



HORN OF AFRICA INITIATIVE

Report 2021 of the Horn of Africa Chair

for the period March– October 2021

Accelerating Implementation

(23 October 2021)

A. Introduction

The Horn of Africa Initiative (HoAI) was launched in October 2019 with the aim of improving regional integration initially in five HoA countries (Djibouti, Eritrea, Ethiopia, Kenya and Somalia) with continuing support from three Development Partners (DPs), namely, the African Development Bank (AfDB), the European Union (EU) and the World Bank (WB). Regional integration is a complex multi-layered process that will require profound changes and a closer alignment of political and governance structures, harmonization of laws and establishment of legal and regulatory frameworks and agreements which will bind these countries together.

In May 2021, Sudan also joined the Initiative after being an observer since late 2020. IGAD has been invited as observer as well, participating to all key meetings, and has been designated for involvement in the implementation of some projects.

The Initiative is based on four pillars: (i) regional infrastructure networks (transport corridors; energy and digital integration); (ii) trade (including regional value chains); (iii) improved resilience (including combatting locusts and other pests); and (iv) human capital development (including covid vaccine support). The programme is underpinned by an ambitious investment programme of about US\$15 billion, with complementary policy measures aimed at removing barriers to trade amongst the countries and other steps to promote, where feasible, institutional and regulatory convergence. The Initiative has been operational for close to two years.

This report comes at an important juncture for the Initiative. As detailed below, most of the institutional and human resource bottlenecks noted in the 2020 annual report have been addressed. Nevertheless, important changes have occurred since the programme was launched. External factors such as Covid, and the continued instability of the political situation in the region have caused delays in the implementation of the initiative. On the other hand, Sudan formally joining the Initiative in May 2021 has improved its geographical coverage and offered prospects for deepening the economic and political integration in the Horn of Africa region. **Indeed, the continued commitment by countries and their Ministers of Finance underscores the continued high relevance of the Initiative and of the benefits of economic integration**, even if specific programmes need to be fine-tuned to reflect realities on the ground.

This will be the final report prepared under the overview of the Djibouti Chair. It represents the views of the Chair, and is in part intended to stimulate exchanges between HoA stakeholders. It should not be considered as reflecting the opinions of either HoA Member States Governments or Development Partners (DPs). Its objectives are to: (i) provide a retrospective synopsis of key activities, achievements and challenges during the current year; and (ii) highlight elements of a work programme over the short- to medium-term.

B. Summary of experience during the 2021

(i) Recent Progress

Previously identified organisational issues hindering effective working within and across countries have significantly abated. More specifically, certain issues noted in the 2020 annual report have been addressed as follows:

- Even though the political situation in Sudan remains in flux, the country is now part of the Initiative. The Sudan Focal Point has been in place since May 2021. All other HoAI Focal Points (high level Ministry of Finance Staff) took-up their function about a year ago, critically ensuring continuity in this important coordination position. Moreover, the June Ministerial meeting in Djibouti provided a forum for three Focal Points to meet and establish working relationships with each another, as well as with the Secretariat team.
- Recognising that Focal Points were over-extended, DPs responded favourably (specifically AfDB) to the previous recommendation concerning the recruitment of a team consisting of permanent national experts (advisers, based respectively in Djibouti, Ethiopia, Kenya and Somalia). In order to help Sudan to “catch-up” and to be integrated faster into the initiative, two national experts were recruited there. This support is secured for at least one year, with the possibility of being extended by a year.
- The HoAI Chair will continue to receive support under the Multi-Donor Trust Fund (MDTF) for a small team of international advisers, after the current EU financing will end (in November 2021). Steps are being taken to ensure that, as requested by stakeholders, continuity in the support is ensured to take advantage of acquired knowledge and established relationships. The composition of the team has been agreed in principle with the World Bank. A fiduciary agency to recruit and manage this process has also been identified and is in final stage of recruitment.
- The Secretariat team based in Djibouti, and the trade expert based in Nairobi, have undertaken visits to Kenya, Ethiopia and more recently Sudan. Exchanges during these visits have helped to increase the knowledge of the Initiative amongst stakeholders (mainly government officials and donors based in each country), and improved its visibility. This type of team building and information sharing is part of the value-added provided by the Initiative. Furthermore, under the guidance of the Head of the Secretariat, periodic virtual exchanges have been organised with Focal Points and their advisers to promote closer professional ties, a common understanding of issues and challenges and a closer alignment of views on how to optimise the regional integration process.
- Finally, the identification and appointment of national “Thematic Leaders” for each HoAI pillar has been largely completed in Kenya and Djibouti, and remains ongoing in the other countries. These individuals should be relatively high-level civil servants (e.g.; Director level or higher) and use their convening powers to help coordination with sector Ministries. They will be supported as needed by the national advisers.

Steps have also been taken to accelerate the implementation of the Initiative:

- The contours on the Initiative have been further clarified through the finalisation in March 2021 of all “project profiles” which provide the contours of specific programmes that can be mixed and matched to constitute standalone projects to be launched under the Initiative. Moreover, these profiles have been posted on the Initiative’s website (www.Hoalinitiative.org) for consultation by interested parties – e.g.; civil society, donors and government officials.

- As proposed end-2020, Ministerial meetings became quarterly-based on a predictable schedule. Two of such meetings have been held this year in March and June, while another is scheduled for 27 October 2021. This reflects the continued ownership by countries and DPs alike, despite continued challenges discussed later-on. Another important aspect of these meetings is that they help sustain political dialogue amongst countries.
- Expected financing envelopes by AfDB and World Bank for 2021-22 are now clearer and are expected to be, cumulatively, of about US\$3.5 billion. Over US\$12 billion remains to be mobilised. Furthermore, project preparation has accelerated and there has been no additional delays in addition to what had been observed before. Table below provides a snapshot of projects approved or under preparation. It includes potential EU financing, to be clarified by year's end.

Table 1: HoAI projects approved or under preparation

Candidate Projects	Development Partner	Status	Target Delivery	Total (\$mn)
Pillar 1: Regional Infrastructure Networks				
1 Economic Corridors				
HoA Gateway Development Project (Kenya: Isiolo – Wajir – El Wak - Mandera)	World Bank	Approved	-	750
Horn of Africa Kismayo, Lamu and Mogadishu Corridor: Elwak-Rhamu-Mandera Road Upgrading Project (UA193 million or USD278 million)	AfDB	Under Preparation	Sep-21	278
Djibouti-Addis Road Corridor Project (Djibouti: Djibouti Port- Arta, RN5 &RN19)	World Bank	Under preparation	Oct, 2021	70
Regional Economic Corridor Project (Ethiopia: Awash-Mieso- Diredawa)	World Bank	Under preparation	Sep, 2021	500
Somalia HoA Infrastructure Integration Project	World Bank	Under preparation	Sep, 2021	38
Total				1,636
2 Regional Energy Trade				
2nd Ethiopia-Djibouti Power System Interconnection Project	World Bank	Under preparation	Dec, 2021	45
2nd Ethiopia- Djibouti Power System	AfDB	Under preparation	May, 2021	86
HoA Regional Integration for Sustainable Energy Supply	World Bank	Under preparation	May, 2022	510
Total				641
3 Single Digital Market				
East Africa Regional Digital Integration	World Bank	Early Stage Planning	2022	135
Kenya: Isiolo-Mandera	World Bank	Approved	-	
Grant to develop the regional agenda	EU	Approved		12
Total				147
Total (Pillar 1)				2,424
Pillar 2: Trade and Economic Integration				
Development of the Djibouti Corridor	EU	Approved	-	38
COMESA Trade Facilitation Program	EU	Approved	-	7

Livestock De-Risking, Inclusion and Value Enhancement of Rural Economies Project	World Bank	Under preparation	2022	250
Total				295
Pillar 3: Building Resilience				
Groundwater for Resilience	World Bank	Under preparation	Mar, 2022	300
Development Response to Displacement Impacts Project AF (Ethopia)	World Bank	Under preparation	tbc	130
Locust Response	World Bank	Approved	-	152
Locust Response	EU	Approved	-	88
Agro-pastoralism: Strengthening the resilience of pastoral production system to climate change	AfDB	Feasibility Studies	Sep-21	151
Total				821
Pillar 4: Strengthening Human Capital				
Health Security, disease surveillance, preparedness and response	World Bank	Early Stage Planning		tbc
Disease surveillance for the HoA	EU	Approved	-	8.5
Total				8.5
TOTAL				3,548

- Project preparation provides an opportunity for strengthening stakeholder ownership, building teams across HoA countries, and more generally for knowledge sharing and dissemination of information concerning priority needs in terms of regional development. In line with what had been proposed in the previous report, the number of workshops on specific issues related to projects under preparation or key policy issues has increased significantly (e.g.; trade (dating back to October 2020), digital economy, the livestock value chain and energy), even if as noted before they have not yet become the norm everywhere.
- The MDTF was signed in June 2021 and has begun to fund priority activities. However, based on feedback received it seems that demand exceeds available resources, especially after Sudan joined the Initiative.
- Destruction of crops by pests (i.e.; locusts in 2020) abated in 2021 and measures have been put in place to reduce this risk.

(ii) Challenges

HoAI countries still face the aftermath of the Covid crisis and of the deterioration in political environment that affected some nations in the region. More specifically:

- Vaccination rates in the region remain low and economies remain affected. There is a risk that as the world emerges from this crisis (notwithstanding current supply chain difficulties) HoA countries are left lagging on the economic front. The risk of the emergence of a new variant should not be understated either.
- The political situation has been in a state of flux, even if some encouraging development news have emerged on some fronts (e.g.; tensions between Somalia and two of its neighbours appear to have eased somewhat). Key remaining challenges include the current conflict in Ethiopia, and Eritrea remaining on the side lines of the Initiative. Furthermore, elections in Somalia delayed. Elections are also planned in Kenya in August

2022. The period before it and the transition process may impact the functioning of the Initiative.

- Crowding-in new donors has proved to be a challenge due to the situation worldwide. However, mostly bilateral discussions have been undertaken at project level to help close the financing gaps. Furthermore, there may be opportunities to bring-in EU member states, notably within the resilience pillar.
- The success of the Initiative lies in part in successful policy, regulatory and standards harmonisation, notably in the area of trade facilitation. The dialogue on these issues has been insufficient so far, or, in the case of trade, has been delayed.
- The sharing of documents with a broad range of key stakeholders, including with the HoAI Secretariat, and posting key ones on the website remains an issue. This is somewhat prevalent in the case of AfDB projects under preparation. This latter issue may become less prominent once the support team will be stationed in Nairobi and it becomes easier to engage in more regular exchanges with AfDB staff.

C. Near- and medium-term priorities and activities

The most immediate event in terms of the governance of the Initiative concerns the rotation of the Chair to Kenya. Kenyan counterparts are well prepared for this event and have benefitted from support from the Secretariat team. Looking further ahead, it is hoped that forthcoming elections in Kenya will not have a significant impact, even if some key counterparts change. The new Chair will be responsible for facilitating future Ministerial meetings, which should remain on quarterly basis and, when feasible, held face-to-face. When feasible, a Heads of State meeting would also be planned during 2022.

As noted earlier, the formulation of EU strategic priorities and expected level of financial support to the Initiative have not yet been finalised due to delays in the programming exercise for 2021-27. It would be very important to have greater clarity on this prior to year's end, so that the lending pipeline is updated and project preparation may be started without delays. More generally, DPs are requested to continue outreach efforts to other donors, including to secure additional funding from other donors for project preparation under the MDTF. Ad nonore conference is thus included in the work programme for 2022. In this regard, the 6th EU-Africa Summit, planned for February/March 2022 could be an important occasion for increasing the visibility of the initiative (this could be done by organising a specific side-event to illustrate the HoAI) and attract additional funds to the Initiative from EU member States.

Stakeholders' consultations and information sharing will be continued and expanded. In addition to continued periodic meetings of Ministers, technical workshops need to become an integral part of project preparation (the World Bank DRIVE project provides an example of good practice) and, later-on, implementation. These workshops should be programmed and announced well in advance, and their organisation should continue being facilitated by the Secretariat team.

Moreover, **initiating a dialogue on the soft aspect of the Initiative constitutes a pressing priority.** To this effect, the organisation of a workshop on trade facilitation should be planned

before year's end in order to open a discussion on the main problems affecting cross-border trade in the HoA Region with the possible solutions for addressing them.

The final issue concerns whether the framework of the Initiative should be revisited in order to: (i) revisit priorities and projects if needed; (ii) better integrate Sudan; (iii) firm-up the pipeline of projects beyond those listed above and prepare others in line with project profiles; (iv) identify ways to retain relevance, especially in the face of political instability; and (v) more generally address issues and constraints hindering the implementation of the Initiative. This will require a mid-term review type of process, which could be largely undertaken by the support team to the Chair (the Secretariat Team). The timing of this exercise should be discussed between Ministers and DPs, but should probably take place prior to end 2022.