



United Nations
Economic Commission for Africa

21st Intergovernmental Committee of Experts (ICE)

Moroni, Union of Comoros

7-9 November 2017

***Transformative Growth in Eastern Africa :
Catalysts and Constraints***

THE MORONI COMMUNIQUE

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1. The 21st Meeting of the Intergovernmental Committee of Experts (ICE) was held from 7 to 9 November 2017, at the Retaj Hotel in Moroni, Comoros. The meeting was jointly organised by the Government of the Union of Comoros and the United Nations Economic Commission for Africa (ECA) in Eastern Africa. The theme of the meeting was “Transformative Growth in Eastern Africa: Catalysts and Constraints”.
2. The ICE was officially opened by His Excellency Djaffar Ahmed Said Hassani, the Vice-president for Economy, Industry, Crafts, Tourism, Investments, Private Sector and Land Affairs of the Union of Comoros. Hon. Hassani Hamadi, Governor of the Autonomous Island of Ngazidja, on behalf of Hon. Said Ali Chayhane, Minister of Finance and Budget of the Union of Comoros, Ambassador Boniface Kamanga Muhia (Kenya High Commission in Tanzania) on behalf of Hon. Mwangi Kiunjuri, Cabinet Secretary for Devolution and Planning of Kenya and outgoing chair of the 20th Bureau of the ICE, Mr. Matthias Zana Naab, UN Resident Coordinator and United Nations Development Programme (UNDP) Resident Representative in the Union of Comoros were equally in attendance.
3. This 21st meeting was enhanced by the presence of the President of the Union of the Comoros, HE Mr. Azali Assoumani, especially during the Round Table on *Mobilising the diaspora for growth and transformation of Eastern Africa*.
4. The meeting unanimously elected the following countries onto the 2017 ICE Bureau:

Chair:	Union of Comoros
1 st Vice-Chair:	Rwanda
2 nd Vice Chair:	Democratic Republic of Congo
Rapporteur:	South Sudan
5. Delegations from the following countries attended the ICE: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Ethiopia, Kenya, Madagascar, Rwanda, Somalia, South Sudan, Tanzania, and Uganda.
6. The following national, sub-regional, regional and international organizations were also represented: the East African Community (EAC), Intergovernmental Authority on Development (IGAD), Common Market for Eastern and Southern Africa (COMESA), Northern Corridor Transit and Transport Coordination Authority (NCTTCA), the Economic Community of Great Lakes Countries (CEPGL), International Conference on the Great Lakes Region (ICGLR), Indian Ocean Commission (IOC), Indian Ocean Rim Association (IORA), Nile Basin Initiative (NBI), Port Management Authority for Eastern and Southern Africa (PMAESA), UN Division for Ocean Affairs and the Law of the Sea (UNDOALOS), GRID-Arendal, Ocean Company Consulting, Global Entrepreneurship Monitoring (GEM), Kenya Private Sector Alliance (KEPSA), National Economic and Social Council (NESC), Ethiopian Tourism Organization (ETO), Kenya Tourism Board, Office National de Tourisme de Djibouti (ONTD), Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA), Agenda 4 Africa, Bakhresa Grain Milling Rwanda Limited, Tanzania Saccos For Women

Twenty First Meeting of the Intergovernmental Committee of Experts

Entrepreneurs, Kilimo Trust, National Bank of Ethiopia, Banque Centrale de Djibouti, Banque Centrale de Madagascar, National Bank of Rwanda, Ethiopian Chamber of Commerce, Ethiopian Investment Commission-Huajian Industry Park, Institute for Development Studies-University of Nairobi, Makerere University, the International Monetary Fund (IMF) in Comoros, a wide number of Comorian stakeholder institutions (see list of participants). In addition, the following United Nations entities were represented: the office of the UN Resident Coordinator, UNDP Resident Representative and the United Nations Children's Fund (UNICEF). Consultants, journalists and ECA staff were also present. In sum, the ICE saw the participation of more than 250 international and Comorian experts.

7. The ICE included the following plenary sessions:
 - Macroeconomic and Social Developments in Eastern Africa 2016-17;
 - Report on the Third Session of the Africa Regional Forum on Sustainable Development;
 - The Blue Economy: How to Leverage its Full Potential;
 - Infrastructure Development and Industrialization in Eastern Africa;
 - Policies to Enhance the Competitiveness of the Tourism Sector;
 - Banking on Success? Leveraging the Banking Sector Better for Accelerated Structural Transformation;
 - Comoros: Strategies for an Emerging Country; and
 - High Level Roundtable Dinner on “Mobilising the Diaspora for Growth and Transformation in Eastern Africa”.
8. The ICE also included the following ad-hoc expert group meetings:
 - Exchange Rate Regimes: Options and Policy Implications; and
 - Catalysing Private Sector Development in Eastern Africa.

Key messages and action points

9. The meeting acknowledged the impressive economic performance of Eastern Africa over the past several years. While economic growth has moderated since 2016, principally due to sustained drought, a modest recovery is anticipated in 2018. The meeting agreed that greater value addition in agriculture and mining, coupled with environmental resilience, is crucial to sustain economic growth in the medium term. The meeting also agreed that the progress of Millennium Development Goals (MDGs) was strong, but the region still faces challenges in achieving the bolder and broader set of Sustainable Development Goals (SDGs).
10. The meeting noted that several structural issues are to be addressed in order to unlock the full growth potential of the region. Given the fact that the manufacturing sector is an important driver of transformative growth and job creation, the weak manufacturing development over the last decade is one of the key concerns. The meeting acknowledged that industrialisation, and encouraging the local manufacturing sector in particular, is vital to ensure growth is more resilient. The meeting also noted the problem of excessive concentration on primary commodities exports. In light of the more diversified intra-

Twenty First Meeting of the Intergovernmental Committee of Experts

regional trade and the significant share of manufactured goods therein, the meeting stressed the importance of regional integration and infrastructure development.

11. Following the presentation of the May 2017 African Regional Forum for Sustainable Development on "Ensuring Inclusive Sustainable Growth and Prosperity for All" as part of the preparations for the High-Level Forum for Sustainable Development, participants highlighted the need to enhance awareness in Eastern Africa on the Agenda 2030 for Sustainable Development and the 2063 Agenda of the African Union. The meeting recommended further information sharing and dissemination at all levels on lessons learnt from MDGs and progress of SDGs implementation, as well as targeted capacity development including strengthening of statistics and university curricula.
12. The meeting acknowledged that the blue economy in East Africa has enormous potential for job creation as well as sustainable and equitable growth, the blue economy can facilitate economic diversification. Africa has considerable resources that must be used in a sustainable manner for the benefit of member States and their populations to achieve the SDGs. To this extent, the meeting has recognized that cruise tourism is a leading sector of the blue economy and is set to develop in an important way in East Africa.
13. The participants also noted the importance of cooperation between member States at all levels to ensure a peaceful resolution of disputes concerning the delimitation of borders and sea areas, an essential condition for a perfect optimization of the resources of the blue economy. Establishing special funds within intergovernmental organizations represent an opportunity to consolidate achievements in the blue economy. The meeting stressed the need to take into account the interests of landlocked countries in the modernization of port infrastructure in order to promote the creation of regional value chains. The development of dry ports, corridors and transport infrastructure is a priority, as part of an integrated regional approach to investment.
14. It is also essential to strengthen the interface between science and the political decision-making process. The African Center for Mineral Development (AMDC) is setting up a Center of Excellence for the Indian Ocean countries and developing a Blue Economy Atlas to increase access for member States and others stakeholders to marine geo-scientific information, and to strengthen their capacities. The meeting stressed that these initiatives can facilitate better engagement of countries with the United Nations Convention on the Law of the Sea, the African Union's 2050 African Integrated Maritime Strategy and the Charter of Lomé on Maritime Safety and Security. Participants confirmed the usefulness of the Blue Economy Policy Handbook for Africa in helping member States as well as Regional Economic Communities (RECs) and Intergovernmental Organizations (IGOs) to develop their own strategic policy frameworks.
15. The meeting has acknowledged that actively addressing the nexus between industry and infrastructure will help yield dividends for economic transformation in Eastern Africa. It was noted that industrial performance in Eastern Africa in terms of manufacturing value added, as a share of GDP, has stagnated since the 1990s. Strategies to accelerate industrialization in the region, such as through investment in quality infrastructure, are

Twenty First Meeting of the Intergovernmental Committee of Experts

therefore timely. Adequate infrastructure development in Africa could lead to an additional 2% GDP annual growth. It was also stressed that Eastern Africa has among the lowest levels of industrial consumption of energy in Africa and that sustainable financing of infrastructure development to support industrialization is a major consideration for member States.

16. The important role of private investment was highlighted as well as predictability and reliability of local partners, the rule of law, conducive regulatory environment, an appreciable rate of return and proper assessment of risks were flagged as key factors. Participants appreciated case studies such as industrial Parks in Ethiopia and the Special Economic Zones in the Democratic Republic of Congo. The meeting recognized that to industrialize, infrastructure bottlenecks would need to be addressed through targeted investment and tailor-made industrial strategies and policies.
17. The meeting noted that the tourism industry is a leading sector for structural transformation in Eastern Africa. The sector is currently valued at over USD 22 billion, providing an estimated 6 million jobs in the region. However, major areas of concern remain such as those relating to lack of prioritisation of the industry by governments, insufficient physical infrastructure, human resource related issues, safety and security. Participants highlighted that competitiveness-related challenges would need to be addressed through a regional approach to unlock tourism's potential. Public-private partnerships are essential in particular with regard to transport infrastructure. The meeting recommended the development of a study to better comprehend the nexus between tourism and trade.
18. Participants agreed that there is need to develop appropriate products appealing to domestic and regional markets. They also acknowledged the establishment of a continental tourism organisation and formulation of a continental tourism strategy under the auspices of the African Union. On-going initiatives, including the IGAD Sustainable Tourism Master Plan, could be adapted by the other RECs in the region with a view building synergies, essential in addressing the competitiveness issues.
19. The meeting acknowledged that the lack of finance is one of the major limiting factors for growth and transformation. The role of the banking sector in providing sufficient credit to the private sector was highlighted. The meeting noted that credit growth does not automatically translate into economic development or transformation, and the financial system should be structured to meet the development strategies and needs of the region. Proper regulatory policy and governance of the banking sector have to be put in place and creating a strong savings culture could promote sustainable investment. The meeting also recognized the potential of new technology (e.g. mobile money and electronic payment system) for improving financial inclusion.
20. Participants emphasized the importance of mobilizing remittances from the diaspora to finance development. In Africa, remittances amount to USD 63 billion. In the case of Comoros, these funds account for over 20% of GDP, one of the highest rates in the world.

Twenty First Meeting of the Intergovernmental Committee of Experts

Although there are policies on the continent aimed to optimize these flows, efforts still need to be provided towards integrating them into national strategies.

21. The roundtable highlighted the need to channel these remittances to support national development efforts. Examples from Comoros, Ethiopia, Nigeria and Rwanda were mentioned where these funds were used for infrastructure projects and the financing of other development projects. Nevertheless, in most cases these remittances continue to be spent on consumption instead of on investment projects. The need to build trust within diasporas to encourage this type of investment was stressed. The need to create closer links between the diaspora and its country of origin through targeted interventions was also emphasized. It was recommended to pursue this sharing of experiences and to support the Government of the Union of the Comoros in research and strategies for remittances' mobilization, following the intervention of HE Mr. Azali Assoumani, President of the Union of the Comoros.
22. The meeting noted that the choice of exchange rate regime is a critical policy decision facing central banks. The advantages and disadvantages of different regimes were discussed. Experts shared the experience of their countries, illustrating the wide range of regimes currently adopted in Eastern Africa. The meeting agreed that the optimal choice depends on country circumstances and policy objectives. Exchange rate policy impacts on macroeconomic performance – such as inflation rates and export competitiveness – but it is crucial to undertake structural reforms and develop productive capacities to ensure that the benefits of each regime are realised. More research on the impacts of different exchange rate regimes would support policymaking.
23. The meeting acknowledged that there has been significant progress towards the establishment of the East African Monetary Union (EAMU), which envisages to deepen regional integration among member States. Among these were achievements regarding the free movement of people and goods across the East African Community, as well as efforts to harmonise policies and procedures. However, there is still much to do to enable the creation of the EAMU by 2024, including the creation of relevant institutions and the achievement of greater macroeconomic convergence.
24. The meeting agreed that entrepreneurship is vital to the economy. It is the vehicle for creating jobs, advancing innovation and enhancing productivity. Despite the strong entrepreneurial culture in the region, the rate of business creation has been relatively low. The meeting discussed various constraints that limited the development of entrepreneurship and innovation.
25. The meeting recognized that good governance is important for the private sector alongside a reliable justice system and political stability. Favorable tax policies and the creation of one stop centers were identified as key enablers. Participants further recommended innovation and skills development towards the creation of business incubators targeting the youth. Public-private partnerships are essential for creating a viable business sector. It was noted that the expansion of credit could help in reducing

Twenty First Meeting of the Intergovernmental Committee of Experts

lending rates, diversifying the sources of finance through the creation of development banks.

26. The Comoros profile was officially presented during the meeting. It was pointed out that the country has regained economic stability, with an accelerating growth rate expected to reach 3% in 2017. This rate is still lower than the regional average and the 6.1% target set by the national Accelerated Growth and Sustainable Development Strategy (SCA2D). At the same time, income poverty decreased from 45% in 2004 to 34% in 2014, despite persistent vulnerabilities. The debate then focused on the development of the tourism sector, Comoros is a territory with exceptional potential, still largely unexploited.
27. Participants analyzed the context and objectives of the SCA2D presented by the Office of the Commissioner General for Planning. It was recalled that the objective of the 2015 - 2019 strategy was to achieve middle-income status by accelerating and diversifying growth and reducing the level of poverty. The orientations of the ongoing review of the current SCA2D include the integration of the SDGs, the ambition to make Comoros an emerging country by 2030 and the alignment of the strategy with the five-year investment program of the new government. This will be complemented by the elaboration of a long-term vision aiming to make Comoros an emerging country by 2030.
28. The last part of the discussion focused on the Comoros energy sector and the new strategy initiated following the National Energy Conference. The objective to diversify energy sources, by increasing the share of renewable energies, was underlined. The geothermal project implemented with the support of the UNDP was showcased. Participants emphasized the need for planning and assessment of capacity and financing needs in the sector, as illustrated by the example of Djibouti being supported by ECA.
29. Participants expressed a sincere vote of thanks to the Government of the Union of Comoros for hosting the 21st ICE, in particular the Vice-President in charge of Economy and the Minister of Finance and Budget.
30. The theme and venue of the 22nd ICE will be determined at a later date, in close consultation with the Bureau of the 21st ICE.
