

The Profit 2007 Regional Investment Conference in Kampala, Uganda is a component of the Pro€Invest programme which is a common initiative of the European Commission (EC) and institutions from the ACP states (Africa, the Caribbean and the Pacific).

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The authors accept sole responsibility for the profile which does not necessarily reflect the views of the organizers: Pro€Invest, the Centre for the Development of Enterprise (CDE), the European Investment Bank (EIB), the African Union (AU) and the Common Market for Eastern and Southern Africa (COMESA).

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1. BUSINESS OVERVIEW

1.1 Key Economic Indicators

Table 1 shows the recent trend for selected key economic indicators using the most up-to-date available information. More general country information is provided in the websites referred to in Section 5.0 at the end of this report.

Table 1: Key Economic Indicators 2002-06

	2002	2003	2004	2005	2006
Population ('000')	564	576	589,5	604,5	620
Population Growth (%)	2.20	2.10	2.10	2.00	2.20
GDP (US\$ mn. at current prices)	252	323	363	369	386
GDP per capita (US\$ at current prices)	447	561	617	615	630
GDP growth at constant prices (%)	4.10	2.50	- 0.20	4.20	1.20
Current account balance (US\$ mn.)	(1)	(9)	(15)	(17)	(18)
Inflation Rate (%)	4.20	5.00	1.80	1.60	2.00
Exchange Rate: annual average Comoron Franc* per US\$	522.74	435.90	396.21	395.60	392.03

* Comoron franc is pegged to the euro at 491.9677

Sources: COMTRADE, World Development Indicators, Oanda.com et Direction Nationale du Tourisme

1.2 Economic Context

The Comoros archipelago comprises the four main islands of Njazidja (formerly Grand Comore), Mwali (formerly Mohéli), Nzwani (formerly Anjouan) and Mayotte, plus several smaller islets. Mayotte is administered by France but claimed by Comoros.

In 2006, Gross Domestic Product (GDP) amounted to over US\$386 million at current market prices. The country's economy is dominated by the services sector and agriculture. In 2005, according to the World Bank, the services sector contributed 55 percent to GDP, whilst agriculture, hunting, forestry and fishing contributed 36 percent, with the balance being accounted for by industry.

The Comoros economy has been growing slowly since 2001, averaging generally just over two percent per year. The first half of 2006, however, saw a slowdown in this growth coupled with deterioration in the fiscal situation, as noted by the International Monetary Fund (IMF).

The international donor community currently plays a modest role in the country's development. According to the OECD statistics, Comoros received approximately US\$25 million in development assistance in 2005. France was by far the largest donor contributing almost \$17 million followed by UN agencies (including the World Bank) with over \$7 million and the EC with over \$4 million. Further, the economy is also significantly dependent upon remittances from the estimated 150,000-strong Comoran diaspora in France and elsewhere.

A recent IMF mission (March/April 2007) noted that more progress in meeting its agreed targets could help Comoros "to catalyse increased economic support from the wider international community ... and is a step towards moving towards debt relief under both the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative".

1.3 Population and Labour Force

Population estimates to be 619,700 in 2006 which implies a population density of 333 persons per square kilometre. About 86 percent of the population live on the three main islands of Njazidja, Mwali and Nzwani. In the absence of reliable and recent domestic labour force statistics, the International Fund for Agricultural Development (IFAD) estimated that the labour force was over 200,000 in 2004.

1.4 Role of Tourism

The tourism sector is relatively underdeveloped, but has been identified by Government as a priority growth sector. According to the World Travel & Tourism Council (WTTC), Comoros' travel and tourism economy (direct and indirect impact) in 2007 is expected to account for 6.8 percent of GDP and 5.5 percent of total employment (9,000 jobs).

1.5 General Institutional and Regulatory Framework

The legal system in Comoros is based on the French civil law system and traditional Comoron law. Private foreign investment in the Comoros has been minimal since independence. The Comoros economy is supported by foreign aid and assistance, primarily from France, but to a lesser extent from Japan, Saudi Arabia, Kuwait, and the United Arab Emirates.

Much of the aid Comoros has received in the past has gone towards payments of debt.

In 1994, Comoros became a member of the Common Market of Eastern and Southern Africa (COMESA), a regional trading bloc of 23 countries, which plans to introduce a common external tariff structure to simplify procedures and manage all third party trade.

Land Tenure and Property

The vestiges of French colonial law continue to provide the texts for land ownership and registry. There are four basic categories: untitled land; titled land; State Domain; and village reserves. Approximately 80 percent of the people own small parcels without titles; those with larger land holdings (635- 5,000ha) possess land titles from the colonial period which are respected today.

1.6 Infrastructure Services

1.6.1 International air access

The main international airport is Moroni International Prince Said Ibrahim (HAH), 25km (16 miles) north of the city. The airport is situated 14 miles (23km) north of Moroni on Ngazidja Island. Other airports with paved runways are at Ouani (Anjouan) and Baderessalam (Moheli).

Airlines operating to the Comoros include Air Austral, Air Madagascar, Air Tanzania Corporation, Sudan Airlines and Yemenia Yemen Airways. Air France operates regularly from Paris via Réunion.

1.6.2 Domestic air services

Comores Aviation provides domestic air services between Moroni, Moheli, Anjouan and Mayotte.

1.6.3 Roads Access

By regional standards Comoros has a fairly extensive road network, more than three-quarters of which is paved. This is the result of a rolling programme of work to upgrade roads throughout the country and improve links to rural communities. Nonetheless, maintenance of the road network has not been given a similar priority, meaning that many of the paved roads, outside Moroni in particular, are in relatively poor condition. The Government hopes to address this and to double the size of the road network, in part to facilitate the development of tourism and light manufacturing sectors and in part because road construction and maintenance should provide a substantial number of jobs at a time when unemployment is running at around 15 percent.

1.6.4 Sea Access

There are irregular sailings from East Africa (Mombasa, Kenya), Madagascar, Mauritius, Réunion or Zanzibar to Moroni or Mutsamudu. These are mostly cargo vessels which might carry passengers. The islands are linked by regular ferry services. Travellers can hire motorboats, sailing craft and canoes in port villages and towns. Travel to Mayotte from Comoros can be problematic owing to the fact that this is disputed territory.

1.6.5 Telecommunications

Telephone: Outgoing international calls must be made through the international operator. The country code is 269.

Mobile: there is limited coverage.

Internet: A few hotels have internet access.

In 2006, representatives from 15 governments, telecoms companies, donor agencies and NEPAD agreed to fund the construction of a \$220 million telecommunications system, the East Africa Submarine Cable System (EASSy), based on a fibre-optic cable extending from South Africa to Sudan. The open-access model adopted will enable smaller, poorer states such as Comoros to benefit from this new system without having to pay substantial entry fees. Capacity and connectivity will be enhanced along the East African coast and international telecoms charges will decrease. To obtain full advantage of the new system, however, Comoros Télécoms (Comtel) will need to make complementary investments in its local network. Notwithstanding this, Comtel is likely to join the EASSy system as staying out would make planned privatisation even more difficult.

2. TOURISM SECTOR

The tourism sector is small and relatively underdeveloped. The trend in visitor arrivals has been erratic in recent years, but numbers increased significantly in 2003 and 2004, marking a recovery from the previously unsettled political conditions.

2.1 Product Offer

The islands' vegetation is rich and varied: two-thirds of the world's perfume essence comes from Comoros, being processed from the blossoms of ylang-ylang, jasmine and orange. Spices, including nutmeg, cloves, pepper, basil and vanilla, are another mainstay of the economy. The islands are of volcanic origin and are surrounded by coral reefs. The climate is tropical and very warm (but upland areas are cooler). The rainy season is from November to April. Visitors to Comoros can enjoy a spectacular natural environment: from mountain trails, crater lakes and waterfalls; to white sand or black lava beaches, where marine turtles lay their eggs; to remote villages and markets reminiscent of Zanzibar. The islands are permeated by the Swahili culture, a mixture of Arab, Persian, African and Portuguese influences. The islands are also world-renowned as a diving destination.

The prime attractions are:

Diving and water sports

There is excellent diving throughout the Comoros archipelago. Bonne Adventure reef, about 40km south-west of Njazidja, the Trou du Prophète in Mitsamiouli on Njazidja and Niumashuwa Bay on Mwali are particularly fine. Galawa Beach near Moroni on Njazidja has a diving school. There are also many excellent beaches on all the islands, including (near Moroni) Bouni, Chomoni, Galawa and Itsandra, and Planet Plage near Mitsamiouli. Sailing boats and pirogues (canoes) are available for hire in many ports.

Njazidja

- The capital, Moroni, is a charming town containing modern Government buildings as well as old, narrow, winding streets and a busy market place. There are numerous fine mosques, particularly the Vendredi Mosque.
- The crater of Mount Karthala is claimed to be the largest still active anywhere in the world, last erupting in 2003. Climbers can make an overnight stop at the shelter provided.
- Itsandra, a fishing village 6 km from Moroni, has a fine beach and there are opportunities to see dances performed by the local men. The town was once the ancient capital of the island, complete with royal tombs and a fortress.
- Mitsamiouli, a town in the north of the island, is known both for its good diving facilities and for having the best Comoran dancers.
- Other: there are hot sulphur springs at Lac Salé near Mitsamiouli and a 14th-century village at Iconi. There are also many bats and spiders on the island.

Mwali

On Mwali, the smallest of the main islands, travellers can see *dhow*s (Arab sail boats) being built on the beach at Fomboni.

- There is a fine waterfall at Miringoni.
- The Comoros islands' distinctive (and now protected) green turtle can be seen in the marine reserve off Mwali's southern coast. Trips by motorised pirogues (canoes) can be arranged from Niumashuwa.
- Hikers may travel to Dziani Boundouni, a sulphurous crater lake at the centre of Mwali which can be reached on day-walks from Fomboni.

Nzwani

Nzwani is notable for its waterfalls and abundant vegetation. The main town of Mutsamudu is built in Swahili-Shirazi style, with 17th-century houses with carved doors, twisting alleyways, mosques and a citadel. The ancient capital of Domoni is also of interest. The best beaches are in the Bimbini area. There are perfume distilleries at Bambao.

2.2 Accommodation

In 2002 (latest available year), there were some 188 rooms in tourism accommodation establishments in the Union of Comoros. A total of 133,000 nights were spent by non-residents (inbound tourists) in hotels and similar establishments in that year. A Swiss concern owns and operates the country's two main hotels while a new holiday village is under construction at Lac Salé, some 40 km north of Moroni.

2.3 Market Trends

2.3.1 Visitor arrivals by purpose of visit

Visitor arrivals

There is a lack of up-to-date tourism statistics. The estimated number of international tourist arrivals (foreign visitors) was 18,000 in 2004, compared with 14,000 in 2003, 19,000 in 2001 and 23,000 in 1995. In 2002, an estimated 48 percent were from metropolitan France and 11 percent from Reunion.

Table 2: International tourist arrivals, 1995-2002

Nationality	1995	2001	2002	2003	2004*	2005
International tourist arrivals	22,838	19,356	18,936	14,229	17 603	19 551
Africa		11 820	8 447	5 590	7 127	6 971
<i>of which</i>						
<i>South Africa</i>	6,526	4,857	1,247	..	..	..
<i>Other Africa</i>	1,423	5,265	5 036	..	..	..
<i>Reunion</i>	..	1,698	2,164	..	..	..
Europe		7 536	9 758	8 003	9 813	11 526
<i>France</i>	9,455	5,825	9,076	..	..	..
<i>Other</i>	5,434	1,711	682	..	..	..

* estimate

Source: data as collected by World Tourism Organisation and Direction Nationale du Tourisme

The decrease of tourist arrivals has been explained by the closing of one important hotel, by the lack of a promotion action plan, and of direct flights to Comoros. In 2005 the growth is mainly justify by the opening of 90 new rooms and the implementation of marketing action in South Africa and Mayotte.

Practically all international visitors arrive in Comoros by air, apart from a small number of cruise and other ship passengers. Nzwani (formerly Anjouan) is the main port of call for cruise ships.

Hotel nights

In 2005, a total 136 857 nights were spent by non-residents (inbound tourists) in hotels and similar establishments, 123 221 in 2004 and 99 603 in 2003. In 2002, the overall registered is 132,522 nights, of which French nationals (including Reunion) accounted for over half of total nights. The remainder was mainly from other African countries.

2.3.2 Average length of stay

The average length of stay (for all visitors, including persons visiting friends and/or relatives) is approximately seven nights, but around four nights for hotel guests.

2.3.3 Visitor expenditure

In 2005*, international tourism receipts amounted to an estimated \$14 million compared with \$10 million in 2004, \$8 million in 2003, \$15 million in 2000 and \$22 million in 1995 (based on UNWTO data). This compares with total export earnings of \$34 million in 2004 from commodities such as vanilla, cloves, ylang-ylang (perfume essence), cloves and copra.

* Source: *Direction Nationale du Tourisme*

2.4 Institutional Arrangements

The main responsibility for tourism development and promotion lies with the Société Comorienne de Tourisme et Hôtellerie (COMOTEL) which falls under the Ministry for Transportation, Post and Telecommunications, Communication, and Tourism. The main private sector body is the Chambre de Commerce, d'Industrie et d'Agriculture.

2.5 Future Outlook

Although the prospects for increased investment in the tourism sector are good, it may take some time before investors fully appreciate the political transition that has taken place following the peaceful presidential elections for the Union of Comoros in May 1996. Perceptions of instability and the country's poor infrastructure might mean that tourism develops relatively slowly in the short term.

According to WTTC research, Comoros' travel and tourism economy is expected to grow by 2.9 percent per annum, in real terms, between 2008 and 2017.

3. INVESTMENT OPPORTUNITIES IN TOURISM

Comoros had been comparatively slow to promote tourism as an industry until recent years. The small tourism sector, primarily involving South African-owned hotels, was hit hard by the sustained instability between 1999 and 2006. However, the situation is now looking considerably brighter.

The Government wishes to develop an expanded and enhanced tourism sector. Since 1997, the government has chosen to develop a tourist industry based on eco-tourism. Comoros welcomes foreign investment and is prepared to offer a package of incentives. With the local infrastructure in need of improvements, opportunities for investment exist in practically all fields, including construction, power, telecommunications, industry, and agri-business. Marketing and expanding the local tourism industry can also provide attractive investment opportunities for foreign and local investors.

3.1 Investment Sectors

Rehabilitation of the country's infrastructure will have positive implications for the development of the tourist industry. Prospects for investing in the tourism sector are also enhanced by the

- Existence of important tourism assets like quality and scarcity of natural resources (numerous endemic species)
- Limited capacity of hotels and resorts of international standard;
- Increasing international recognition of Comoros as one of the world's major destinations for diving and nature tourism; and
- Existence of potential donor support for capacity building.

Priority tourism investment sectors have been identified as follows:

Leisure

- Hotel renovation and upgrades.
- New leisure resorts
- Diving centres

Infrastructure

- Roads, electricity, water supply, airport and port facilities.

Services

- Training of the staff
- Promotion and marketing of packages

4. INVESTMENT ENVIRONMENT

4.1 Investment Framework

4.1.1 Investment agencies

The Investment Division of the Ministère des Finances, du Budget, de l'Economie, du Commerce et des Investissements provides administrative information around setting up a business. It provides entrepreneurs with the necessary documents and helps them to make their applications.

4.1.2 Investment guarantees

Comoros is not yet a member of the Multilateral Investment Guarantee Agency (MIGA) which protects investors against non-commercial risks.

4.2 Investment Incentives

There are no general fiscal or other incentives for investors, but each case is judged by Government on its merits regarding which, if any, tax benefits should be granted.

4.3 Access to Finance

Comoros has a relatively small, undeveloped banking sector.

The *Banque Centrale des Comores* (BCC) is the central bank. Other banks include: the Banque pour l'Industrie et pour le Commerce - Comores (BIC-C); the Banque de Développement des Comores (BDC); and the Standard Hellier, which is located in Nzwani (Anjouan). In addition, the Société Nationale des Postes et des Services Financiers (SNPSF) and two agencies (SANDUK and MECK) play a role. The authorities wish to introduce some competition into the banking sector which will be facilitated by the opening of a new merchant bank in Moroni. Another is reported to be planned by Exim Bank Tanzania.

4.3.1 International Financial Institutions

Comoros, as a signatory to the agreement between African, Caribbean and Pacific nations (ACP) and the European Union, known as the Cotonou Agreement, has access to the facilities of the European Investment Bank (EIB).

As a member of the World Bank, the facilities of the International Finance Corporation (IFC) would also be available for projects in Comoros. Other potential development finance sources include the African Development Bank (AfDB), the Development Bank of Southern Africa (DBSA), the Industrial Development Corporation of South Africa Ltd (IDC) and the New Partnership for Africa's Development (NEPAD).

4.3.2 Transfer of Capital and Profits

Capital transfers are subject to prior authorisation from the Ministère des Finances, du Budget, de l'Economie, du Commerce et des Investissements.

4.4 Entry Visas

Nationals of EU and most other countries going to Comoros require a passport valid for at least six months from the date of entry and a visa (except for those continuing their journey by the same or first connecting aircraft without leaving the airport and holding documents certifying onward/return travel). Two types of visa - Tourist and Business (single-entry) - are issued on arrival at the port of entry for a small fee. Other visas, such as those for long-term business stays, may be obtained by applying to Comoros' overseas embassies or consulates.

4.5 Technical and Promotional Assistance

Limited generic tourism promotion is undertaken by the Société Comorienne de Tourisme et Hôtellerie (COMOTEL). The small marketing budget is complemented by some limited private sector marketing initiatives.

Indian Ocean Commission

Comoros is a member of the Indian Ocean Commission (IOC) which is a regional governmental organisation comprising Réunion, Mauritius, Madagascar, Comoros and the Seychelles. The primary objective of the IOC is to promote regional co-operation in economic development (including tourism) and to promote the free movement of goods, services, capital and human resources.

5. LIST OF KEY CONTACTS

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Useful Websites:

- **The British Broadcasting Corporation (BBC)** profiles provide a guide to the history, politics and economic situation of countries and territories (including Comoros), and background on key institutions.
http://news.bbc.co.uk/2/hi/country_profiles/default.stm