



# **HORN OF AFRICA INITIATIVE**

**Annual Report 2020 of the Horn of Africa Chair**

**for the period January 2020 to February 2021**

**Lessons learnt, challenges and opportunities**

**(16 February 2021)**

## **A. Introduction**

The Horn of Africa Initiative (HoAI), launched in October 2019, aims at improving regional integration in five HoA countries (Djibouti, Eritrea, Ethiopia, Kenya and Somalia) with initial support from three Development Partners (AfDB, EU and WB). The Initiative, which is underpinned by a proposed investment programme of about US\$15 billion. It has been operational for a year, following the validation in February and March 2020 of its four Pillars and broad targeted areas – summarised in evolving (not yet finalised) “project profiles.” In parallel, the EU-funded support to the HoA Secretariat became operational in February 2020, and began to provide the support to the rotating Chair in Djibouti. The objectives of this note are to: (i) provide a retrospective synopsis of key activities and achievements during the past year; and (ii) highlight opportunities and challenges, and perspectives over the short- to medium-term.

This report, focused narrowly on the Initiative, 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).

## **B. Summary of experience during the past year and outlook**

### ***(i) Unforeseen factors and their consequences***

Key events: The HoA region was subject to two external shocks and a deterioration in the political environment that affected it deeply:

- The worldwide emergence of Covid-19 since early 2020 and its impact on all economies. By and large, this affected HoAI countries significantly on the economic side (for instance through collapse of tourism), even though the direct health impact has been more manageable.
- 2020 also witnessed a significant locust invasion that affected agriculture and food security in the region.
- The political situation has been in a state of flux. Key events included social unrest and conflict in Ethiopia, recent tensions between Somalia and two of its neighbours (Kenya and Djibouti), and Eritrea remaining on the side lines. Furthermore, elections are planned over the next 3 months in three HoA countries. On the other hand, a transitional Government is now in place in Sudan (invited as observer into some HoA meetings), which is helping the country re-join the international community.

Response/immediate outlook: The twin crises have had a direct and indirect impact on HoAI programmed activities, as explained below.

- The Covid crisis made face-to-face meetings largely impossible till September 2020, and personal exchanges extremely limited since April 2020 are still difficult due to travel restrictions between countries. Experts expect the situation to persist for much of the current year. This has resulted in key technical stakeholders not being sufficiently informed of, or engaged in the Initiative.

- The locust situation seems to have been addressed somewhat and mitigating measures and funding are available to countries. These should help address the eventuality of new swarms emerging in 2021.
- DPs have allocated financial resources to address the twin crises and mitigate future risk (including improved monitoring and vaccine purchase). A visible impact on the Initiative concerns the strengthening of the resilience and human capital pillars of the Initiative, as discussed at the recent Ministerial meeting of October 2020. However, there is likely to be a reduction in the medium-term of available financial resources for other programmes. This point is taken-up further below and requires clarification by DPs at the next high-level meeting.
- It is hoped that elections and political dialogue will help stabilise the situation within countries and the region.

**(ii) Overall experience under HoAI**

Key events: During the past year the Initiative was impacted by above-mentioned crises. In some cases, progress was achieved while in others, with the benefit of hindsight, more could have been done in some areas within the control of stakeholders. Leaving aside coordination issues and constraints faced by the Secretariat discussed further-on, the following important activities and issues warrant to be mentioned:

- There has been a significant delay, in some cases approaching a year, in various activities listed in the workplan drafted in February 2020. Notably, side events planned around the 2020 WB-IMF Spring and annual meetings have not been organised.
- Two Ministerial meetings were held in May and October 2020, which contributed to maintenance of some momentum. IGAD, which is contributing to work on Pillar 3 (resilience) attended as an observer.
- Nevertheless, at the technical level, conflicting priorities faced by Government counterparts have affected the frequency and quality of dialogue with and amongst counterparts. For instance, during workshops on project profiles, not all participants were well informed on the contents of the documents being discussed, even though distributed well before the meetings. **Furthermore, recent missions to Ethiopia by the Secretariat team found that coordination between countries was insufficient, and key designated technical counterparts - except those who participated in earlier preparatory work - were unaware of the Initiative.**
- Draft project profiles were discussed during various workshops: (a) Pillar 1 in February 2020; (b) Pillars 3 and 4 initially in March 2020, and further in October 2020 to cover profiles not discussed before; and (c) Pillar 2 in October 2020. More recently, to avoid confusion DPs have clarified that the term “project” is perhaps a misnomer. Profiles cover concepts and activities that can be mixed and matched, and integrated into a broader project financed by a donor. The WB Kenya Gateway is an example.
- Project profiles remain in draft. Feedback submitted at various junctures has not been integrated yet in final profiles, which were expected to be received by end-November 2020. The revised target appears to be March 2021.

- The WB and the EU have approved respectively one and two projects. AfDB and WB have indicated that others are under preparation. It is important to note that the concept of approval varies between these two institutions. Briefly, for the WB and AfDB fully appraised projects and their financing plans are approved by their respective Boards. In the case of the EU, the approval covers a financial commitment based on a broad project concept. The detailed project is developed subsequently.
- **No other DP has indicated yet its intention to provide support to the overall HoAI financial envelope.** However, specific, mostly bilateral discussions have been undertaken at project level to help close financing gaps. So far, particular interest has been shown by Arab Multilateral institutions that participated in the October 2020 Ministerial meeting.
- The October 2020 meeting left the issue of policy harmonisation unresolved, especially under Pillar 2 (Trade facilitation). Although a follow-up was proposed at the technical level, it has not yet taken place to any significant extent – **counterparts have not responded to the Secretariat’s proposal of focused meetings.**
- There is lack of clarity over financial envelopes to be made available by donors to the HoAI programme and specific allocations to projects over, say, the next 2-3 years.
- The planned Multi-Donor Trust Fund (MDTF), for the moment funded only by the EU, is not yet effective. However, it is expected to become operational soon and finance preparatory studies. Activities to be funded have not yet been shared widely. However, preliminary information presented in project profiles (notably transport corridors under pillar 1 which require fairly expensive feasibility studies) suggests that a significant gap in financing priority needs may be present.
- The Initiative’s website is now operational, even though its content needs to be expanded as the programme takes shape: <https://hoainitiative.org/> The website was developed by the team supporting the Secretariat and was funded by the EU and the WB.

Response/immediate outlook: The Initiative faces risks and uncertainty in areas under the control of stakeholders. The most important concern expressed repetitively by Ministers concerns the need to operationalise and implement the Initiative. In order to do so (and with support provided by the Secretariat team on the basis of a division of labour with DPs and other stakeholders):

- Develop a workplan for 2021 by end-March.
- Finalise project profiles by adequately reflecting feedback and comments already provided. Make the documents public on the HoAI website. Draft final profile should be circulated for final comment by mid-March 2021, and finalised and made public by end-April 2021.
- Start organising focused technical workshops with stakeholders in order to operationalise specific activities identified in or related to project profiles. One workshop on e-government is now scheduled for 18 March 2021 with support from “Team Europe.” DPs should be requested to propose such activities that can be organised and facilitated by the Secretariat.
- DP should as much as possible clarify their short-to medium-term (1-3 years) financial commitments and agree on outreach plans to other donors by end-March 2021. They should also provide clarification regarding how recent reallocation of resources within

various pillars, and any emerging overall budget constraints, impact in the longer term the prioritisation of projects. Lending programmes (pipelines) need to be prepared, updated and shared on periodic basis.

- With respect to the issue highlighted in the previous point, the Secretariat should be informed in a timely manner of key project preparation activities, and receive public documents pertaining to those.
- The preparation of projects or their launch provides a good opportunity for learning and sharing of knowledge with a broad range of HoA stakeholders, even those not concerned directly by project activities. Looking back, for instance, teams working on corridor projects could have learnt from the Kenya Gateway operation. It may not be too late to invite a selected group to participate in a virtual project launch - subject to verification.
- Accelerate the formulation of the MDTF and share relevant documents with HoA representatives, by April 2021. It is understood that the main purpose of the MDTF would be to finance feasibility studies, workshops etc. However, demand for such activities (based on information in project profiles) is likely to exceed available financial resources (notably in the case of infrastructure projects, including Somalia). It would be important to understand how the financial gap will be filled.
- Governments should continue to discuss and agree on how to deepen dialogue on policy harmonisation by April 2021. It is important to pre-empt the risk whereby the efficacy of “hard” infrastructure being developed is undermined by insufficient complementary “soft” measures.
- There is a need to announce the timing of the next Ministerial meeting. In the event that such a meeting cannot be held prior to June 2021, after completion of election cycles the HoAI Secretariat could organise a high-level technical meeting with representatives of DPs and select stakeholders in March or April 2021.

### **C. Activities undertaken and challenges faced by the Secretariat**

Key events: **The EU-funded support to the Chair became effective end-February 2020.** A team of 3 experts, two part-time and a Team Leader (TL) based in Djibouti full-time, came on board at that time. Except for the part-time communication expert who is a Djibouti national, the work of the TL and the Trade Facilitation expert (based in Nairobi), as well as the Chair of the Secretariat, was hindered by the inability to travel for much of 2020. This would have allowed the team to establish a closer relationship and better understanding with stakeholders, an opportunity that is not as easily offered by virtual meetings. Furthermore, the TL was evacuated late April and was unable to return before September 2020. This meant that technical support had to be provided remotely.

Despite these constraints, the Secretariat team (the Head of the Secretariat and experts) was able to support all key activities listed in the previous section. The Secretariat team helped organise meetings also prepared or contributed to specific outputs, such as the project profiles under Pillar 2 and a study of trade barriers that provides a good basis for discussions on policy actions that can be taken by the HoA member States in order to improve their trade integration. The following also affected and continues to have a bearing on the secretariat’s work:

- There have been frequent changes of Focal Points (FPs) in Kenya, and to a lesser extent in Ethiopia. Furthermore, all FPs have been late to respond to queries and requests for support or feedback because of insufficient administrative or technical staff to support their activities. In our opinion, FPs should be considered an integral part of an extended virtual Secretariat and adequately staffed with professional and administrative staff, as the minimalist approach in favour of light support provided by donors pursued so far has not fully addressed the needs of the HoAI programme.
- The Secretariat team has finally been able to start visiting countries and establishing closer relationships with more stakeholders. Field missions have been completed so far to Ethiopia (three in total), with plans to extend them to Kenya during March/April. These contacts should contribute to informing more staff of Governments and DP counterparts about the goals and contents of Initiative and its relevance and importance. The exchanges aim to address a systemic problem: lack of response to queries has been and may remain an issue in the future, unless addressed at all levels.
- The HoAI Secretariat and its Chair were originally planned to rotate annually. The mandate of Djibouti was prolonged to mid-2021 by unanimous consent at the October 2020 Ministerial meeting.
- The contract of the EU support team has been extended to July 2021. No further extension will be possible beyond that date.

Response/immediate outlook: Experience so far shows that presence on the ground and assistance to the Secretariat is essential. However, the role of the support team is to provide technical advice and act as “movers and shakers” to accelerate activities and ensure results are achieved. In order to achieve these better:

- The timing of the rotation of Secretariat and confirmation of this approach needs to be confirmed as soon as possible. It should be noted that the proposed rotation has its cost in terms of stability and continuity and should perhaps be reconsidered by Ministers and DPs.
- At both Government and DP level, there is a need to reiterate to their respective staff the importance of this regional initiative and need to work not only with multisector teams within the countries, but also build effective collaboration between stakeholders across countries. A political signal to this effect needs to be conveyed, that could be discussed at the next Ministerial or high-level technical meeting.
- **FPs need to be empowered to coordinate the initiative at national and regional levels, and be encouraged to give supporting HoAI activities high priority.** Based on the experience gained so far, this will concretely be possible on condition that they are supported by full-time administrative assistants, while in the case of Somalia there may be a need for greater support. FPs would thus become accountable for providing timely inputs when requested, and for reaching out to national stakeholders.
- To be effective, the Secretariat team needs to be kept informed of donor activities, which so far has not been done systematically. For instance, the Secretariat’s request to receive public or broadly circulated project documents (such as WB PID or mission aide-memoires) on preparation of some projects in the HoA Region and/or related activities,

has not received a response. Whether such information sharing is feasible should be discussed between the Chair and DPs.

- Next phase of support to the Secretariat needs to be formulated and initiated. This includes agreeing on the scope of support and its length. Based on experience so far, we should consider **recruiting on board a team consisting of at least four (4) national experts (based respectively in Djibouti, Ethiopia, Kenya and Somalia) and an international Team Leader**, with additional demand-driven support from short-term specialists (to be determined). The support should be for at least two (2) years, with the possibility of being extended by a year. It is urgent to discuss and agree on this with DPs and launch the recruitment process, as it would be essential for the current team to overlap with the new one to ensure a smooth transfer of responsibilities.