



HOA REGIONAL PORTFOLIO PERFORMANCE REVIEW

MAY 28, 2024



**HORN OF AFRICA
INITIATIVE**
21st Ministerial Roundtable

In Partnership with



WORLD BANK GROUP





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INITIATIVE**
21st Ministerial Roundtable



PORTFOLIO OVERVIEW



RPPR KEY FINDINGS



LESSONS LEARNED



**PORTFOLIO
OVERVIEW**



HORN OF AFRICA PORTFOLIO AT A GLANCE



DEVELOPMENT PARTNERS



WORLD BANK GROUP



Foreign, Commonwealth & Development Office



Federal Ministry for Economic Cooperation and Development

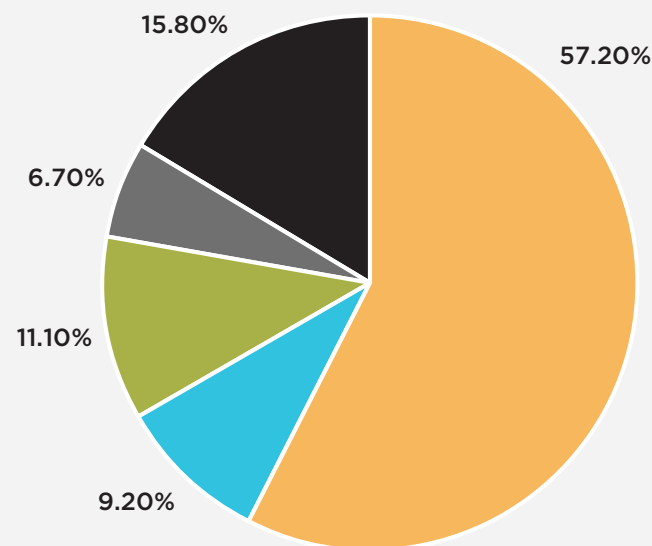
BMZ

119 PROJECTS
Have been approved



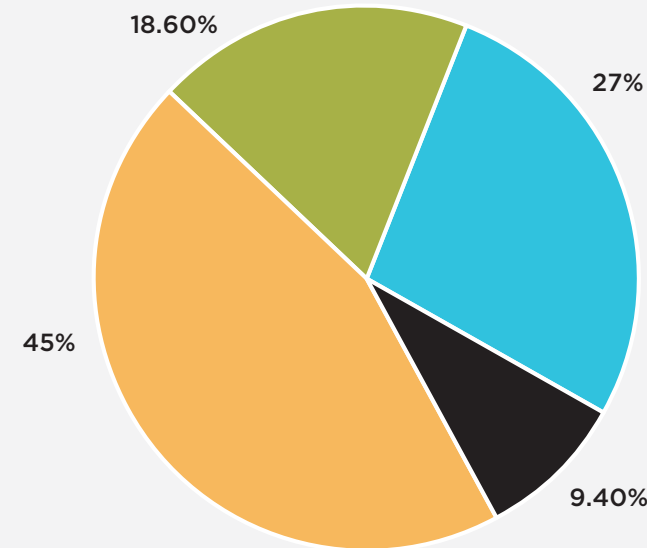
HORN OF AFRICA INITIATIVE

USD\$9.931 BILLION
in total commitment



Commitment by DPs

- World Bank
- AfDB
- EU
- BMZ
- FCDO



Active Portfolio by Pillars

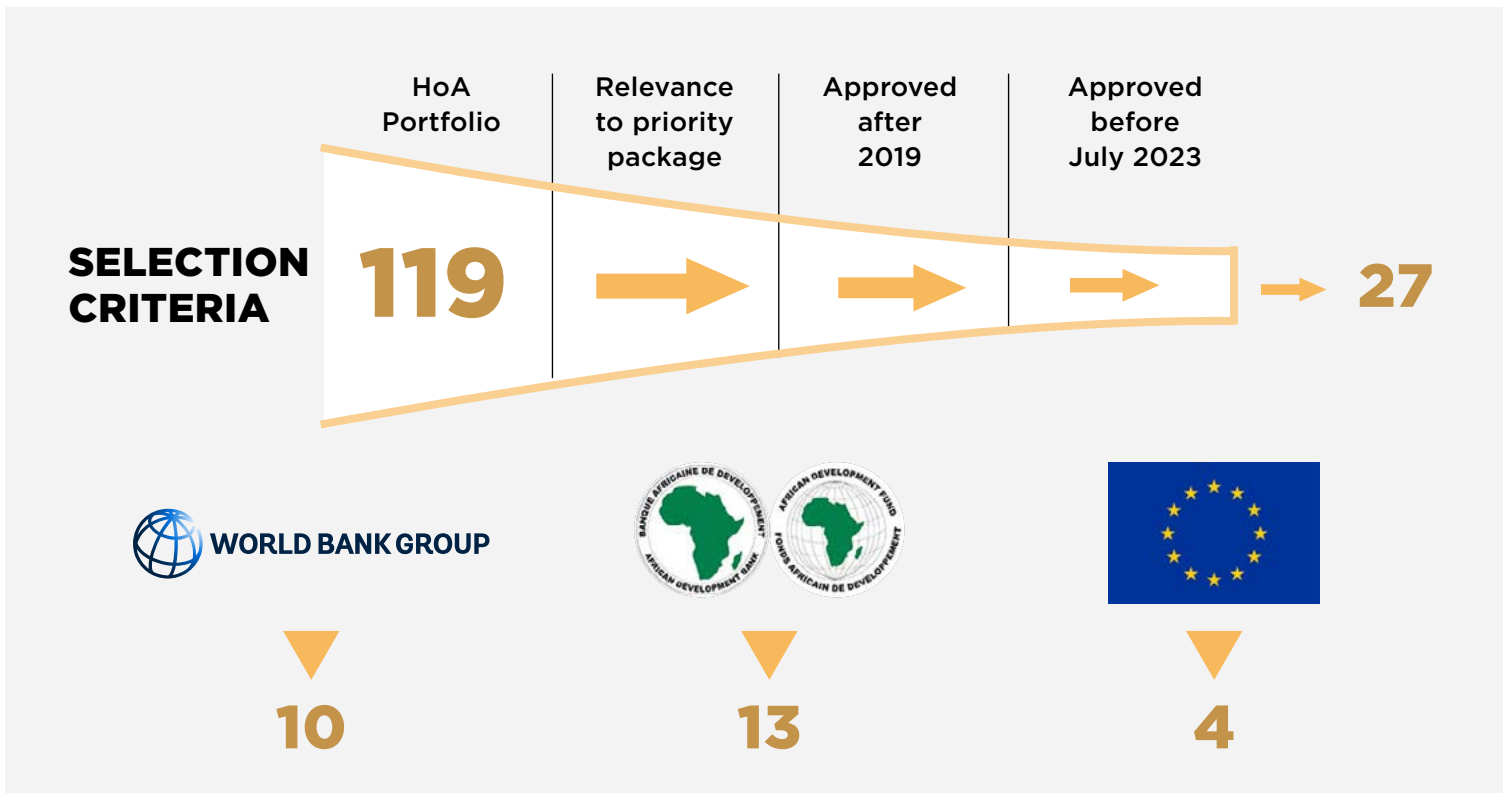
- Regional Infrastructure Connectivity
- Trade and Economic Integration
- Building Resilience
- Srengthening Human Capital



METHODOLOGY



The review covers a sample of projects from the **AfDB**, **EU** and **World Bank** across all four pillars and all HoAI countries.



QUESTIONNAIRE
Developed a questionnaire with 17 parameters

INFORMATION COLLECTION
Collected information from Implementation status and progress reports, internal database and interview with task managers



PROJECTS SELECTED FOR REVIEW

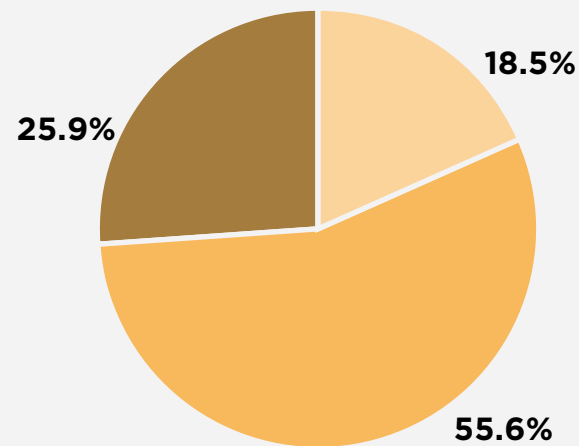


The review covers **\$3.65 Billion** or **37%** of the total portfolio commitment.

PORTFOLIO RATING

75% of the projects received a favorable rating

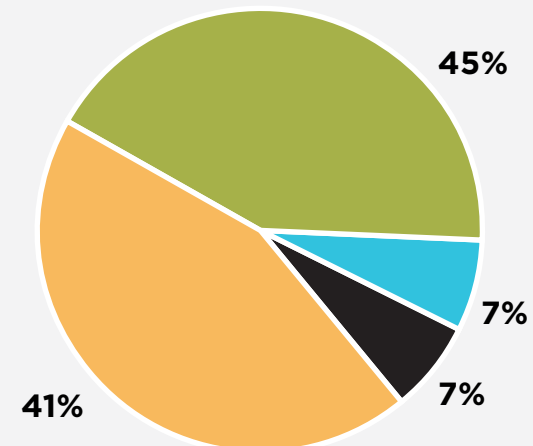
- Satisfactory
- Moderately Satisfactory
- Unsatisfactory



DISTRIBUTION BY PILLARS

54% of the projects are facing procurement delays

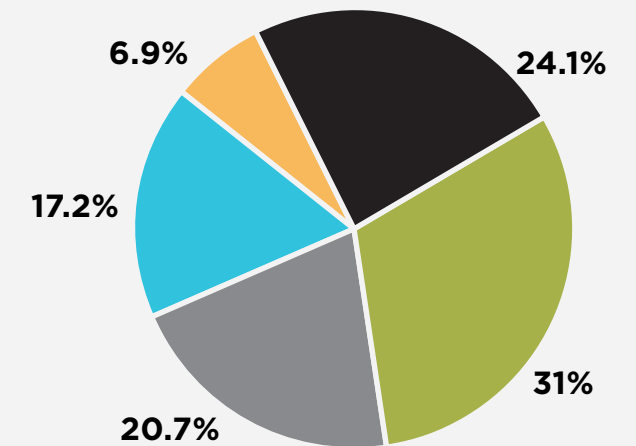
- Pillar 1
- Pillar 2
- Pillar 3
- Pillar 4



DISTRIBUTION BY COUNTRY

54% of the projects are experiencing disbursement delays

- South Sudan
- Somalia
- Djibouti
- Ethiopia
- Kenya





RPPR KEY FINDINGS



FINDING 1

HoAI portfolio performance remains robust despite regional and global challenges.

- Portfolios across the region was not severely affected by a prolonged post-pandemic recovery, lingering geopolitical tensions, and austere financial conditions.
- Out of 119 active HoAI projects, NONE were canceled due to poor performance. HoAI financed projects, including emergency interventions, were fully aligned with the Initiative's priority pillars, confirming the partnership's relevance and fitness for purpose.
- Out of the 27 projects reviewed in this RPPR, 18.5% received an internal rating of Satisfactory, 55.6% received Moderately Satisfactory and 26% were rated Unsatisfactory. In other words, about 75% of the projects reviewed for this report were satisfactory/moderately satisfactory.





RPPR KEY FINDINGS



FINDING 2

Despite strong overall performance, country level results vary.

- Capacity constraints, strenuous reporting requirements, resource scarcity, and stringent effectiveness conditions impact performance outcomes.
- The Program to Build Resilience for Food and Nutrition Security in HoA (BREFONs) project is a case in point. Implemented in several countries simultaneously, its performance is rated satisfactory in South Sudan & Ethiopia, moderately satisfactory in Kenya, and unsatisfactory in Djibouti, Somalia and IGAD.





FINDING 3

Portfolio distribution among countries is changing.

- Earlier HoAI operations were concentrated in countries that joined the Initiative at inception with a stock of bankable projects.
- In May 2024, Ethiopia and Kenya accounted for 28% and 20% of the portfolio, respectively. Thus, more than half of the HoAI portfolio is now spread among the other member countries.
- Somalia temporarily lagged due to the lack of bankable projects and its debt position. HIPC completion is expected to unlock financing for investment-ready projects.
- Recent project approvals and technical assistance are benefitting South Sudan, a relatively new member of HoAI*. In 2024, HoAI partners approved five operations in South Sudan.
- Of the remaining two members, Sudan is operationally inactive, and Eritrea is presently lagging behind.





FINDING 4

Timely execution of emergency operations demonstrates HoAI effectiveness.

- The emergency operations leveraged innovative financing through a multi-phased programmatic approach (MPA), where applicable.
- They also benefited from utilizing IGAD as an implementing REC for regional coordination.
- This approach allowed the project financing to reach effectiveness within one month of approval and achieve higher than projected disbursements within two months.





RPPR KEY FINDINGS



FINDING 5

Country ownership has improved regional cooperation.

- Ownership promoted policy harmonization, alignment of strategy and enhanced performance.
- There is a High-level ownership at the ministerial level, expressed through routine ministerial meetings.
- This level of engagement needs to devolve to the operational level by actively engaging local stakeholders early and upstream in the project cycle, from preparation to implementation.





FINDING 6

The involvement of Regional Economic Communities (RECs) is crucial.

- It fosters regional activities and components, policy harmonization, peer learning and knowledge transfers.
- They advance harmonization, facilitate coordinated actions and offer technical know-how.
- IGAD's coordination of the HoAI response to the COVID pandemic and locust invasion are examples of successfully coordinated regional action.
- Countries value REC's coordination role and have partly funded their mandate (BREFONS project).
- IGAD and EAPP are facing persistent capacity challenges that must be addressed in general and in projects.
- Policy and implementation capacities of National Executing Agencies (PIUs/PCUs/NAs) varies by country and project, with ample room for improvement.





RPPR KEY FINDINGS



FINDING 7-A

HoAI countries face shortage of skilled capacity at all levels.

- Particularly in key specialized areas of Project Management, Financial Management, Procurement, Disbursement, Audit and Safeguards.
- Lengthy staff recruitment in PIUs has resulted in delayed or sub-standard audit reports, unrealistic annual workplans, incomplete disbursement requests and non-compliant procurement outcomes, resulting in overall delays.
- Capacity constraint is most pressing in post-conflict and fragile settings, forcing resources to be channeled through third parties to fast-track implementation.

FINDING 7-B

Where expert capacity is available, retention remains a challenge.

- Projects experience high skilled staff turnover—particularly at PIU levels due to various reasons ranging from compensation packages to working conditions.
- Staff turnovers without proper handover leads to institutional disruptions. The practice of temporarily transferring staff from one government outfit to another to meet effectiveness conditions creates a revolving door which does not benefit overall implementation at the portfolio level.





RPPR KEY FINDINGS



FINDING 8

Delays in disbursing counterpart funds causes short-term financing gaps.

- HoAI operations ‘financing schedule, including local currency counterpart funds, is agreed to in advance.
- Liquidity constraints and/or internal procedures occasionally delay the timely release of counterpart funds, creating financing gaps, particularly in infrastructure projects.
- Although temporary, these gaps impact portfolio performance in areas such as compensation for project affected persons, land acquisition, right of way, etc.





FINDING 9

Effective contract management is an indicator of good implementation.

- Approval, effectiveness, and disbursement delays beyond the project processing schedule points to project readiness challenges.
- Infrastructure projects are at times approved, declared effective, and ready for implementation, before they are design ready and technical studies are complete
- Oftentimes, for projects with large procurement, bidding documents for major works and/or goods are not launched prior to approval.
- The Ethio-Djibouti 2nd power interconnector project took almost two years to complete recruitment of the Consulting Engineer.





FINDING 10

Financial Management is key to project implementation.

- Efficient Financial Management is essential but appears to be a challenge in many projects.
- The Majority of the projects selected for review, received Moderately Satisfactory FM rating; despite FM capacity challenges which remains different for each project.
- Level of FM compliance remains weak, audit reports are often delayed and qualified, audit Improvement Plans are not properly executed. Cash management, budget tracking and record keeping practices need improvement too.
- Each partner and each project having its own FM and procurement guidelines, manuals, and checklists, stretches weak capacity available in implementing agencies.





FINDING 11

Two-way coordination between countries and partners is a key feature of HoAI.

- Coordination is often overlooked at project design stage, as it is considered costly and time consuming.
- Effective country-partner coordination builds mutual confidence and buy-in and strengthens the voice of funding constituencies in donor countries.
- Coordination among partners helps reduce transaction and compliance costs for countries.
- The Ethio-Kenya electricity superhighway is a case in point. A joint steering committee and implementation manual allowed joint preparation, supervision, and experience sharing. By contrast, the absence of a similar mechanism in the Ethiopia-Djibouti 2nd power interconnector project has led to ineffective coordination between the PIUs and financing partner.





**LESSONS
LEARNED**



LESSONS LEARNED



1

One of every four projects reviewed was unsatisfactory and at risk.

Close attention is required to address persistent implementation bottlenecks and annual performance targets must accurately reflect country implementation capacity. For regional projects carried out in slow and fast implementing countries, project design must allow for slow implementer to learn from the fast implementors.

2

The three-way partnership among countries, partners, and IGAD in response to Covid/Locust emergencies, and use of innovative financing and implementation arrangements, can be replicated in other operations. New digital projects under HoAI are benefitting from this approach.

3

To ensure timely release of counterpart funds in sufficient amount, countries can use flexible financing instruments that allow them to front-load part of the loan/grant proceeds and other sources, instead of attempting to raise additional financing.





LESSONS LEARNED



4

Capacity remains uneven, and capacity constraint is a cross-cutting priority across the region; at all levels and in all sectors. To effectively execute their portfolio management mandate, both regional bodies and national executing agencies require sustained capacity building.

5

Countries may wish to consider a regional approach for building capacity; to train experts in project management, procurement, FM and related fields that are fungible across countries and institutions.

6

Customized regulations and practices strain limited country capacity. HoAI countries and partners can use the platform to develop standardized FM, procurement and disbursement manuals, procedures, and guidelines for financing partners. Countries can designate a regional institution fit for this purpose.

7

IGAD and other RECs may lead in knowledge exchange and capacity building among HoA countries. This will allow countries to share experiences and learn from one another.





LESSONS LEARNED



8

Project readiness helps in smooth implementation.

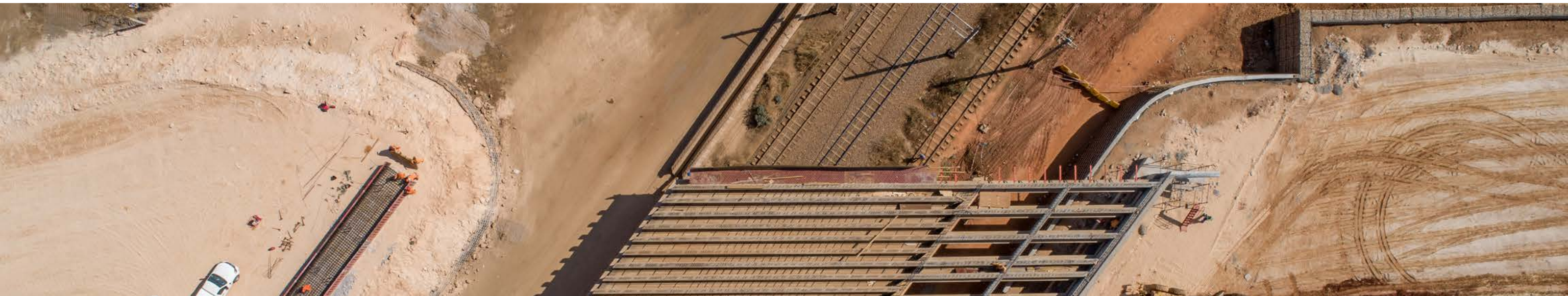
Infrastructure projects are often not design-and-procurement ready and advance procurement is often not launched.

9

Countries can ensure readiness by using project funds to finance pre-approval activities, including detailed design and testing, launch bidding documents, set up PIUs and build institutional capacity. MDTF support for project analytics can also help.

10

Governments may consider launching an internal readiness checklist at the level of the finance ministry to verify design, procurement, institutional and safeguard readiness. A readiness verification filter managed by the finance ministry and complied in the line ministries strengthens country ownership and improves portfolio quality.





THANK YOU



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ANNEX

LIST OF REVIEWED PROJECTS



Project Name	Partner country	Pillar		Portfolio Rating	Commitment
HoA Gateway Development Project (Kenya: Isiolo - Wajir - El Wak - Mandera)	Kenya	1	World Bank Group		\$750
Somalia HoA Infrastructure Integration Project	Somalia	1	World Bank Group		\$85
Horn of Africa Initiative: Djibouti Regional Economic Corridor Project	Djibouti	1	World Bank Group		\$70.00
2nd Ethiopia-Djibouti Power System Interconnection Project	Djibouti-Ethiopia	1	World Bank Group		\$55
HOA - Groundwater for Resilience Project	Ethiopia, Kenya, Somalia, IGAD	3	World Bank Group		\$385
Development Response to Displacement Impacts Project in the HOA Phase II (Ethiopia)	Ethiopia	3	World Bank Group		\$180
Food Systems Resilience Program for Eastern and Southern Africa (IGAD, Ethiopia)	IGAD, Ethiopia	3	World Bank Group		\$625
Emergency Locust Response Program	Kenya-Ethiopia-South Sudan- IGAD	3	World Bank Group		\$207
Emergency Locust Response Project (South Sudan, IGAD)	Kenya-Ethiopia-South Sudan- IGAD	3	World Bank Group		\$54
Africa CDC Regional Investment Financing Project (Ethiopia)	Ethiopia	4	World Bank Group		\$150
First Africa Higher Education Centers of Excellence for Development Impact Project (Djibouti)	Djibouti	4	World Bank Group		\$15

PORTFOLIO RATING



Satisfactory




















Moderately Satisfactory



Unsatisfactory

LIST OF REVIEWED PROJECTS (CONTINUED)



Horn of Africa Kismayo, Lamu and Mogadishu Corridor: (Kenya) Elwak-Rhamu-Mandera Road Upgrading Project	Kenya	1	AfDB		206.55
Multinational: Kenya - South-Sudan Road Section (Lesseru-Kitale & Morpus Lokichar)	Kenya	1	AfDB		197.26
Horn of Africa Djibouti - Somalia Regional Transport Project (Nagad-Loyada/Lowyaddo-Saylac-Borama Road Upgrade Project - Phase I)	EU Somalia, Djibouti	1	AfDB		64
2nd Ethiopia- Djibouti Power System Interconnection Project	Ethiopia, Djibouti	1	AfDB		81
Eastern Ethiopia Electricity Grid Reinforcement Project	Ethiopia	1	AfDB		122.6
Multinational - Desert-To-Power Initiative East-Africa Regional Energy Project (EAREP)**	Regional (IGAD)	1	AfDB		5.32
Eastern Africa Power Pool (EAPP) Institutional Capacity Building Program**	Regional (EAPP)	1	AfDB		6.68
HoA Digital market integration phase I project	Regional	1	AfDB		8.3
Program to build resilience for food and nutrition security in in the Horn of Africa- BREFONS (176.85)	Regional	3	AfDB		176.85
African Emergency Food Production Facility (K-AEFPP)	Kenya	3	AfDB		66.56
African Emergency Food Production Project-1 (SSEFPP-1) - (AEFPF)	South Sudan	3	AfDB		8.1
African Emergency Food Production Facility Project (AEFPF)	Somalia	3	AfDB		5.28
Skills for Employability, Inclusion and Productivity Project	Somalia	3	AfDB		7.29
Development of the Djibouti Corridor	Djibouti-Ethiopia	2	EU		33.92
COMESA Trade Facilitation Program	Regional	2	EU		5.94
Regional locust response	Regional	3	EU		81.62
Collaboration in Cross-Border Areas of the Horn of Africa Region	Regional	3	EU		5.3
					\$3,658

PORTFOLIO RATING

 Satisfactory

 Moderately Satisfactory

 Unsatisfactory