, and addressing, which is destined to shape the entire continental integration process due to the similarity of most integration issues across the continent. It is therefore a unique opportunity to have a closer look and decide what to do, bearing in mind the history and the future of Africa in the world.

DR ARVIN BOOLELL, MINISTER FOR FOREIGN AFFAIRS, REGIONAL INTEGRATION & INTERNATIONAL TRADE

"There must be a comprehensive agreement between countries"

Action should accompany political decisions taken at the highest level by the secretariat of the regional economic communities. Such are the thoughts of Arvin Boolell, Mauritian Minister for Foreign Affairs, Regional Integration & International Trade, on the setting up of a Free Trade Area (FTA)

Negotiations to set up a grand free trade zone encompassing 26 countries in Eastern and Southern Africa under the COMESA-EAC-SADC Tripartite Free Trade Area (FTA) – believed to be the building block for the continental FTA – may be completed in 2015. What are the main challenges to this endeavour?

Well, first of all, we would like the process to gain the proper momentum. But unfortunately, there have been a few setbacks and the reasons are multiple. However, the major difficulty is with regards to a lack of consensus on the issue of 'rule of origin'. Added to that, we have to make sure the political decisions taken at the highest level are translated into action by the secretariat of the regional economic communities. I believe that there is still scope and room for improvement with regards to this endeavour. In the meantime, the commitment given to have a Tripartite Free Trade Area by 2015 is becoming forlorn. On the other hand, resources which were disbursed by friendly countries have not been forthcoming and that has encountered delays in meetings schedules. Apart from the rules of origin, there are other technical matters which have become contentious.

What is the position of Mauritius as far as the custom version of an FTA is concerned?

Mauritius has got no problem with a custom version as the island has already liberalised 85 % of its tariff lines. In fact, one of the main reasons which could explain why we don't want to become a member of a Customs Union is because there should be a proper harmonisation in customs procedures so that all stays in line. If tomorrow the SADC becomes a Customs Union, they are yet to dismantle these tariffs lines. So Mauritius is far ahead. There are several countries which are yet to put their offers on the table. Countries like Madagascar, Comoros, along with several others, should clearly display their offers. From my recent meeting with the Secretary General of the COMESA, Sindiso Ngwenya, I can tell you that he wants those countries to follow the steps of Mauritius or at least to move towards what Mauritius has done. So, the problem resides in offers which several countries are yet to demonstrate. Countries like Botswana, which is a member of the Southern African Customs Union (SACU), are hindering the system. However, it is true that Botswana seems to gradually understand the problem, but several other countries which are members of RECs are complicating things as they have not received firm offers.

It seems that the FTA is more goods oriented than service oriented. How do we accommodate countries engaged mainly in the services sector?

The essence of an FTA is that it should have mobility. As commerce on an intra-regional basis is so low, it makes it expensive to shift a container from a city in Africa to another, compared to shifting a container from Tokyo to Mombasa. So the supply side as well as infrastructure like railways, roads and connectivity are important things to be seen. It is also good to note that institutions like the African Development Bank (AFDB), through the Africa50 fund, and the New Economic Partnership for Africa's Development (NEPAD) have worked together in order to address such constraints. But I believe that we should increase intra-regional trade and, to meet that endeavour, we should be loyal and faithful to trade protocols signed between countries. For example, it is inadmissible for a country that is a member of a trade protocol which articulates it to provide the same facilities to other countries located in the same region and protects its counterparts, to be open to China ! There must be a comprehensive agreement between countries. For example, Mauritius and the Seychelles have got no problem with both countries working in the services sector. Problems could arise with countries that have not yet established a proper system of services, because they fear they could face an invasion. Capacity building is another thing which is important as well as a symbiosis of the private and public sectors, and a legal and institutional framework.

Is regional integration achievable in Africa?

A regional integration should firstly go through an FTA. It should also integrate the services sector as well as the mobility of goods. There is definitely a massive task to handle for this endeavour. But I believe that regional integration is becoming a reality.

One of the main aspects of the Tripartite is the implementation of non-tariffs barriers. What are your views on this subject?

We have a massive task to undertake with regards to the phytosanitary aspect. Single entry into different jurisdictions is also an important aspect. However, we should have all the data and there is a need to computerize these services in order to meet that endeavour. Nevertheless, many countries do not have these types of data, which makes it even more difficult to achieve. There are also the issues of bribery and women exploitation that need to be tackled. There should be a harmonisation of customs procedures which involves tariffs, nomenclature, amongst many more.

How are things moving with regards to funding of infrastructure projects by the Preferential Trade Area Bank (PTA Bank)?

There isn't only the PTA Bank which is involved in funding infrastructure projects, but also the New Economic Partnership for Africa's Development (NEPAD), which is very much involved in the same endeavour beyond bilateral government funding. There is also the Africa50 fund which is helping in the mobilisation of resources. These funding agencies are aware that they will get a return on their investments.

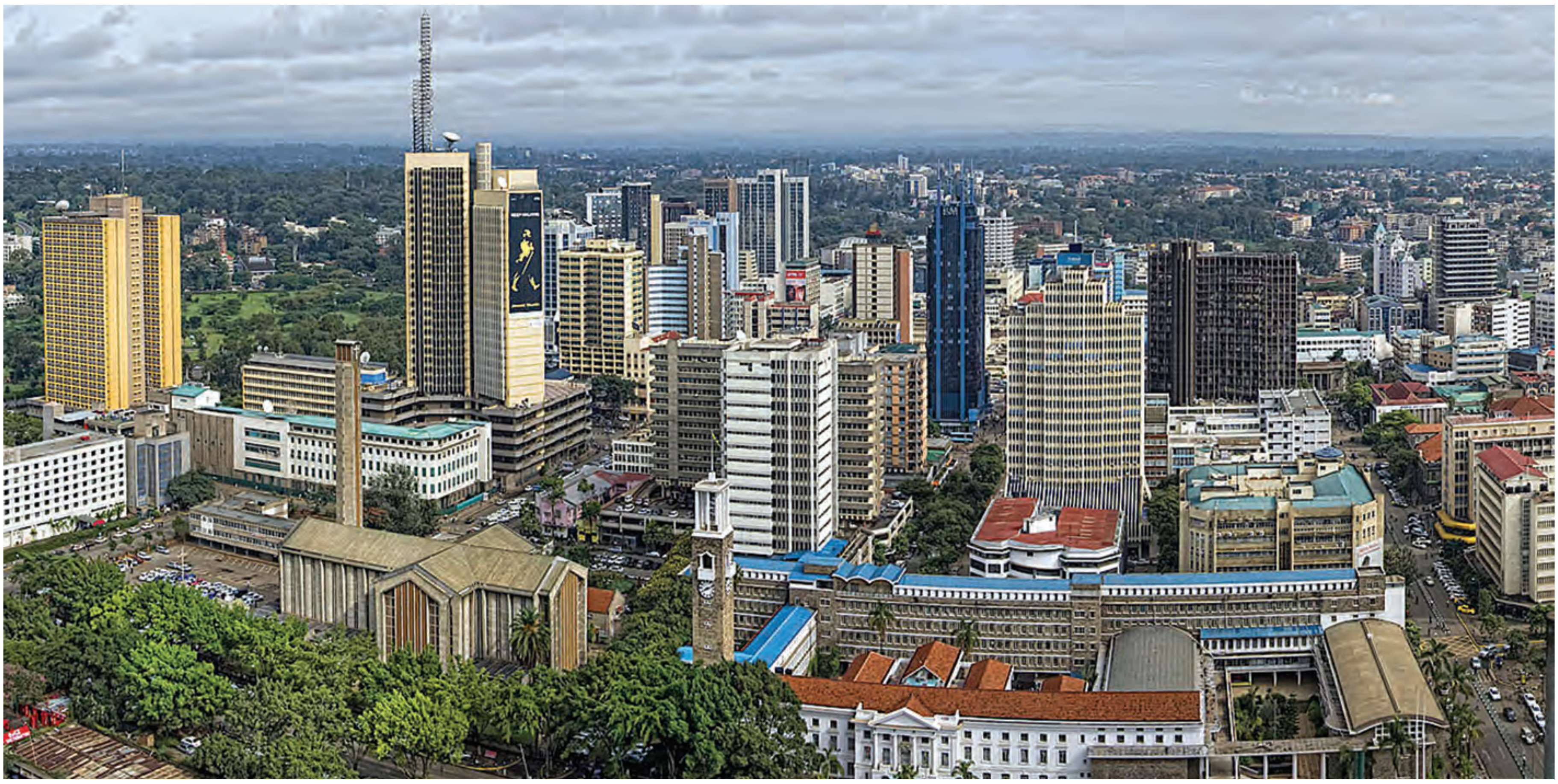
A WINDOW TO RE-GIONAL INTEGRATION

"The tripartite initiative is of high relevance to small island economies like Mauritius and Seychelles. Given the specific characteristics of Small Island Developing States, such as physical isolation, geographical dispersion, small domestic markets and dependence on few exports products, the tripartite framework is viewed as an appropriate initiative that will help in sustaining their level of exports," **the Minister for Foreign Affairs of Mauritius stated during the last COMESA-EAC-SADC Tripartite Ministerial Committee on Trade and Industry, held in Mauritius last year. He strongly believes that Island States will undeniably benefit from the maritime corridor currently being developed under the Indian Ocean Commission framework, which will thereafter link to mainland Africa. For Dr Boolell, the tripartite FTA is viewed as a means of enhancing convergence among the three regional economic communities.**

ANALYTICAL WORK

THE COMESA CUSTOMS UNION

It will be recalled that the Thirty Second Meeting of the Council decided that all Treaty obligations and Council Regulations and Decisions be implemented by December 2014; and that a member state should not be in a position to should write to the Secretariat explaining the constraints. To support member states in the implementation, the Secretariat has undertaken analytical work on the Customs Union, a key milestone in the integration trajectory of COMESA



BY DR FRANCIS MANGENI, DIRECTOR OF TRADE, COMESA

The analysis has shown that customs laws of the member states and the COMESA Customs Management Regulations are largely drawn from the same sources, namely the best practices under the World Customs Organisation and particularly the Revised Kyoto Convention. The finding that the customs laws of member states on the whole already comply with more than 90% of the provisions of the Customs Management Regulations was not surprising. Out of a total of 372 provisions of the Customs Management Regulations (CMR), the divergent provisions are only 5 for Seychelles; 8 for Zambia; 11 for Eritrea, Ethiopia and Mauritius; 12 for Zimbabwe; 17 for Sudan; 18 for Malawi; 20 for Swaziland; and 22 for Egypt.

Some of the differences relate to details such as definition of customs territory, which can be addressed progressively as the customs union deepens into free circulation, and to non-mandatory provisions where member states can exercise some discretion. Where there are substantive differences, a program for modification of the national customs law can readily be implemented, as part of the trade facilitation programs in the member state.

Morever, the COMESA Customs Management Regulations meet and are consistent with the international best practices and instruments as contained in the Revised Kyoto Convention and WTO Trade Facilitation Agreement. This was established by the very detailed provision by provision gap analysis between the three instruments. This is a relief and re assurance to member states that the regulations are sound. Indeed, implementation of the COMESA regulations at the same time assists member states meet the standards under those international instruments. There is therefore great merit in immediately implementing the COMESA Customs Management Regulations, in order to facilitate trade, and thereby generate investment and jobs and incomes.

TARIFF NOMENCLATURE

Second, the analysis has shown that the COMESA Common Tariff Nomenclature (CTN) is now based on the 2012 version of the Harmonised System of the World Customs Organisation, for coding and description of commodities. The transposition from the HS 2007 to HS 2012 resulted in a modification of only 220 out of 5,206 tariff lines at 6-digit. The good news is that most member states already adopted the HS 2012 as their national tariff nomenclature in 2013; namely Burundi, DR Congo, Ethiopia, Eritrea, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Uganda, Zambia and Zimbabwe. This means that the national tariff nomenclatures of these member states are already similar to the CTN, except in cases of splits that may be uniquely national or for national purposes. These can be maintained by the member state provided they don't constitute a significant number of tariff lines; the understanding being that this will be a small number of tariff lines, say for ethnic products.

REVENUE PERFORMANCE

Third, the TRIST analysis using 2013 figures showed that no member state will lose revenue from implementing the CET. On the contrary, member states will see increased revenue collections. These include Zimbabwe (0.3%), Madagascar

> "The analysis has shown that the COMESA Common Tariff Nomenclature (CTN) is now based on the 2012 version of the Harmonised System of the World Customs Organisation, for coding and description of commodities

> **Regarding the customs laws, the EAC Customs Management Act, having been passed by the East African Legislative Assembly, is the national customs law of each of the four member states, as required by the Treaty establishing the East African Community**

Table: Disbursements under the Regional Integration Support Mechanism (RISM)

Member State	Pre-Rider RISM payments*	RISM Rider Payments	
	2009-2010	2012	2013
	Actual Disbursements to countries	Funds approved in Dec 2012; paid out in 2013	Funds approved in Sept 2013; paid out in 2014
Burundi	12,700,000	823,601	1,158,348
Comoros		618,152	435,952
Djibouti			692,557
DRC			1,372,168
Eritrea			
Ethiopia			
Kenya		1,764,345	2,469,963
Madagascar			
Malawi			1,020,227
Mauritius		1,288,567	903,309
Rwanda	22,600,000	823,601	1,158,348
Seychelles		618,152	871,904
Sudan			
Swaziland			947,411
Uganda		964,172	1,354,337
Zambia		1,083,117	1,520,173
Zimbabwe		1,764,345	2,469,963
TOTAL	**35,300,000**	**9,748,052**	**16,374,660**

Source: Caesar Cheelo, RISM Unit, COMESA Secretariat

(1.7%), Zambia (3.0%), Ethiopia (3.4%), Djibouti (21.8%), Malawi (22.2%), Eritrea (38.9%), Egypt (59.1%), Comoros (64.9%), Mauritius (64.5%), and Seychelles (129.2%); as shown in the table below.

Sudan, however, would see a revenue fall of -4.8% largely due to the loss of oil revenues to South Sudan. In such cases, COMESA has arrangements for providing adjustment support. Nonetheless, the member state can be expected to complement such support with domestic fiscal reforms to deepen and widen the tax base and to improve revenue collection.

REGIONAL INTEGRATION SUPPORT MECHANISM

It is to be noted that COMESA has an Adjustment Facility, under which financial support can be provided to member states to meet any revenue shortfalls resulting from implementation of regional integration obligations or for funds to support implementation of given regional integration obligations. A number of member states have already benefited, as shown in the opposite table. This puts to rest the fear of revenue losses from implementing the COMESA Customs Union.

EMPIRICAL CASE STUDY OF THE EAC CUSTOMS UNION

Fourth, the projections from the TRIST analysis are consistent with the empirical experience under the EAC Customs Union, where member states have seen increasing revenue collections and increasing trade among themselves since the formation of the EAC Customs Union in 2005. So, both the projections and the survey as a case study of performance in an actual Customs Union are consistent. It should be recalled that in 2004, the East African region was awash with fear of revenue losses and trade decline, and it took resolute political determination to launch the EAC Customs Union in 2005 notwithstanding the fear. The political leaders have been vindicated, as revenue collections and intra-regional trade have over the years increased phenomenally – from \$1.0 billion in 2005 to \$2.8 billion in 2013 for Kenya, \$479 million in 2005 to \$1.1 billion in 2013; and \$120 million to \$323 million in 2013 for Rwanda.

Fifth, trade performance in the four member states in both EAC and COMESA continued to increase since 2005 when the EAC Customs Union was formed, as shown in the opposite table 1.

Sixth, the EAC and COMESA Customs Union are already significantly harmonized, which means that the four member states can be members of both customs unions; indeed they can fast track the implementation of the COMESA Customs Union by demonstrating that they are already implementing it significantly, thus forming a lead group.

Regarding the customs laws, the EAC Customs Management Act, having been passed by the East African Legislative Assembly, is the national customs law of each of the four member states, as required by the Treaty establishing the East African Community. The Customs Management Act implements what member states are required to do under the COMESA Customs Management Regulations. A provision by provision mapping and analysis clearly demonstrated that the EAC Customs Management Act was consistent with the COMESA Customs Management Regulations, both with respect to the legal effect of the substantive provisions, and with respect to setting out what the COMESA Customs Management Regulations require national laws of member states to set out. This means that the four member states are already implementing the COMESA Customs Management Regulations.

Regarding the common external tariffs of the EAC and COMESA customs unions, a line by line analysis found that 74% of the tariff lines are identical in text and rate. This means that the four member states are already implementing 74% of the COMESA Common External Tariff. COMESA has a total of 7,036 tariff lines while EAC has 5,422 lines. The difference is due to splitting of tariff lines. Comparison of the tariff rates has shown clearly COMESA has 3,448 tariff lines with similar rates and text, 2,639 missing rates and 904 with mis-matching rates but similar text. However, after further analyzing the tariff lines with missing rates, it was found that 1,735 lines have got similar rates. This makes the tariff lines with similar or matching rates to be 5,183(3,448 + 1,735) hence the lines with missing rates remains only 904 which is equivalent to 13%. The reason for the missing rates is that COMESA split the tariff lines, they are in the exemption regime of the COMESA Management ACT or COMESA does not show the sub-chapters.

Overall, then, the analysis clearly shows that 74% of all the COMESA Tariff Lines are harmonized with EAC Lines both in the tariff rate and text, 13% have got mis-matching rates but similar text while 13% have missing rates. The tariff lines with missing rates can easily be harmonized by mutual consensus that the organization with a missing rate adopts the rate of the other organization. The only major concern therefore remains the 13% Tariff Lines whose rates are different and therefore the two organizations will continue with discussions on these lines.

The implication is that the four countries can fast track the implementation of the COMESA Customs Union, and they can immediately declare that they are implementing the COMESA Customs Union covering substantially all the trade.

Lastly, an important study undertaken by the Economic Commission for Africa has come up with insights into the future. The study places the COMESA Customs Union in the overall paradigm of the continental integration program. Africa is heading towards a Continental Customs Union and an indicative date of 2019 has been set for programming purposes. A major finding of the study is that intra-Africa trade will more than double from 10.2% to 21.9% by 2022 if a Continental FTA is formed in 2017 and accompanied by ambitious trade facilitation measures, whereas the increase would be only to 15.5% if the Continental FTA is not accompanied by trade facilitation measures. Trade facilitation measures include ambitious customs facilitation and modernization measures, such as those provided for in the COMESA and EAC Customs laws. However, under a Continental FTA even when accompanied by trade facilitation measures, Africa's exports to the rest of the world would decrease by -18.8%. But with a Continental Customs Union, that is, with a continental common external tariff along the lines of the COMESA structure, intra-African trade would more than double, and exports to the rest of the world would increase to \$91.0 billion and to Africa to \$75.1 billion.

CONCLUSION

In conclusion, member states would be advised to formulate key next steps to take at the national level in implementing the COMESA Customs Union. Such steps could include, immediate submission of explanatory briefs to management and policy makers in key relevant ministries, organizing retreats and forming national task forces made up of all relevant stakeholders but taking into account any existing committees on implementing COMESA programs, stakeholder awareness activities, preparation on action plans to result in implementation by December 2014, organisation of national workshops and continuous monitoring and evaluation of the national action plan, review and preparation of national laws, enactment by parliaments, dissemination to customs posts, capacity building for relevant implementing agencies, and continuous liaising with the secretariat on any key issues arising.

ADMASSU TADESSE, PRESIDENT AND CEO, PTA BANK

"More investors should participate in the Infrastructure Fund"

Two major Mauritian companies are now shareholders of the PTA Bank and Chief Executive Officer Admassu Tadesse expects more will join in "We are creating a world class African financial institutional framework for both the Bank and the Fund. So, we think it's going to be very exciting in the years to come," Mr Tadesse stated. According to him, there is much more to be done to deepen our financial market and the financial sector as a whole

❖We understand that the COMESA Infrastructure Fund Interim Advisory meeting took place on Monday morning. Can you brief us about the outcome of the meeting?

We have had a good discussion. The intention of this board meeting is to finalize the governance framework for the COMESA Infrastructure Fund. It will be the constitution of the fund manager that is going to manage the Fund. PTA Bank will be concluding its joint venture; a shareholder agreement with its partner, Harris Fund Managers, which is one of the leading institutions in the region. So, this board meeting is really for ironing out the final details of this partnership. The idea would be to close out the legal documentation, and agree on some strategic aspects going forward as to how the fund managers want to approach the market both for fund raising and also in terms of deal flow and developing the pipeline for projects.

❖What has been the response of the private sector so far, as regards the funding?

We understand there is quite a bit of interest. The PTA Bank is a good indication of the kind of interest we expect to see in the market place. We, as PTA Bank, have raised significant funding from the market, in Europe, in Asia and of course, very importantly, right here in Mauritius. We have institutional shareholders from Mauritius in PTA Bank like the National Pension Fund, which invested USD 10 million, and the Mauritian Eagle Insurance (MEI) company, which has invested close to USD 2 million. We expect more institutional investors from Mauritius to participate both in PTA Bank as well as the COMESA Infrastructure Fund. Of course, Mauritius is a middle income country that we expect to play its rightful role in regional vehicles of this nature. The good news is that the architecture of the COMESA Infrastructure Fund is going to be done on a world class basis. There is going to be very well governed shareholders. Investors' rights will be protected from the very beginning. It will be a successful vehicle for investing in commercially oriented infrastructure in the region, and the Public-Private Partnerships in particular (PPP). PTA Bank itself is a very successful and profitable financial institution. We have a

WHO ARE THE SHAREHOLDERS?

The Bank is currently owned by twenty three members comprising of eighteen members from the Eastern and Southern Africa region, two non-regional members and three Institutional members. The regional members' shareholding is 81.3%, whereas the non-regional shareholding stands at 6,6%, and the Institutional Shareholding at 12.1%.
The regional members are: Burundi, Comoros, Djibouti, Congo, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe. As for the Non-regional Members, they are Belarus and China.
Finally, the Institutional Members are composed of the African Development Bank, Mauritian Eagle Insurance Co. Ltd, and the National Pension Fund of Mauritius.

THE FOURTH CEO

Appointed in late 2011, Admassu Tadesse is the PTA Bank's 4th President and Chief Executive Officer. Prior to that, he served for 10 years with the DBSA in South Africa, as Executive Vice President responsible for international finance and corporate strategy. Earlier, he served in various capacities in international institutions and funds, mainly in Johannesburg and New York. He has and continues to serve on several boards. Admassu Tadesse holds an MSc from London School of Economics, an MBA from Warwick Business School, and trained at Harvard and INSEAD in banking, private equity and executive leadership. He is a member of the Institute of Bankers, and Institute of Directors, South Africa, and recipient of various honours/awards. He was named African Business Leader of the Year by the US CCA in 2012.

> Both the Bank and the Fund together, we think, will offer a very attractive route for Mauritian capital to take exposure in Africa

A TREATY-BASED INSTITUTION

The Eastern and Southern African Trade and Development Bank (PTA Bank) is a treaty-based regional institution, whose membership is open to member states (or their designated institutions), African institutions and non-African states (or their designated Institutions) whose eligibility is determined by the Board of Governors. The People's Republic of China became the first non-regional sovereign state to join the membership of the Bank in 2000. The African Development Bank (ADB), Mauritian Eagle Insurance and the National Pension Fund of Mauritius are the only institutional shareholders.

The Bank, which is now repositioned as the trade and development bank of the Tripartite Region, which cuts across South, Central, East and North Africa, serves a specific purpose and key objectives. Those are to advance regional economic integration and growth through trade and investment; promote the development of infrastructure, exports and enterprises in Member States; provide debt, quasi-equity and equity financing, as well as non-financial products and services, to qualifying entities and projects in Member States; render technical and management services to Member States, Partners, Donors and Stakeholders, including management of special purpose funds; and foster the development and deepening of financial and capital markets in Member States.

Based on its competitive advantage and market niche in the sub-region, the Bank's strategy over the next five years leading to 2017 is to:-

- **Deepen and broaden current areas of engagement in trade and project finance in existing Member Countries as well as in new Members joining the Bank;**
- **Target extension to markets with low coverage - the Bank will actively explore opportunities to grow its' business in countries that have strong potential and currently have low exposure levels;**
- **Product innovation and investment in existing and new business areas - the Bank will introduce new business lines such as fund management and agency services as well as more value-added trade finance products;**
- **Mobilize New Capital – consistent with the growth objectives and to safeguard capital adequacy, the Bank will focus on mobilization of additional capital through membership expansion and diversification approaches; and**
- **Enhance institutional capacity - the Bank will aim to boost its institutional capacity to execute the expanded mandate and increased business envisaged under the 5th Corporate Plan. Various capacity improvements in respect of governance, structure, people, process and technology will be undertaken.**

return on equity of about 15% on US dollar Balance sheet, which is quite healthy for a dollar business. Mauritian investors have a lot of space, and they've taken shares in the PTA Bank as well. So, both the Bank and the Fund together, we think, will offer a very attractive route for Mauritian capital to take exposure in Africa. We are creating a world class African financial institutional framework for both the Bank and the Fund. So, we think it's going to be very exciting in the years to come.

❖In relation to the Free Trade Area, the PTA Bank and the COMESA Infrastructure Fund, are we within the time frame?

Well, I cannot answer the part on the Free Trade Area (FTA) because I am not responsible for this. The Secretary General of the COMESA is the best person to speak to on the FTA.

In terms of funding of infrastructure, is there priority given to a particular project or is it governed on a criteria basis?

Broadly speaking, we are saying we want to give priority to Public-Private Partnerships (PPP), but there will be more of a definition of the investment thesis of the fund as we move through this and have subsequent meetings with the management team which is going to run the fund. It is still too early to say too much, but at this point it is clear that infrastructure, broadly defined, and PPPs, are the key themes. However, there will be other themes at a later stage. It depends largely on how we finalise the investment thesis as well as taking shareholders' interests in consideration. We are still trying to fine-tune the final picture.

❖Can we have a broad idea of the amount the Fund intends to raise?

The Fund has an ultimate goal of raising 1 billion dollars, and the first clause is USD 200 million. The goal is to achieve USD 200 million by the end of 2015, and to have subsequent rounds after this to reach the USD 1 billion marks. There are other initiatives that are being led by other partners and institutions like the Africa 50 Fund, the African Development Bank… We are going to work closely with the latter so there may be cross-fertilization. We will look for ways to build synergy with these two big funds.

❖Can you elaborate on the differences between the PTA Bank and the African Deve-lopment Bank?

The African Development Bank (ADB) is the largest shareholder of PTA Bank. We have a very close relationship. The difference between us and the ADB is, first of all, that we don't have a concessional window. We are commercial in nature, and we only cover countries which form part of the eastern and southern part of Africa. We don't cover the whole continent, unlike the ADB. Those are the two very big differences. Our shareholding structure is mostly African capital and African institutions. We also have some investors who are not African, and we expect more to come. The ADB has a global footprint in terms of its shareholding structure. The PTA Bank is very regional in nature, which is why Mauritius is a very strong stakeholder in the bank. Other countries like Kenya, Ethiopia, Zimbabwe, Zambia, Tanzania and institutional investors are becoming more and more significant in our shareholding structure. The National Pension Fund of Mauritius is an example. It's one of the leading institutional shareholders in the bank at the moment, alongside the ADB. We think Mauritius has a huge opportunity to use the PTA Bank Group, the Bank and the Fund to take more exposure in Africa in a profitable and sustainable angle.

❖What, according to you, will be the main challenge of the PTA Bank down the line?

I think the challenge, like other financial institutions, is to continue to offer a valuable proposition that is competitive, efficient and that achieves multiple goals at the same time… Profitability plus development impact in a way that satisfies the growing demand of the world to do things in a sustainable way. Socially sustainable, environmentally sustainable and of course economically and financially sustainable… Ba-lancing those demands is never easy. As we will be doing much more in the months and years to come, it will be great for us to continue that balancing act.

❖Generally speaking, what is your assessment of the banking industry in the Southern and Eastern African countries?

The banking sector is growing, and it's much better than it has ever been. That's good news. In reality, the gaps are huge. There is still a lot to be done. The sector has still more growth to show whereas the region is much underserved, especially households and businesses. There is much more to be done to deepen our financial market and the financial sector as a whole. The point here is that we have come a long way in ten years, but the road ahead is very long.

Introducing COMESA

BY DR FRANCIS MANGENI, DIRECTOR OF TRADE, COMESA

The Common Market for Eastern and Southern Africa (COMESA) is a regional economic community of 19 Member States , with booming regional trade (formal intra-COMESA trade in goods reached $19.3 Billion in 2012 up from 3.1 in 2000) , a population of 490 million, a combined GDP of $525 billion, and land mass of 12.6 million square kilometres. These figures mean that COMESA is a credible force in regional, continental and international relations; a force for good though, because according to Article 3 of the Treaty, the reason COMESA exists is to improve the living standards of the people in the region. Together, the various programs COMESA implements are designed to lift the people out of poverty and misery, so they are freed to pursue their dreams in peace and prosperity.

COMESA is the largest FTA in Africa, and through its raft of programs and institutions has had an indelible imprint on the continental integration process, not only through its sheer geographical and economic size, but more importantly through the pioneering nature of many of its programs and institutions. The most successful COMESA institutions include, the Clearing House which has now established an international payment system called the Regional Payment and Settlement System, the Leather Products Institute, the Alliance for Commodity Trade in Eastern and Southern Africa, the COMESA Business Council, the COMESA Regional Investment Agency, and the COMESA Monetary Institute. The financial institutions of COMESA have now grown into continental institutions and enjoy excellent global rankings, namely, the PTA Bank, the Re-insurance Agency, and the African Trade Insurance Agency. The COMESA Court of Justice stands out for the wide jurisdiction it has and the access it provides to individuals and companies, as well as the Secretary General, COMESA institutions, and the Governments of Member States.

FOREMOST PRIORITY

The integration programs of COMESA include the following: the FTA since 2000 now with 15 member states (Congo DR is finalized the legal instrument for joining while Ethiopia has taken a decision in principle at the political level to join; Swaziland has a derogation because it is a member of SACU); the Customs Union (still to be implemented by Member States); services liberalization regulations are in force (negotiated schedules of specific commitments are ready for consideration by the Council in four sectors (financial services, communications, transport and tourism; movement of persons); visa relaxation but the protocol on movement of skilled persons is not in force; infrastructure (transport, energy, ICT); agriculture (CAADP); industry and SMEs; gender; peace and security; science technology and innovation; intellectual property; and international negotiations.

All these programs are embedded in the COMESA Treaty, which is already in force since 1994 having been ratified by all the Member States. From year to year, the Summit and the Council issue Decisions and Regulations to advance these programs. The Regulations and Decisions become binding once published.Ensuring the implementation of COMESA programs is a foremost priority of the COMESA family as a whole. Therefore, every year, Member States report on how they are implementing the programs. The reports are now more structured than in the past, to encourage comprehensive reporting and to allow ranking or assessment of performance, and peer comparison. In addition the Secretariat has undertaken a comprehensive assessment of the state of play in the Member States, through missions undertaken by the Secretariat to check the laws, policies and other relevant national instruments that are supposed to implement the COMESA obligations in Member States. A general assessment is that 60-70% of COMESA programs are being implemented by the best performing member states. This definitely leaves a lot of room for improvement.

FULLY INTEGRATED AND COMPETITIVE

The vision of COMESA as a regional economic community is to become fully integrated, internationally competitive, prosperous and peaceful with high living standards, and fully supportive of the continental integration process. This vision derives from the objectives of COMESA and is the reason for COMESA's existence.

The objectives of COMESA are "*to attain sustainable growth and development of the member states by promoting a more balanced and harmonious development of its production and marketing structures; to promote joint development in all fields of economic activity and the joint adoption of macroeconomic policies and programs to raise the standard of living of its peoples and to foster closer relations among its member states; to cooperate in the creation of an enabling environment for foreign, cross-border and domestic investment; to cooperate in the promotion of peace, security and stability among the member states in order to enhance economic development in the region; to cooperate in strengthening relations between the Common Market and the rest of the world, and the adoption of common positions in international fora; and to contribute towards the establishment, progress and the realization of the African Economic Community*".

To achieve these objectives, the member states made several undertakings , under which they "*shall, in the field of trade liberalization and customs cooperation, establish a customs union, abolish all non-tariff barriers to trade among themselves; establish a common external tariff; cooperate in customs procedures and activities*".

DEEPER MARKET INTEGRATION

This undertaking is the subject of a specific provision in Article 45, to the same end, calling for the progressive establishment of a customs union within a period of 10 years, that is, by 2004 since the COMESA Treaty entered force in 1994. Article 46 specifically provides for establishment of a free trade area by the year 2000. The FTA, by eliminating duties, and NTBs and other restrictive regulations of commerce, is by definition part of a customs union. There are, in addition undertakings relating to the fields of, transport and communications, industry and energy, monetary affairs and finance, agriculture, and economic and social development; all of which are again the subjects of detailed specific provisions. There is provision as well that *"member states agree to adopt, individually, at bilateral or regional levels the necessary measures in order to achieve progressively the free movement of persons, labour and services and to ensure the enjoyment of the right of establishment and residence by their citizens within the Common Market"*. COMESA has already, in 2001, concluded a protocol on free movement of persons, labour, services, right of establishment and right of residence, though it is not in force yet.

According to these objectives and binding undertakings, as well as the programs being implemented, COMESA aims for deeper market integration covering the establishment and operation of a free trade area, a customs union, and a common market, as well as an economic union involving integration through harmonization and coordination of policies in the various sectoral areas, progressively leading to "*a payments union as a basis for the eventual establishment of a monetary union*". This scope of integration is not unique to COMESA; the EU has already quite successfully travelled this road, and it is indeed the program for the continental integration process in Africa. And it is well to recall that Article 1 of the Treaty has already established the common market, which requires to be operationalised, for it provides that "*the High Contracting Parties hereby establish among themselves a Common Market for Eastern and Southern Africa*".

SRIDHAR NAGARAJAN, CHIEF EXECUTIVE OFFICER OF STANDARD CHARTERED BANK

"A common payment system should follow"

The Tripartite is bound to be beneficial to corporates which intend to reach Africa through Mauritius. However, suggests Standard Chartered Bank CEO, Sridhar Nagarajan, care should be taken when it comes to the Non-tariff trade barriers. He is also of view that a common payment system should emanate from the Free Trade Area to accelerate trade.

Do you believe that the setting up of a Free Trade Area by the Tripartite will be favourable to local operators?

An enlarged FTA is expected to increase trade within the COMESA – EAC – SADC region. Given that this FTA comprises of about 640 million people, it represents a significant common market for products and services.

Corporates expanding across Africa are increasingly using Mauritius as a regional platform and a tripartite agreement will be beneficial for them. As for Standard Chartered Bank we have a strong presence in Africa and Asia and are well positioned to assist these corporates in their pan-Africa strategic and operational objectives.

There is also the shaping up of a Customs Union for the said FTA. What are your views on this?

A Customs Union is a natural corollary to an FTA and is in fact a vital enabler for its success. As a bank which has primary focus on Trade Finance activities, Standard Chartered would welcome a measure like this which boosts inter and intra Africa trade.

MULTIPLE HATS

Sridhar Nagarajan is an engineering graduate with Masters in Business Administration. He has over 19 years of banking experience, of which the last 14 years have been with Standard Chartered Bank in various businesses, franchise building and governance roles.

In his current role, since 2008, he has been overseeing the formulation and successful implementation of the bank's Mauritius strategy, which includes leveraging Mauritius as a gateway to Africa and unlocking the franchise's potential as a global financial centre.

Sridhar is currently the Vice Chairman of the Mauritius Bankers Association (MBA) and the Chairman of the International Banking Sub-Committee of the MBA.

He is a member of the Financial Services Consultative Council (FSCC), as chaired by the Ministry of Finance and Economic Development. FSCC is the think tank of the Government for the Financial Services sector.

Sridhar is the Vice Chairman of Global Finance Mauritius, ("GFM") an industry body representing banks, institutional investors, law firms, accounting firms and management companies in Mauritius.

The Non-Tariff Barriers is also being very much talked about. What is your assessment on the issue? How about the eventual benefits which it could bring you and other local operators?

Non-tariff trade barriers are acceptable if they are limited in both letter and spirit to protect health, safety, sanitation, or depleting natural resources. However, care needs to be taken that they do not become surrogates to tariffs as in the case of import quotas, export restrictions, countervailing duties etc which impede the effectiveness of the FTA.

In what ways can Mauritius benefit from the Stock Exchange of Mauritius (SEM) in becoming a pier with regards to the creation of a Tripartite stock market?

Mauritius is emerging as an International Finance Centre (IFC) with key enablers in place viz., Free flow of Capital, regulatory robustness, international legal framework etc which is well captured in Global Competitiveness Index for 2014-15 by WEF wherein Mauritius is ranked 39th globally and top ranking in Africa.

SEM leverages on the jurisdictional advantages and is already a unique exchange in Africa which can settle trade in USD, GBP, RAND and EURO apart from the MUR. Thus it is well suited to be the FTA's partner in terms of harmonizing the capital markets.

When corporates from the region raise capital in Mauritius, it will increase the efficiency of the market and also expand the eco-system which comprises of many intermediaries and financial institutions.

What are your expectations, as a regional actor, from the common monetary union to be set up after the FTA is materialised?

Except for a few economies in Africa, the economies of scale of individual countries are smaller from a global perspective. Thus the FTA initiative is important in creating a unified market place which can efficiently be accessed by economic operators. Apart from the Customs Union, we would like to see a common payment system emerging for the FTA which accelerates trade significantly. What regional corporates will be looking for is that any integration will help enhance trade and investment flows within the region.

11TH EUROPEAN DEVELOPMENT FUND

THE NEED FOR STRONG REGIONAL ORGANISATIONS

The COMESA Infrastructure Fund and the coming together of the COMESA-SADC and EAC as a Tripartite for regional development should reassure the European Union. The latter asked regional organisations, which met for discussions relating to the disbursement of funds in context of the 11th European Development Fund (EDF) last November in Mauritius, to come together to steer processes and create a stronger partnership for regional integration

Over the 9th and 10th European Development Fund (EDF), the combined total initial envelopes for the ESA-IO region has been nearing the EUR 1 billion. The Inter-Regional Coordinating Committee (IRCC) has been able to ensure that grant resources from the EU are mobilised, programmed, identified and formulated in a coordinated way and on behalf of the participating RECs (COMESA, EAC, IGAD and IOC).

A wider mandate was construed in the September 2009 "*Lusaka Declaration*" from the high level meeting of the ESAIO ROs, their Member States, represented at Ministerial level, and high officials of the European Commission. Amongst others, the Declaration highlighted the need for streamlined procedures, instruments and measures for programming and timely delivery of EU support to regional integration. Concerns were expressed that speedier funding delivery was critical to implement projects on time and produce benefits early. Delays in aid disbursements for investment projects (e.g. regional infrastructure) led to escalation of costs and significant opportunity costs. It was apparently more prudent to go for commercial loans in financing such projects. A broadened IRCC caucus of ESA-IO ROs and their Member States, which met in Nairobi in August 2012, noted the new openings under the EU's Agenda for Change in terms of innovative financing mechanisms. Following this meeting, the interest of other public and private partners is being explored to cooperate within the framework of the IRCC; the ultimate goal being to favour intra-platform leveraging and blending of the EU grant funding, the preferred choice of the EU being the EU-Africa Infrastructure Trust Fund.

This type of financing will become the norm rather than the exception for the future of EU support to regional integration in this part of the world, with early indications by the EU that nearly 50% of regional 11th EDF would be devoted to blending and leveraging for regional infrastructure development.

"*After more than a decade of being exclusively funded from EU resources, a new IRCC platform, to be compatible with the final financial and governance architecture of the regional 11th EDF, if so endorsed by its membership, will need to draw across a new diverse membership for its sustainability. Success relies on a common conviction of the collective gains arising from dialogue and a common operational framework across several Regional Organisations (ROs), and in a platform regrouping all interested cooperating partners,*" stated Vikramdityasing Bissoonauthsing, Coordinator and Head of Secretariat of the IRCC, in November 2013

STRATEGIC GOALS

However, much like an investor in a commercial enterprise, the European Union wants to see better results for the money it puts into the African continent. Projects need to be completed and completed faster to elevate the level of regional integration. For that to happen, Claudia Wiedey, EU Head of Division, Horn of Africa, East Africa and Indian Ocean, believes regional organisations have to look at the best possible mechanisms. Economic development, as well as political development, is important.

The idea – with changes made through 11th EDF - is to have as many strong players as possible and to make sure that those who have the comparative advantage and knowledge play a key role. There is a need for strong regional organisations to steer the whole process. They are the ones who endorse, steer and decide what fits in their regional processes. They should rely – and this was not excluded in the past, but has become much more important now – on new partners who have competencies to do their jobs. It does not mean that we want to change the rules of the game, said Claudia Wiedey in November of last year.

The EU wants the regional organisations to concentrate on and reinforce their strategic goals, and seek partners who can offer some of the support services. The more so that the world is changing fast and globalisation is a reality, and regional organisations have to be in a position to follow this trend.

Even if most regional organisations have their own strategies, the European Union expects more dynamism. According to Claudia Wiedey, some of the evaluation studies conducted by the EU have shown that the rate of implementation and the performance have not been as good as they would have liked it to be.

"We, as Europeans, pay a very high importance to this. We want to see swift returns, not in terms of interest, but in terms of results. To have the regional organisations respond to this challenge is another issue," she stated.

For that to happen, African regional organisations have to look at the best possible mechanism. There are many important players who have specific competences that one particular organisation cannot have. Banks, specific regional organisations which have specific knowledge, or the private sector...

"*For the regional organisations, it is important to bring them all together and use them at their best capacity. That is something we are trying to formalise in the 11th EDF. I do not say it was not possible before, but it was not a focus as such. We are trying to say that we need to increase speed. The world is moving very fast around us in terms of trade, of globalisation... We would like the regional organisations to keep pace and make sure they are invested in this,*" said Claudia Wiedey.

Infrastructure demands and needs across the continent go far beyond what can be done on grant funds. Therefore, she concluded, regional organisations should be able to bring in other sources to create a blending of funds to move forward.

SÉBASTIEN MAMET, PRESIDENT OF THE MAURITIUS CHAMBER OF COMMERCE AND INDUSTRY (MCCI)

"A REDUCTION IN ALL KINDS OF BARRIERS TO TRADE IS REQUIRED"

According to the President of the Mauritius Chamber of Commerce and Industry (MCCI), Sébastien Mamet, the Tripartite FTA should promote trade, encourage cross-border investment, reduce the cost of doing business in the region, and create a conducive environment for private sector development. Though such an endeavour seems beneficial to the economic actors in the region, he does not rule out that achieving a monetary union after the FTA has materialized could take time

How will the Free Trade Area (FTA) to be set up in relation to the COMESA-EAC-SADC Tripartite be beneficial to our operators?

We all agree that Africa remains a land of opportunities for both trade and investment. Our exports to the region have grown significantly over the last decade and now represent around 20% of total domestic exports. There is also an increasing number of Mauritian businesses that have already invested, or are considering investing, in the African region.

However, it is important to have trade rules, as well as a business environment, which are conducive for operators to invest and trade with African countries. At national level, Government has already announced its Africa strategy with measures that are expected to encourage business with Africa, namely the export credit guarantee scheme, sea freight scheme and the setting up of the Africa fund. In the region as well, there are several initiatives aimed at promoting regional integration and one of them is the Tripartite FTA.

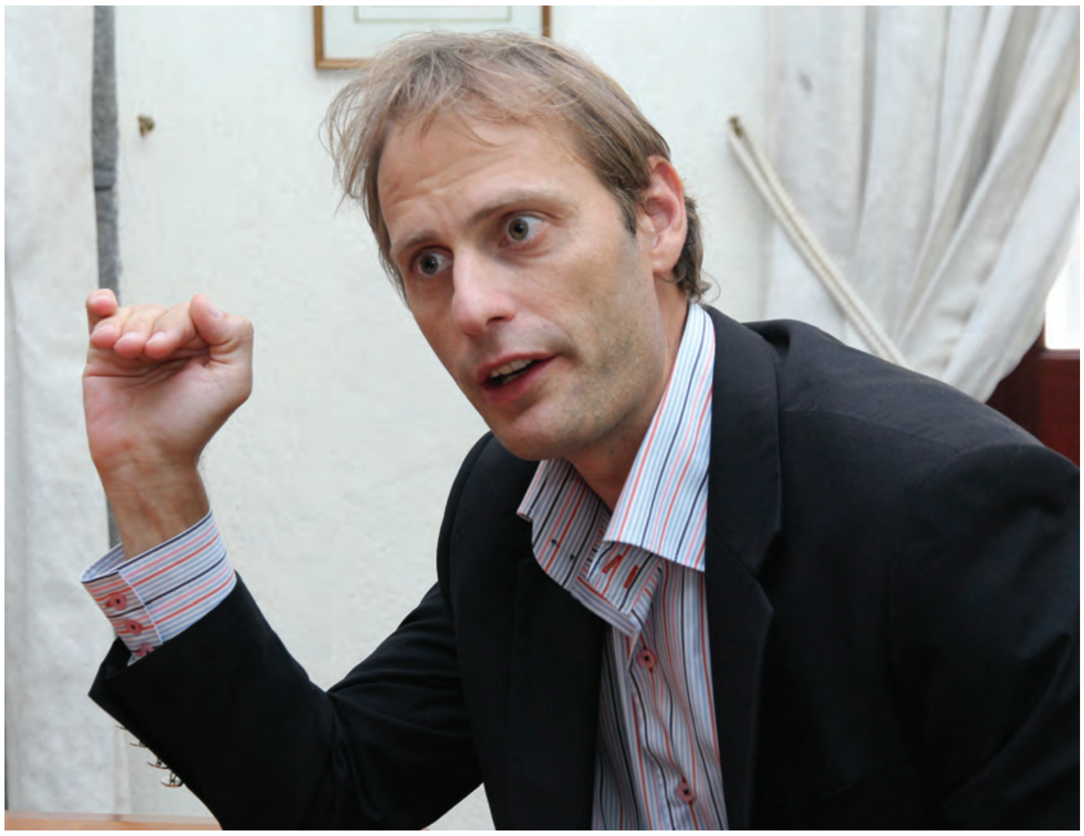
Launched in June 2011, the negotiations for the setting up of the Tripartite FTA aim to create an enlarged free trade area among the twenty-six SADC, COMESA and EAC countries. The main objective of the Tripartite States is to build on the FTAs that are already in place and three pillars have been identified as priority; namely market integration, infrastructure development and industrial development.

Overall, it is expected that the Tripartite FTA will promote trade, encourage cross-border investment, reduce the cost of doing business in the region, and also create a conducive environment for private sector development.

There is also the shaping up of a Customs Union for the said FTA. What are your views on this?

One of the long-term objectives of the Tripartite countries is to deepen regional integration with the creation of a single Customs Union. However, the establishment of a Customs Union is a complicated process as it involves developing, among other things, a common external trade policy for all the Tripartite States.

I think it is premature at this stage to speak of the setting up a Customs Union between the twenty-six Tripartite countries. The focus of the Tripartite Members should instead be to conclude the negotiations for the setting up of the FTA.



The Non-Tariff Barriers are also being talked about. What is your assessment of the issue and of the eventual benefits to operators?

Meaningful market access requires a reduction in all kinds of barriers to trade. However, the reduction in tariffs rates, both in the region and across the world, has increased the relative importance of Non-Tariff Barriers (NTBs) both as protection and regulatory trade instruments. With the reduction in tariffs, NTBs are increasingly becoming front-stage market access concerns. Several NTBs still continue to prevail in the region, such as pre-shipment inspection, import licensing, lengthy border procedures and foreign exchange restrictions.

The Tripartite members have identified the elimination of NTBs as a priority area and have established a road map for the reduction and elimination of non-tariff barriers in the region. An online NTBs reporting, monitoring and elimination mechanism has been developed. It allows private sector operators to report NTBs and it also enables the monitoring of the reported NTBs with concrete timelines for their elimination.

The Stock Exchange of Mauritius is going to be a pillar in the setting up of the Tripartite's stock market. How will this benefit Mauritius?

One of the objectives of the Tripartite States is also to enhance cooperation and coordination in the areas of financial and payment systems, capital markets and commodity exchange.

However, the focus of the discussions up to now has been on the priority areas identified by the Tripartite Heads of State in 2011, namely market integration to increase trade, industrial development to address productive capacity constraints and infrastructure development to enhance connectivity and reduce the cost of doing business.

What can you expect, as a regional actor, from the common monetary union to be set up after the FTA has materialised?

There are several levels of economic integration, starting from the first level with the setting up of an FTA, then moving to a Customs Union, and then an "economic union" with higher levels of integration and implying a common currency, as well as harmonised fiscal and monetary policies.

The Tripartite countries have prioritised the setting up of the FTA as a first step towards regional integration and the discussions are still far from being completed. I believe that we still have a very long way to go before higher levels of integration are reached.

"Meaningful market access requires a reduction in all kinds of barriers to trade. However, the reduction in tariffs rates, both in the region and across the world, has increased the relative importance of Non-Tariff Barriers (NTBs) both as protection and regulatory trade instruments. With the reduction in tariffs, NTBs are increasingly becoming front-stage market access concerns

YUFNALIS OKUBO, LEGAL COUNSEL OF THE IGAD

"The FTA should help us better address Maritime Security issues"

There are many issues that remain to be addressed regarding piracy at sea, even though collective actions by countries in the region have helped curb this scourge. Sharing his thoughts, Yufnalis Okubo, Legal Counsel of the Intergovernmental Authority on Development (IGAD), urged the COMESA-EAC-SADC Tripartite to go for an inclusive process that could encompass and involve more regional organisations in the setting up of a Free Trade Area (FTA) for the region

Can we know your views regarding the setting up of a Free Trade Area (FTA) by the COMESA-EAC-SADC Tripartite?

It is certainly a good thing but I believe that it needs to move further and should encompass more organisations. They are leaving out the Intergovernmental Authority on Development (IGAD) although they have said that most of the members of IGAD are also members of the COMESA-EAC-SADC. We have members at the IGAD that are neither members of the COMESA and the EAC. We want an inclusive process. In the same way they could have invited the Indian Ocean Commission (IOC), which has an institution which could have been included. I would rather officially invite the Tripartite to move further and invite IOC and IGAD to maybe be observers at the beginning, before they fully join. The COMESA-EAC-SADC Tripartite have left out an important group. For example, how will IGAD say that it has a moral duty to follow on what the Tripartite has decided? All groups should come together and the Tripartite should not leave anyone off board. Everybody should be on board.

Will there be issues concerning Maritime Security once the FTA is implemented, as the trading of goods will be on the rise?

I cannot say whether there will be concerns because we are addressing Maritime Security together. From South Africa up to Djibouti, all the countries are very much involved in working to end this scourge. The EU funded projects with regards to Maritime Security have brought us together. If the FTA materialises, it will just help to improve those efforts that are already being made.

According to your observations, is Maritime Security in the region being tackled in the proper way?

From what I have seen, I think that with the implementations that we are putting in place, we are on the right path. Piracy at sea has gone down, but it does not mean that we have addressed issues. There are possibilities that piracy at sea can shoot up if ever we are to rest now. So, we must continue to address those problems. One of the things we identified is that the cause of piracy is the livelihood of the citizens of Somalia. On another note, Kenya has done much to address Maritime Security. Now, we tend to believe that Al-Shababs were equally funding piracy. The Kenya force is moving and is beating the Al-Shababs. Upon a research that we undertook, we found out that there is much unemployment and because of a promising future in Yemen and beyond, and the fact that they have no money, Somalians were having recourse to piracy. I believe that migration projects could help to drastically reduce this kind of scourge.

Piracy at sea off the Somalian coast has noted a decline during the past months. Are there many issues which remain to be tackled?

There are certainly many issues that remain to be tackled. You cannot solve poverty by sorting piracy. I believe there are other means to sort out this problem. Most importantly, piracy concerns the livelihood of young Somalian people as they have never had any income during their life.

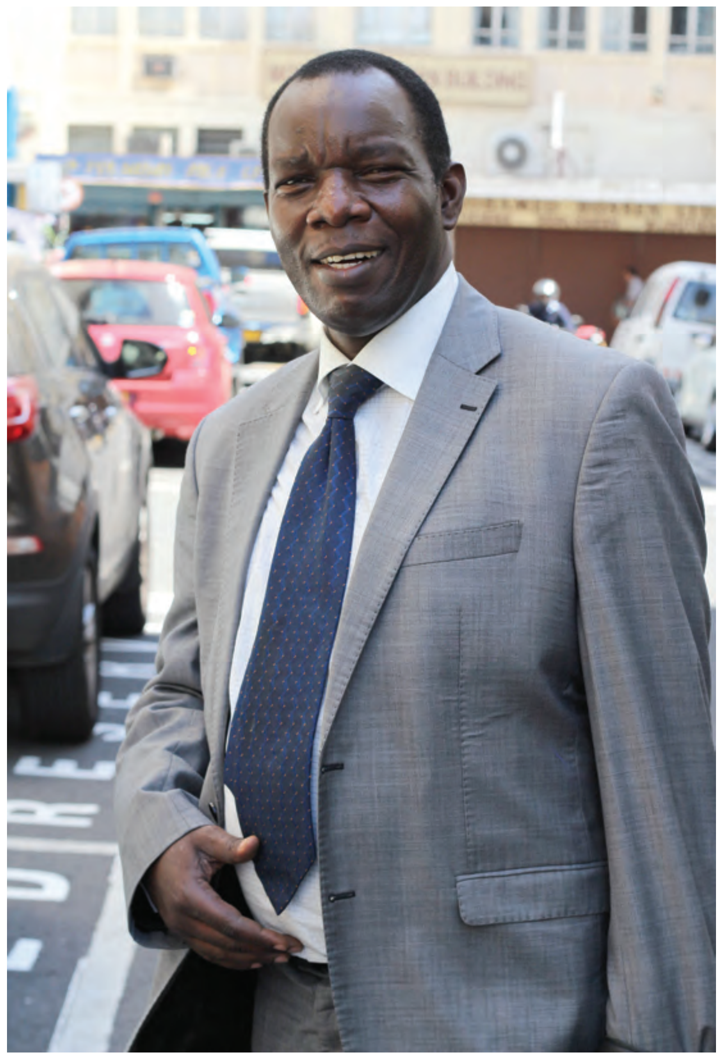
> "The EAC Customs Union seems to be working with some hurdles, though there are only five countries. I can't imagine combining the COMESA, SADC and EAC, which encompass 26 countries, will make the task easier

Let us get back to the FTA. There is also the issue of shaping up of a Customs Union for the said FTA. What are your views on this subject?

The EAC Customs Union seems to be working with some hurdles, though there are only five countries. I can't imagine combining the COMESA, SADC and EAC, which encompass 26 countries, will make the task easier. We should have in mind that there are very different levels of economic growth in countries throughout Africa. Unlike Kenya, which is developing, most of the countries in Africa are less developed. They are lagging behind. So is it feasible for the Tripartite to implement a Customs Union in Africa? It may not be easy. Even the COMESA alone has never taken off.

Non-tariffs barriers are also being talked about. What are your views on this endeavour?

Well, NTBs could be rather very complicated and not easy to build. What is a tariff barrier for a country can also not be a tariff barrier for another country. And if a country wants to protect a particular industry, it could make it difficult for another country to export its goods. So, it will take time.



Do you believe we are far from the economic and monetary union?

I would prefer that we first go for an economic union rather than a monetary union. Even in the EU, not all the countries are in the monetary union, although they have copied this model from us. Remember that the original EAC had a full-fledged monetary union. The currency that they normally used could be used in any other country. If only it had not been broken up at that time, it could have been very far by now.

The Stock Exchange of Mauritius (SEM) is going to be a pillar in relation to the setting up of the Tripartite stock market. How will this benefit the island's economy?

It can benefit from the fact that Mauritius can attract investors to come and invest on the stock exchange, particularly depending on how the capital gains are coming out of companies that are in Africa. The Mauritian economy is promising. Depending on how the fiscal economy of Mauritius is managed and marketed outside, it can really benefit Mauritius.

ANTHONY LEUNG SHING, PARTNER, PWC

« The FTA will be successful if there is more intra-African trade »

The potential benefits to be derived from the COMESA-SADC-EAC Tripartite are undeniable. However, a number of factors can make things evolve quite slowly. Anthony Leung Shing, Tax Partner at PwC (PricewaterhouseCoopers), states that for the Free Trade Area (FTA) to be successful, there needs to be more inter-trade between countries than there is at present

Trading blocs in the Africa region have long existed, but have known varying degrees of success. With the coming together of the COMESA, the SADC and the EAC as a common platform, the speed of progress should improve. According to Anthony Leung Shing, the Tripartite will bring more coherence and convergence in terms of macro-economic and fiscal policies. Moreover, the platform will be beneficial to Mauritius in many ways.

"Being a member of these blocs means that we have the opportunity to play a key role in attracting foreign investment by allowing access to so many countries which form part of this economic zone," he says.

Manufacturing and trading should thus get a new boost if positioned properly.

However, one of the main challenges, according to him, is the level of intra-African trade, which is still quite low. According to recent figures, it only makes up between 10 to 15% of total trade; which is far from the 50% level observed in the North American or Asian trading blocks. Same can be said for European Union members.

"For the FTA to be successful, intra-African trade should be encouraged. Down the line, we may even see more mobility of the labour force between the countries," says Anthony Leung Shing. *"Another challenge which still needs to be addressed is the lack of connectivity and infrastructure, which undermines the development of trade between African countries,"* he adds.

All things set apart, Mauritius will definitely benefit from the materialisation of the FTA, not only for its exports, but also in setting itself up as a platform to access African markets, hence bringing about more investment and activities from investors in Mauritius.

As regards the setting up of the Customs Union, Anthony Leung Shing welcomes the initiative while being cautious as to the difficulties ahead before it becomes reality. He says, however, that there will be more alignment between countries and the exchange of products will take place even more rapidly, reducing the existing administrative bureaucracy which, today, can hinder the process.

"Ultimately, I don't think the Customs Union will make a big difference for Mauritius' imports since we have little or no excise duty on our imported products. However, it will be an advantage for our exporters, as they will become more competitive on the continent," he indicates.

Further, things should be a little different when it comes to other African countries that will have to forego the customs duties. It is also true that local producers in those countries might lose their competitiveness arising from the removal of trade barriers and they will need time to adjust.

We should also take into consideration that the Mauritian reality is different from that of other countries which are part of the COMESA-SADC-EAC platform, in that we are ahead on several fronts.

"Different aspects will need to be readjusted in some of those countries, for example, the monetary and fiscal policies. The idea behind the FTA is a good one, but the economic drivers and the macroeconomic situations differ from one country to the other. Some countries are developing at a rapid pace, while others are lagging behind in terms of structural reforms. We should bear this in mind in evaluating the likelihood of progress to be made under the COMESA-SADC-EAC Tripartite agreement," concludes Anthony Leung Shing.

FROM CHARTERED ACCOUNTANT TO TAX MANAGER

Aged 37, Anthony Leung Shing joined PwC in February 2009, after spending over 13 years in the United Kingdom. He started his career as a trainee Chartered Accountant with PKF (UK), where he remained for some 10 years. After qualifying as a Chartered Accountant in 2001, he moved internally, and was appointed Tax Manager after specialisation in UK Corporation Tax. He then joined their Management Consultancy Services in 2004, where he occupied various managerial positions and specialised in the Project Finance team of 20 Management Consultants at PKF (UK), working on a wide range of projects for various funding banks. He coordinated, amongst others, their taxation work on projects, dealing with international network offices on local compliance issues.

BIZweek
Economie | Business | Finance
EDITOR IN CHIEF
Rudy Veeramundar
DEPUTY EDITOR IN CHIEF
Herrsha Lutchman-Boodhun
EDITORIAL
Jamirouddin Yeadally
PHOTOGRAPHERS
Nicholas Larché, Patrice Brette
ADMINISTRATION
Jessie Bappaya
MARKETING
Steeven Pumbien
Email : bizweek.marketing@gmail.com
Tel : (+230) 5788 5025

BIZweek
5, Antonio Street, Port Louis, Mauritius
Tel : (+230) 211 1744 | Fax : (+230) 213 7114
Email : bizweek.redaction@gmail.com
Printed by Yukondake Ltd, Plaine Lauzun

OUTGOING CHAIRPERSON

Dr RICHARD SEZIBERA PAVES THE WAY FORWARD

The EAC Secretary General, Dr Richard Sezibera, has been the Chairperson of the Tripartite Task Force since April, 2013 after taking over from SADC at the 17th meeting of the Tripartite Task Force (TTF).

As the Chairperson of the Tripartite Task Force, the EAC was entrusted with coordinating the implementation of the Tripartite Work Programme for the period April 2013 to date. In that regard, the EAC played a lead role in the preparation of agendas and background documents for meetings; circulation of invitations to meetings and background documents; preparation of reports of the meetings of the Tripartite organs; following up on implementation of decisions of the various meetings and logistical arrangements for all the above meetings. In addition, the TTF Chair organised several workshops facilitated by subject matter specialities in order to facilitate consensus.

This handing over notes to the Secretary General COMESA, who is the incoming Chairperson of the TTF, provides an overview of the progress made in all the Tripartite Pillars including Movement of Business Persons during the tenure of EAC as Chairperson of the TTF.

Negotiations on all outstanding areas will be continued during the 10th TTNF and Meetings of the TWGs scheduled for August-September, 2014.

WAY FORWARD

- Finalization of exchange of tariff offers taking into account TTF proposals contained in the report on conclusions of TFTA Negotiations.

- Finalization of outstanding work on Rules of Origin, Trade Remedies and Dispute Settlement and Customs Cooperation.

It is expected that the above tasks will be successfully undertaken at the above Meetings. Where consensus will not be reached, the issues will be escalated to the Technical Committee of Senior Officials and the Sectoral Ministerial Committee Meetings in September 2014 for determination and finalization.

The original end date for conclusion of negotiations on Market Integration and Movement of Business Persons has not been achievable on account of certain delays based on reasons, ranging from inadequate funding of the Tripartite Work Programme to deferment of discussions on contentious areas, to allow for further Member/Partner States consultations. This has necessitated review and adoption of a new TFTA Work Programme on Market Integration that ensures that negotiations will be concluded by the end of 2014 and in time for the Agreement to be signed by the third Tripartite Summit in December.

The Revised Work Programme and schedule of Tripartite Meetings under the Market Integration Pillar is indicated below:

1.0 MARKET INTEGRATION PILLAR

Significant progress has been achieved on negotiations of Phase 1 on the Market Integration Pillar as indicated in the Summary table below:

Activity	No of Meetings	Progress	Outstanding work
Technical Working Groups	4	Finalised Annexes on SPS, TBT and NTBs including most aspects on the Annex on Customs Cooperation.	Finalization of Annexes on Customs Cooperation Rules of Origin and Trade Remedies and Dispute Settlement.
Tripartite Trade Negotiation Forums	3	Out of the current 36 Articles Agreement reached on 15 articles.	Finalization of 5 bracketed Articles on the TFTA Agreement, Preamble and the 7 Articles referred back to the TWGs 10 Articles relating to Financial and Final Provisions to be considered at the 10thTTNF. Progress report on the TFTA Negotiations.
Meeting of the Tripartite Committee of Senior Officials	1	Adoption of template for tariff offers and modalities for tariff negotiations.	Guidance on common methodology and approach on the instrument to be negotiated on the Movement of Business persons. Guidance on all areas of Negotiations where consensus will not be reached.
2nd Tripartite Sectoral Ministerial Committee on Trade, Finance, Customs, Economic Matters and Home/Internal Matters, July 2013	1	Establishment of Sectoral Committees on Industry and Movement of Business Persons. Provided guidance and impetus for timely conclusion of the TFTA Negotiations.	Guidance on all areas of Negotiations where consensus will not be reached. Consideration of the TFTA Post Signature Implementation Road Map. Declaration on Conclusion of Phase 1 of the Negotiations for the Tripartite Free Trade Area Agreement. Conclusion of the Negotiations for the COMESA-EAC-SADC tripartite Free Area.

The Revised Work Programme and schedule of Tripartite Meetings under the Market Integration Pillar is indicated below:

No.	Dates	Meeting	Venue
1	4th – 7th August	• 7th TWG on Rules of Origin; • 6th TWG on Customs Cooperation; and • 3rd TWG on Trade Remedies and Dispute Settlement.	Bujumbura, Burundi
2.	2nd – 6th September	10th Meeting of the Tripartite Trade Negotiation Forum (TTNF)	Bujumbura, Burundi
3.	7th September	Free Day for Pre 6thTCSO National/Regional Consultations	Bujumbura, Burundi
4.	8th – 9th September	6th Meeting of the Tripartite Committee of Senior Officials (Permanent Secretaries)	Bujumbura, Burundi
5.	10th September	Free Day for Pre 3rdTSMC National/Regional Consultations with Ministers	Bujumbura, Burundi
6.	11th – 12th September	3rd Meeting of the Tripartite Sectoral Ministerial Committee on Trade, Finance, Customs, Economic Matters and Home/Internal Affairs	Bujumbura, Burundi
7.	1st – 4th October 2014	• 8th TWG on Rules of Origin; • 7th TWG on Customs Cooperation; and • 4th TWG on Trade Remedies and Dispute Settlement.	Antananarivo, Madagascar
8.	6th – 10th October 2014	1st Extraordinary Meeting of the TTNF	Antananarivo, Madagascar
9.	12th - 15th October 2014	1st Meeting of the Tripartite Technical Committee on Legal Affairs	Antananarivo, Madagascar
10.	1st – 4th November 2014	3rd Meeting of the Tripartite Technical Committee on Movement of Business Persons	Flic en Flac, Mauritius
11.	24th – 27th November 2014	4th Meeting of the Tripartite Technical Committee on Movement of Business Persons	Flic en Flac, Mauritius
12.	1st – 4th December 2014	• 8th TWG on Rules of Origin; • 4th TWG on Trade Remedies and Dispute Settlement.	Egypt
13.	6th – 9th December 2014	2nd Extraordinary Meeting of the TTNF	Egypt
14.	10th – 12th December 2014	2nd Meeting of the Tripartite Technical Committee on Legal Affairs	Egypt
15.	14th – 15th December 2014	Joint Meeting of the 7thTCSO-Trade and 1stTCSO-Legal Affairs	Egypt
16.	17th – 18th December 2014	4th Meeting of the Tripartite Sectoral Ministerial Committee on Trade, Finance, Customs, Economic Matters and Home/Internal Affairs	Egypt
17.	19th December 2014	3rd Meeting of the Tripartite Council of Ministers	Egypt
18.	20th December 2014	3rd Summit of the Tripartite Summit of Heads of State	Egypt

The following documents have been prepared and circulated in preparation for the forthcoming Meetings of the TWGs and TTNF.

Meeting	Circulated documents	Comments
TWG	Agendas, all background documents.	
TTNF	Agenda;Main tripartite text, Egypt's comments on tripartite text; Seychelles comments on Report of the 9th TTNF, draft TFTA Post Signature Implementation Road Map; Declaration on Conclusion of Phase 1 of the Negotiations for the Tripartite Free Trade Area Agreement; Conclusion of the Negotiations for the COMESA-EAC-SADC tripartite Free Area.	

2.0 MOVEMENT OF BUSINESS PERSONS

Limited progress has been made in the Negotiations on Movement of Business Persons. The Summary table below indicates the progress achieved.

Activity	No of Meetings	Progress	Outstanding work
Technical Committee on Movement of Business Persons	2	Work programme; schedule of negotiations; Rules of Procedure; and Terms of Reference have been adopted. Divergence between Member/ Partner States on the methodology and approach on the instrument to be negotiated on the Movement of Business persons. Tripartite Workshop on Movement of Business Persons was held to create a platform for stakeholders in the Tripartite Region to deliberate on modalities for negotiations on movement of business persons and provide input into the overall methodology and approach on the instrument to be negotiated on movement of business persons.	TCSO to provide guidance on common methodology and approach on the instrument to be negotiated on the Movement of Business persons. Negotiationsof Annex 12 (Articles 1, 2,3,4,5,6,7,8 and 9)

3.0 INDUSTRY DEVELOPMENT PILLAR

A Tripartite Technical Committee on the Industrial Pillar was established by the Tripartite Sectoral Ministerial Committee in July, 2013. The draft Industry Pillar Work Programme/Road Map has identified priority actions needed to improve productivity and competitiveness in tripartite regional value chains, and subsequently improve the enabling environment for the selected priority sectors in agro processing, chemicals and minerals. The Industry Pillar strategy is focusing on identifying gaps for support so that a comprehensive package of coordinated assistance can be provided for sustainable development.

The Summary Table indicates the current status of the Industry Development Pillar

Activity	No of Meetings	Progress	Outstanding work
Technical Committee on Industry	1	Draft Work Programme and Roadmap including draft modalities for cooperation in industrial development in the tripartite area developed.	Finalization and adoption of Work Programme and Roadmap including modalities for cooperation in industrial development.

4.0 INFRASTRUCTURE DEVELOPMENT PILLAR

The Meeting of the Tripartite Sectoral Ministerial Committee on Infrastructure is scheduled for second half of 2014. The Infrastructure Pillar is coordinating the process of implementing priority tripartite infrastructure projects in the following areas:

i. Cooperation with PMAESA (Ports Management Association of Eastern and Southern Africa
ii. Communications and Navigation Systems / Air Traffic Management (CNS/ATM)
iii. Operationalization of the Joint Competition Authority (JCA)
iv. The Tripartite Infrastructure Master Plan
v. The South West Indian Ocean Maritime Corridor (SWIOMC) Scoping Study
vi. Corridor Monitoring
vii. Corridor Infrastructure Development work is ongoing on the following projects:
   a. Eastern Cluster - EAC (Northern and Central Corridors)
   b. Horn of Africa (Ethiopia – Djibouti Corridor)
   c. North – South Corridor Project
viii. Ongoing Energy Projects include: (i) Zambia-Tanzania-Kenya (ZTK) power transmission project; (ii) DRC-Zambia power transmission project; (iii) Zimbabwe-Zambia-Botswana-Namibia (ZIZABONA) interconnection transmission project; and (iv) the Ethiopia-Kenya power interconnector.
ix. The Tripartite Infrastructure Database (TRIPDA)
x. Railways Revitalization Initiative (RRI)
xi. The Road Transport Market Liberalization Programme

5.0 SUSTAINABILITY OF THE TRIPARTITE AGENDA

Funding of the Tripartite Agenda

The sudden winding up of TMSA by DFID has severely affected the funding for Tripartite FTA negotiations. However, the DFID has offered to provide support for the continuation of the TFTA negotiations upto October 2014 through the Trade Advocacy Fund (TAF).

Additionally, the AfDB through the Tripartite Capacity Building Programme has availed U.S$ 7.5 Million for TFTA negotiations and implementation of the work programme of the Industry Development Pillar. The AfDB funds for this purpose are in the process of disbursement into the target COMESA account, the fund executing agency.

In addition, the three REC Secretariats have committed to make a contribution to the budget of the TTF Work Programme. In that regard, COMESA and EAC have made contributions of U.S $ 150 000 and U.S $ 100,000 respectively. In the medium and long term, Member/Partner States should contribute to the programmes of the Tripartite to enhance ownership and assure sustainability of the tripartite agenda and processes.

The 15th TTF meeting established a Resource Mobilisation Task Team comprising of representatives of the three Secretariats. A Meeting of the Resource Mobilisation Task Team met on 14-18th July, 2014 and considered rationalization of the use of funds for the remaining Tripartite meetings, identification of gaps including for the post signature agenda; development of a resource mobilization strategy and update on the Trade Advocacy Fund support and the AfDB Capacity Building Programme.

6.0 ESTABLISHMENT OF THE TRIPARTITE TASK FORCE SECRETARIAT (TTFS)

Oversight of the Tripartite process

In order to enhance the TTF's capacity to closely coordinate and monitor the implementation of its programmes, the TTF at its 2nd Extra Ordinary Meeting held on 18th September 2009 in Lusaka, Zambia decided that a TTFS be established and that TORs be developed for the Secretariat. The 18th TTF considered the matter and decided that the RECs would undertake further consultations.

Other activities

DFID/TAF support for TFTAProgramme-TFTA Studies

During the meeting held between the SG EAC and Representatives of DFID, TAF and Saana on 24th June, 2014 at the EAC Secretariat in Arusha, Tanzania, the status of DFID support, through the Trade Advocacy Fund-for implementation of the Tripartite work programme was reviewed and future activities agreed upon.

Apart from the TFTA negotiations, the meeting agreed that the earlier study by the Institute of Development Studies (IDS) on the COMESA-EAC-SADC Tripartite FTA be updated, based on revised TORs, and disseminated widely to the Tripartite Member/Partner States to ensure participants and stakeholders had the best possible information on the likely impact of the FTA. In that regard, the TTF Chair has undertaken a review of the study TORs and provided comments to the consultants. The revised study will be presented to the TTF Sub Committee on Customs and Trade on 8th August, 2014 prior to finalization and presentation to the TTNF in September, 2014.

Further to the above, a stakeholders forum which considered the IDS study in October 2013, recommended that further and new analysis be undertaken as envisaged under the 2nd stage of the CGE modelling analysis of the TFTA with the World Bank.

The 2nd stage CGE modelling analysis will be more comprehensive by covering trade liberalization, trade facilitation and trade in services including quantification of the impact of non-tariff measures, related to trade facilitation, SPS, and TBTs. In addition, the study will also cover some key elements from the second phase of the TFTA such as trade in services and implications for poverty and income distribution.It is therefore necessary that the recommendation from the stakeholder's forum be implemented.

REVIEW BY EMINENT GROUP

It will be further noted that upon closure of TMSA, all work related to the study were transferred to COMESA Secretariat, understandably on behalf of the TTF. In that regard, it is hereby proposed that in furtherance to implementing the recommendation of the above referenced workshop, COMESA Secretariat should consider undertaking the actions outlined in the Memo on "*Closure of the TFTA impact analysis through CGE modelling and macro-micro simulations and motivation for continuation of the work by COMESA*" dated February, 2014 (Please see attached). The actions to be taken would include:

- Approval by the Secretary General of COMESA of the partnership between the World Bank and COMESA on the TFTA impact analysis and signingof the Externally Financed Operation (EFO) with the World Bank, on behalf of the TTF.
- Appointmentof an institutional point person to lead the technical work with the World Bank in collaboration with experts to be nominated from the EAC and SADC.
- Proposals of a new time schedule for the study, in consultation with the consultants while taking into account that the work should be concluded by December, 2014.
- Review of the TFTA negotiations by an Eminent Persons Group (EPG)

The U.K Secretary of State the Rt. Hon Justine Greening MP, in a communication to the SG, EAC as the Chair of the TTF proposed that a short independent review of the TFTA negotiations could be undertaken by an Eminent Persons' Group (EPGand presented to the Tripartite Summit. The consultative Meeting with the DFID, TAF and Saanaagreed that the current focus should be on concluding Phase 1 of the TFTA Negotiations and that the review of the TFTA process by the Eminent Persons Group could be part of the Post Signature Implementation Road Map Activities.

SUDHIR SESUNGKUR, AUDIT AND ASSURANCE SERVICES PARTNER FOR MAZARS

"Legal and institutional reforms are vital to make Mauritius more competitive"

When it comes to his views on various issues concerning the setting up of a COMESA-EAC-SADC Tripartite Free Trade Area (FTA), MAZARS Audit and Assurance services Partner Sudhir Sesungkur is clear. He believes that the Stock Exchange of Mauritius could benefit from this endeavour, but argues that it is imperative to embark on the necessary legal and institutional reforms

The setting up of a Free Trade Area (FTA) with regards to the COMESA-EAC-SADC Tripartite is moving along at full speed. How will the FTA be beneficial to local operators?

In the pursuit of the broader African Union, COMESA-EAC-SADC have set up the Free Trade Area. Global trading allows all nations to prosper and develop fairly and equitably. That is probably what most people would like to see. Free trade additionally translates to freedom of trade in goods and services, free circulation of capital and free ability to invest.

Neoliberalism is promoted as the mechanism for global trade and investment supposedly for all nations to prosper and develop fairly and equitably. Margaret Thatcher's TINA acronym suggested that "There Is No Alternative".

The uncomfortable truth is that democracy and free markets are incompatible. The whole point of democratic government is that it uses the legitimacy of the democratic mandate to diffuse power throughout society rather than allow it to accumulate—as any player of Monopoly understands—in just a few hands. It deliberately uses the political power of the majority to offset what would otherwise be the overwhelming economic power of the dominant market players.

If governments accept, as they have done, that the "free" market cannot be challenged, they abandon, in effect, their whole 'raison d'être'. Democracy is then merely a sham. No amount of cosmetic tinkering at the margins will conceal the fact that power has passed to that handful of people who control the global economy.

The guiding principles behind this ideology of neoliberalism are that sustained economic growth is the way to human progress; Free markets without government "interference" would be the most efficient and socially optimal allocation of resources; Economic globalization would be beneficial to everyone; Privatization removes inefficiencies of public sector; Governments should mainly function to provide the infrastructure to advance the rule of law with respect to property rights and contracts.

Can we have your opinion regarding the creation of a Customs Union for the FTA?

COMESA-EAC-SADC want to create a single market by moving towards the creation of one economic region through the Customs Union. This large economic region can only be meaningful if it is more than a simple aggregation of neighbouring countries. The COMESA-EAC-SADC Customs Union can assist to level the playing field for the region's producers by imposing uniform competition policy and law, customs procedures and external tariffs on goods imported from third countries, which have supported the region to advance its economic development and poverty reduction agenda.

Further to this, the Customs Union will promote cross-border investment and serve to attract investment into the region. With an enlarged market with minimal customs clearance formalities, it is more attractive to investors than the previously small individual national markets. In addition, the Customs Union offers a more predictable economic environment for both investors and traders across the region, as regionally administered tariffs and trade policy tend to be more stable.

Most importantly, however, is the signalling effect that arises from the Partner States agreeing to implement a common trade policy in their relationship with the rest of the world. This is important in view of the developments at the global level, where countries are entering into economic partnership as regional groupings.

The Non-Tariff Barriers is also something that features on the agenda. What is your assessment regarding this concern and its eventual benefits to your organisation and other operators?

Non-Tariff Barriers (NTBs) refer to restrictions that result from prohibitions, conditions, or specific market requirements that make importation or exportation of products difficult and/or costly. NTBs arise from different measures taken by governments and authorities in the form of government laws, regulations, policies, conditions, restrictions or specific requirements, and private sector business practices, or prohibitions that protect the domestic industries from foreign competition.

Barriers may include complex/discriminatory Rules of Origin; quality conditions imposed by the importing country on the exporting countries; unjustified sanitary and phyto-sanitary conditions; unreasonable/unjustified packaging, labelling, product standards; complex regulatory environment, corrupt and/or lengthy customs procedures, etc.

There are, however, some economic reasons for trade protectionism. For example, Government would like to protect domestic jobs from "cheap" labour abroad or to improve a trade deficit or to protect "infant industries" or protection from "dumping". Governments also gain extra revenue from tariffs.

The rule of the market is freedom for capital, goods and services, where the market is self-regulating, allowing the "trickle down" notion of wealth distribution. It also includes the deunionizing of labour forces and removal of any impediment to capital mobility, such as regulations.

The Stock Exchange of Mauritius is called on to be a pillar in the setting up of a tripartite stock market. How could this benefit Mauritius?

Lack of access to finance remains one of the main factors limiting private sector growth in Mauritius and other African countries. The SEM will benefit from this move as it is aimed at creating a larger market to attract investors, capital and enhance continental integration. Additionally, it will also accelerate Mauritius's aspiration of becoming a regional financial services centre. In this regard, it is vital to embark on the necessary legal and institutional reforms to make Mauritius more competitive.

As a regional actor, can you share with us your anticipation with regards to the setting up of a common monetary union aftermath the birth of FTA?

The goal of a common currency has long been a pillar of African unity, but there is a very long way to go. The strategy relies on the creation of monetary unions in regional economic communities such as the COMESA-EAC-SADC. The plan deserves careful examination as it is likely to have widespread political and economic consequences.

In Africa, institutional challenges are much greater, fiscal problems are much more severe and the credibility of financial institutions is more fragile. According to a research conducted by Finance & Development, not all countries will gain from the proposed African Monetary union. Mauritius is categorised among the group of countries which will be significant losers. Given the widespread lack of both fiscal discipline and stable macroeconomic policies, there is a strong likelihood that an unstable and unattractive monetary union would be created. The resulting effect would be that either not all countries will be willing to join or the countries may have little incentive to adapt their policies to some standard of best practice. The absence of progress on issues such as better governance and domestic policies would almost certainly doom an African monetary union to failure. An interesting case study is the Eurozone crisis. The crisis raises fundamental questions about globalisation, which was supposed to help diffuse risk. Instead, it has enabled America's failures to spread around the world like a contagious disease.

Island Life Assurance Co. Ltd.

Island BLISS

Work is worship... Retirement is Bliss

ISLAND LIFE ASSURANCE

Your Peace : Our Concern

www.ila.mu

IslandLifeAssurance

A guaranteed deferred annuity, which helps you plan for your retirement years. Island Bliss ensures that you enjoy your retirement than endure.

Island Bliss works as follows :

Accumulation Stage		Payout Stage
Regular premium **Cash Inflow**	**Age 60**	Regular pension **Cash Outflow**

There is an accumulation phase during which regular premium contribution is collected and a lumpsum is paid at age 60 and a regular pension is paid to the annuitant. The annuity once paid is guaranteed and is paid for life.

FEATURES

Maturity Benefit	• Guaranteed Lumpsum Amount Paid at age 60 • Monthly Pension for life thereafter • Lumpsum Amount = 50 times the Monthly Pension chosen

Death Benefit	• **During Deferment Period (Endowment Stage)**
	   o 100,000 + Return of premiums
	• **During Payout Period (Annuity Stage)**
	   o If death occurs before age 70, then pension continues till age 70
	   o If death occurs after age 70, the pension payout stops

CONSUMER BENEFIT

1) Protection of income during retirement years.
2) Guaranteed Payouts – Lumpsum as well as Pension
3) Disciplined saving during the earning years to cater to income during later stages of life.

SINCE CURIMJEE 1890

We are here to secure you

Island Life Assurance Co. Ltd, Curimjee Building, 38 Royal Street, Port Louis. - Tel: 217 6900 / Fax: 217 6901 / E-mail: customer.service@islandlifeassurance.com