



United Nations
Economic Commission for Africa

21st Meeting of the Intergovernmental Committee of Experts (ICE)

7th-9th November 2017

Retaj Hotel, Moroni, Union of Comoros

Transformative Growth in Eastern Africa: Catalysts and Constraints

CONCEPT NOTE

I. Background

The Sub-Regional Office for Eastern Africa (SRO-EA) of the UN Economic Commission for Africa (ECA) is holding the Twenty First Session of the Intergovernmental Committee of Experts (ICE) on 7th-9th November 2017 in Moroni, Comoros. The ICE is a body set up by the General Assembly of the United Nations and is the statutory organ of the ECA Office for Eastern Africa. It includes representatives of the fourteen member States¹ served by the office, as well as Regional Economic Communities (RECs) and Intergovernmental Organizations (IGOs) of the sub-region, development partners, research centers and other stakeholders.

The ICE meets annually to define and discuss the implementation of the work programme of the ECA Office for Eastern Africa and to discuss key issues and challenges pertaining to the economic and social development of the region, with the view to making appropriate recommendations. In addition, the ICE is a forum to strengthen partnerships and cooperation between and among stakeholders aimed at sustaining regional integration and accelerating the pace of economic development.

The ICE is hosted every year by a member State of the Sub-region. The 20th ICE was held in Nairobi, Kenya on 8-11 February 2016 under the theme “Institutions, Decentralization and Structural Transformation in Eastern Africa.” The composition of the current bureau of the ICE is as follows: Kenya (chair), Comoros (1st vice-chair), Eritrea (2nd vice-chair), Seychelles (rapporteur). In 2017, the ICE will focus on the theme of “*Transformative Growth in Eastern Africa: Catalysts and Constraints.*”

II. Rationale for the theme of the 21st ICE

Over the last five years, ECA has been a major promoter of the idea that without greater structural transformation, Africa’s growth will not be sustainable. To that ends, ECA has produced a series of reports² looking at how to bring about a more profound change in our societies and economies.

¹ Burundi, Comoros, D.R Congo, Djibouti, Ethiopia, Eritrea, Kenya, Madagascar, Rwanda, Seychelles, Somalia, South Sudan, Tanzania and Uganda.

² UNECA (2017) Economic Report on Africa 2017: Urbanization and Industrialization for Africa’s Transformation. UNECA (2016) Economic Report on Africa 2016: Greening Africa’s Industrialization. UNECA (2015) Economic Report on Africa 2015: Industrializing Through Trade. UNECA (2014) Economic Report on Africa 2014: Dynamic Industrial Policy in Africa. UNECA (2013) Economic Report on Africa 2013: Making the Most of Africa’s Commodities: Industrializing for Growth, Jobs and Economic Transformation. UNECA (2016) Macroeconomic Policy and Structural Transformation of African Economies. UNECA (2016) Transformative Industrial Policy for Africa. UNECA: Addis Ababa.

Simultaneously, ECA is making strenuous efforts to benchmark regional performance across countries, in all major policy areas (macroeconomics, social, energy, tourism, etc.). This work is embedded in our Sub-Regional Profile. The ICE will start by showcasing SRO-EA's draft Sub-Regional Profile, with the aim of generating discussions about where member States have made progress and where more efforts are required. It will then be followed by a session discussing progress towards the SDGs at the continental-wide level.

- **Presentation of the Macroeconomic and Social Developments in Eastern Africa 2016-17**

The regional economies have been growing well over the last decade - but have been facing increasing headwinds. Although average growth rates have been among the fastest in Africa, per capita growth rates have been much more modest. This opening session reviews recent progress and challenges in the economic performance. Long-term issues related to the pace of structural transformation, domestic resource mobilisation, foreign investment, and infrastructural bottlenecks will be discussed from a comparative perspective.

- **Report on the Third Session of the Africa Regional Forum on Sustainable Development**

Since 2015, the Africa Regional Forum has been convened on an annual basis to follow up and review the implementation of the 2030 Agenda for Sustainable Development and Agenda 2063. The 2017 meeting, held in Addis Ababa, Ethiopia on 17-19 May, focused on issues related to achieving greater food security, promoting gender equality, industrialisation, and the sustainable development of oceans, seas and marine resources. This session will report back on the key messages emanating from those discussions.

Subsequent to presenting the overview of regional performance and the discussion on the SDGs and Agenda 2063, the meeting will discuss various sectors where either opportunities ('catalysts') or significant bottlenecks ('constraints') exist to achieving a more sustainable growth and better developmental outcomes. Among the themes to be discussed will be:

Catalysts

1. Blue Economy

Our office has been championing the 'blue economy' theme since our ICE meeting in Madagascar in 2015. This session will discuss blue economy opportunities in Eastern Africa, based on ECA's recent publication the *Blue Economy Policy Handbook*.

It will further provide a platform to raise awareness about the full potential of the *blue economy*. The session will showcase best-practice examples in deep-sea mining, fisheries, and port management that could be replicated and scaled-up.

2. Regional Infrastructure and Industrialization

Eastern African Member States are aspiring to industrialize and are pursuing strategies to facilitate industrial growth. Infrastructure development is a key component of that strategy. This session will raise key issues for discussion related to the role of infrastructure in furthering the industrialization agenda of Eastern Africa, share country and regional experiences, and review challenges and options for infrastructure finance.

3. Competitiveness of the Regional Tourism Sector

Tourism is not usually associated with high-value activities, but it is an important facilitator of structural transformation. In a number of countries in the sub-region, tourism is the leading foreign exchange earner, bringing in important financial resources. But the sector still has much unexploited potential. Visitor numbers are not as high as they could be, linkages with rest of the economy are weak, and the sector is not sufficiently competitive. This session will discuss ways of improving the competitiveness with a view to tapping the immense potential that exists.

Constraints

1. Banking on Success? Leveraging the Banking Sector Better for Accelerated Structural Transformation

One persistent bottleneck for regional growth and economic diversification has been a lack of access to finance. Business surveys across the region repeatedly report that access to credit is both difficult and prohibitively expensive. Credit to GDP ratios are among the lowest in the world. Concern has been growing among policymakers regarding the failure of the banking sector to provide sufficient credit for private sector development (witness the interest rate cap introduced in Kenya in 2016). For developing countries, historical experience suggests that the banking sector plays a crucial role in mobilizing resources for accelerated development. Different countries in the sub-region have embraced different approaches to developing their own banking sectors. This session will invite international experts to discuss how the banking sector could perform better its role in supporting private sector development.

2. Exchange Rate Regimes: Options and Policy Implications

In the context of large balance of payments' deficits, regional economies suffer from an acute vulnerability to exchange rate fluctuations. Countries across the region have approached this challenge in different ways – some have adopted pegged exchange rates, others floating, and still others have opted for intermediate arrangements. This parallel session will discuss the macroeconomic consequences of different exchange rate regimes and how countries have coped with these challenges. Particular attention will be paid to plans in the East African Community (EAC) to establish a monetary union by 2024.

3. Catalysing Private Sector Development in Eastern Africa

One of the common characteristics of regional economies is the relative weakness of the private sector. In some senses, this is paradoxical – survey evidence suggests that East Africans are extraordinarily entrepreneurial. This session will explore this apparent paradox and discuss policies and measures that can be implemented to catalyse the involvement of the private sector in achieving the region's developmental aspirations. Using information from business surveys carried out across the region, the session will identify the areas where reform would have the most positive impact.

The final session of the meeting will look more deeply at the developmental record of the host country – Comoros, and highlight recent achievements and pending challenges:

- **Special Session on Comoros: Strategies for an Emerging Country**

The Union of Comoros is on the path towards economic recovery. GDP growth is expected to reach 3.0 percent in 2017 and 3.5 percent in 2018. The government's long-term vision is to become an emerging economy by 2040. However, challenges remain. As a Small Island Developing State, the Union of Comoros faces a number of constraints, including climate change, infrastructure and energy deficits.

The session jointly organized by the Government of Comoros, UNDP and ECA aims to provide an overview of the Union of the Comoros. It will also be an opportunity for the Government of the Union of Comoros to present the draft of the revised Strategy for Accelerated Growth and Sustainable Development (SCA2D), the five-year development plan initiated in 2015. Finally, the session will focus on the energy sector and discuss Comoros strategic orientations.

III. Objectives of the 21st ICE Meeting

The main goals of the 21st ICE will be to examine issues related to the mandate and operations of SRO-EA, assess the socio-economic situation in the sub-region, create partnerships to develop regional cooperation and integration, and to identify and discuss the bottlenecks and catalysts to transformative growth in Eastern Africa.

IV. Format of 21st ICE Meeting

The 21st ICE will be held in plenary sessions organized as follows:

- Presentation of the Macroeconomic and Social Developments in Eastern Africa 2016-17
- Report on the Third Session of the Africa Regional Forum on Sustainable Development
- Leveraging the Blue Economy
- Regional Infrastructure and Industrialization
- Enhancing the competitiveness of the Regional Tourism Industry
- Banking on Success? Leveraging the Banking Sector Better for Accelerated Structural Transformation in Eastern Africa
- Comoros: strategies for an emerging country

Alongside the plenary sessions, there will be two parallel sessions where background papers will be presented and discussed:

- Exchange Rate regimes: Options and Policy Implications
- Catalysing Private Sector Development in Eastern Africa

Reports of the proceedings of the AEGMs will be presented in a plenary session, at the closing of the ICE.

V. Expected Outcomes

The 21st ICE is expected to achieve the following:

- a. A common consensus on policy measures that can be taken to address some of the key bottlenecks to growth and development in the region;
- b. The identification of key areas where unexploited opportunities for growth exist;
- c. Feedback regarding the work programme of ECA, and how it could better be tailored to the needs of member States;
- d. Better understanding of Comoros's economic and social achievements and challenges.

VI. Participation

The 21st ICE will be attended by high-level representatives of Eastern Africa member States, RECs and IGOs. In attendance will also be representatives of the private sector, international institutions, civil society organizations, media, and other relevant stakeholders.

VII. Dates and Venue

The ICE meeting will be held at the Retaj Hotel in Moroni, Comoros, from the 7th-9th November 2017.

VIII. Working languages of the meeting

ECA's working languages are French and English. Simultaneous interpretation will be provided.

IX. Contacts

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