



# **HORN OF AFRICA INITIATIVE**

## **Horn of Africa Umbrella Trust Fund Lessons Learned**

**7 March 2024**

# Horn of Africa Umbrella Trust Fund

## Lessons Learned

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## Background

The purpose of this report is to draw lessons from the implementation of the Horn of Africa Umbrella Multi Donor Trust Fund. This MDTF is effective from 21<sup>st</sup> May 2021 with the aim of supporting the Horn of Africa Initiative (HoAI) as a new approach to Regional Integration (RI) in the Horn of Africa Region. Currently, the regional integration partnership platform<sup>1</sup> comprises seven countries, five development partners and one regional organization. Several other development partners are showing interest in the Initiative, and have been participating as Observers, on way to becoming full members in due course. For inviting new members or development partners, the Initiative has adopted a Participation Framework which lays down transparent and objective criteria for membership and observers on the twin principles of selectivity and relevance. Additional information about the HoAI can be obtained at [www.hoainitiative.org](http://www.hoainitiative.org).

The HoA Umbrella MDTF is an innovative approach to support regional integration in a region that has seen significant challenges and conflicts. A closer look at the results achieved and lessons learned is warranted to assess if adjustments are needed and to draw conclusions that can be useful in guiding the scaling up of this approach to support regional integration in other parts of Africa. This report presents lessons learned from the HoA Umbrella MDTF aiming to enhance the effectiveness and efficiency of future engagements in the Horn of Africa and in Regional Integration by highlighting progress of activities that were financed by the Trust Fund and the obstacles encountered. The report also aims to demonstrate what has been leveraged from the MDTF resources allocated to investments, technical activities and convening of countries and stakeholders. The dissemination of lessons learned will enhance outcomes of the MDTF and reduce uncertainties, in addition to improving the design of follow-up activities.

The report will draw lessons in the following broad areas: adequacy of resources, confronting challenges, political instability, contributing to investment opportunities and mechanisms for convening. The report will also provide recommendations in these areas.

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<sup>1</sup>Initially Ethiopia, Eritrea, Djibouti, Kenya and Somalia, while Sudan and South Sudan joined later; development partners include BMZ, European Union, FCDO UK, African Development Bank and World Bank; IGAD as the regional organization for the Horn is a permanent observer in the Initiative.

This Lessons Learned Report is an internal assessment of the performance of the Horn of Africa Umbrella MDTF in its initial phase of approximately two and a half years. This is not an external evaluation of the Program. The report is based on interviews, surveys and questionnaires that have generated inputs from various stakeholders across the spectrum, ranging from Finance Ministers and officials of the member states of the Initiative, development partner representatives, and task team leaders and managers of the World Bank who have administered and managed some of the grants from the HoA Umbrella MDTF.

## Objective of the MDTF

The objective of the Multi-Donor Trust Fund is to support activities that deepen the regional integration of the countries of the Horn of Africa, in line with the purposes of the Horn of Africa Initiative. The current scope of the HoAI is described by the following four pillars:

**Pillar 1:** An Interconnected Horn will implement cross-border regional infrastructure projects across a spectrum of thematic areas such as economic transport corridors, energy, and digital among others, and address policy and regulatory aspects of developing regional markets.

**Pillar 2:** More Trade, More Growth, More Jobs will focus on trade and economic integration covering trade facilitation, regional value chains, and improvements in the investment climate. Activities supported under this pillar could include topics such as logistics, behind-the-border regulatory convergence, trade strategy and negotiations, and planning and facilitation of cross-border infrastructure, particularly in the areas of urban infrastructure, transport, trade facilitation, and private sector development.

**Pillar 3:** A Resilient Horn will focus on building resilience to climatic shocks, e.g., recurrent droughts | floods, the current locust crisis, and conflict and displacement. Activities supported could include implementing effective mitigation practices and adaptation mechanisms such as innovative financing instruments ranging from insurance schemes to concessional financing for climate- or refugee-related interventions.

**Pillar 4:** A Skilled Horn will focus on human capital development to find regional solutions to improve human capital and service delivery in view of the current global health pandemic and its potential long-term impacts. Activities support under this pillar could include strengthening regional epidemic preparedness and response systems, developing platforms for addressing skills development of youth, and setting up interoperable ID systems to allow improved targeting of safety net programs.

Four types of activities are being supported by the HoA MDTF<sup>2</sup>

**Technical Assistance to design and prepare investment-ready projects and capacity building** such as project identification, preparation, feasibility and design; identification of spillover effects; social and environmental and social safeguards studies, assessments, and preparation of environmental and social management plans. Appropriate capacity-building support to countries on HoA priority pillars has also been provided. These grants are grouped in [Window 1](#).

**Advisory Services and Analytics on Regional Integration (RI) Priorities** such as research, analysis, surveys, studies, policy notes, etc. including expert advisory services, training, and human resource or organizational development to inform upstream project development; support reform diagnostics and implementation; support for policy harmonization and institutional strengthening. These are grouped in [Window 2](#).

**Convening of countries and stakeholders** such as through conferences and workshops on thematic areas related to regional integration; outreach activities that provide a platform for dialogue among key stakeholders (e.g. private sector, CSOs, youth groups, media, non-governmental organizations) and also that enable the capture and dissemination of good practices using a variety of communication/media tools; support for maintaining the HoA Initiative website; twinning arrangements (e.g. between institutions in Africa and OECD countries); and South-South knowledge exchange, in particular with countries that have had successful experiences in promoting regional integration, trade and cooperation. Support for the HoA Initiative Chair through a small Secretariat is also supported under this activity. [These are grouped in Window 3](#).

**Program Management and Administration** is the last type of activity supported by the HoA MDTF as per the Administration Agreement. This takes care of the organizational and logistical expenses associated with the management and day-to-day functioning of the Horn of Africa Initiative, including expenses on the management of the HoAI Secretariat and its activities. For the purposes of this report, these activities and expenses associated with them, have been shown cumulatively with Window 3.

**Table 1: Financial status of the HoA MDTF (As of 02/29/2024)**

Budget item	Amount (in Euros)	Amount (US\$)
Total Pledged Contributions	30,000,000	33,309,599
Unpaid Contributions	10,000,000	10,850,000
(+) Total Contribution Paid-in	20,000,000	22,459,599

<sup>2</sup> For the purpose of this report windows 3 and 4 are being treated together

(+) Investments Income		1,370,457
(-) Admin Fee		495,000
(-) Disbursement		4,411,809
Fund Balance		18,923,248
Outstanding Commitments		15,914,913
Trustee/Main Fund Balance		8,735,057
Funds Available for New Grants		1,756,0467

## Summary of Activities

During the initial stages of implementation of the MDTF, the focus has been on selecting and financing activities that directly support the identification, preparation, and development of investment operations along the priority pillars and in support of the priority package of projects that has been explicitly proposed by the HoAI member countries. At present, these investment projects are funded through Regional IDA credits and grants (as per eligibility) provided by the World Bank from the regional window of successive IDA cycles. In total, the regional window of IDA 20 is \$7.9 billion out of which 75% is assigned to Africa. A substantial part of the IDA earmarking for Africa is absorbed by the Horn of Africa. In addition, the HoA MDTF offers opportunities to other development partners to build on the analytics and preparatory work undertaken by the World Bank and provide funding for RI investment operations drawing technical details from World Bank analytics, and to the countries through use of Recipient Executed instruments.

However, in general, regional integration projects, funded by IDA or other sources, require additional attention and efforts, especially when technical coordination between countries is required, policy harmonization must accompany investments, and/or when security concerns are a constant constraint. In this respect, the HoA MDTF provides vital resources to support the analytics and preparatory activities, and augment World Bank's own resources deployed for analytics and advisory work aimed at informing regional development operations.

Implementation of the Horn of Africa HoA MDTF is making good progress. Nineteen grants have been established with a total grant allocation of \$21.6 million and are delivering results, despite disruptions during the first years of implementing the MDTF. Total disbursements and commitments made from these nineteen grants are at \$20.3 m. This includes two Recipient-Executed grants for \$5 million each, which are embedded into IDA operations as project finance for Somalia and Djibouti respectively, now both effective. Several of the smaller grants, supporting shorter-duration analytical and TA activities, continue to be implemented or have been completed. These grants have been used to fund analytical activities that deepen understanding of the potential and opportunities for regional integration in the Horn of Africa and have contributed to preparatory studies which directly inform and enhance World Bank lending operations sourced from the regional window of IDA 19 and IDA 20 in the Horn of Africa.

Five of the grants, all supporting analytics, have been closed, and nine of the active grants have used all allocated funds and will be closed soon.

One prominent role of the HoA MDTF is to catalyze investment opportunities for fostering regional integration. These MDTF activities help to prepare World Bank concessional credit and grant operations as well as financing by other Development Partners to optimize investments in regional development in the Horn. Practically all grants are directly contributing to the design and scoping of investment operations, including Regional IDA operations. Sixty percent of the funds allocated from the HoA MDTF have been assigned to Recipient Executed activities, whereby the borrower uses MDTF funds to provide counterpart funding for participating in large regional operations financed from IDA. In addition, a small Recipient Executed grant is supporting the HoA Initiative Secretariat and administrative activities like convening of countries and development partners on the regional agenda. Other than these three recipient-executed grants, the HoA MDTF grants are funding Bank Executed activities, mainly analytics, technical assistance and diagnostics to identify opportunities to strengthen integration in the HoA, except a small grant for program management and administration.

As of December 2023, these grants are enabling and supporting the delivery of a regional IDA portfolio of \$6,329 million, which is 70% of the HoA portfolio. In addition, they are also indirectly contributing to the operations of African Development Bank (\$1030 million) and EU portfolios (\$909 million) in the Horn. These grants have cumulatively facilitated and contributed to the outcomes and outputs of the 76 projects with USD\$8,267 million in total commitments for the Horn of Africa from the development partners under the Initiative. More details of the HoAI portfolio at Annex 1. In addition to bolstering the portfolio, the grants from the MDTF have also been instrumental in enabling the timely development and delivery of a robust, combined<sup>3</sup> pipeline of \$917 million in project investments in the Horn of Africa, that is going to be delivered by the development partners in FYs 24 and 25 (Details at Annex 1). Going forward, the MDTF intends to broaden and deepen its scope and engagements with the specific objective of supporting the portfolio and pipeline development of all development partners working with the member states of the HoA Initiative.

To appreciate the tremendous value proposition of the grants to the Horn of Africa Initiative and the implementation of its priority package, it is sufficient to aggregate that a grant support of \$21.6 million from the HoA MDTF has enabled and informed a total of \$8.2 billion in active portfolio and 0.9 billion in pipeline from the World Bank, African Development Bank, and the European Union in the last two years. In other words, each dollar from the MDTF has leveraged 425 dollars of investments for the accelerated growth and development of the Horn of Africa, apart from fostering the spirit of collaboration and regional cooperation. This support is highly valued and often crucial in addressing the complexities of designing, preparing, implementing,

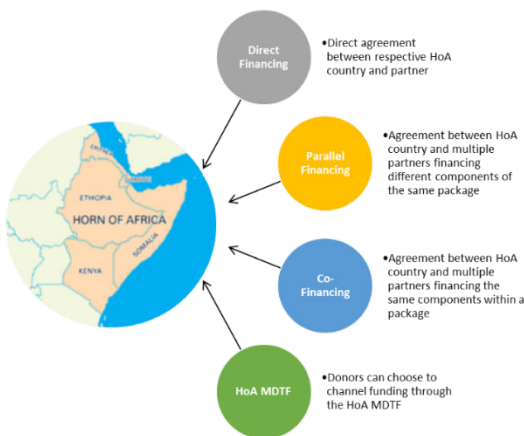
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<sup>3</sup> African Development Bank, European Union and World Bank only.

and supervising Regional Integration operations, and facilitate the coordination among countries while maneuvering the volatile context of the Horn of Africa.

**Fig. 1: Options for financing HoAI projects**

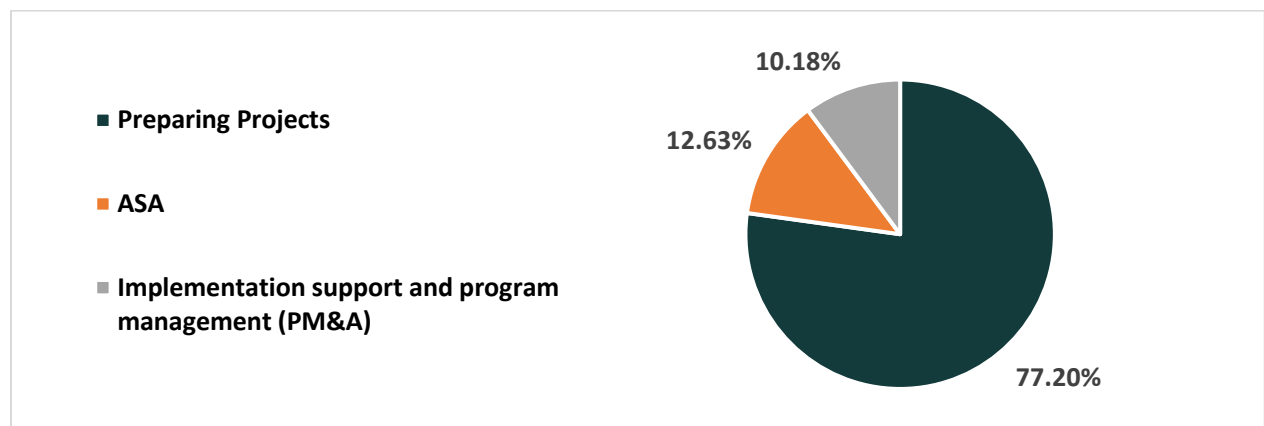
In the design of the HoA MDTF, the activities under Window were anticipated to trigger four different ways of financing investment projects, including direct financing, from IDA or other sources, as well as parallel and co-financing, and using the HoA MDTF as conduit for funding. To date, only direct financing by IDA has been used, however other types of financing remain available for development partners. Going forward, the HoA MDTF can progressively be used more to serve the function of analytics and technical assistance with the objective of crowding in and attracting investments from other development partners. Where the MDTF is supporting World Bank activities, the same can be broadened in scope to include participation from other development partners from inception, as illustrated in Fig. 1.



## MDTF Portfolio

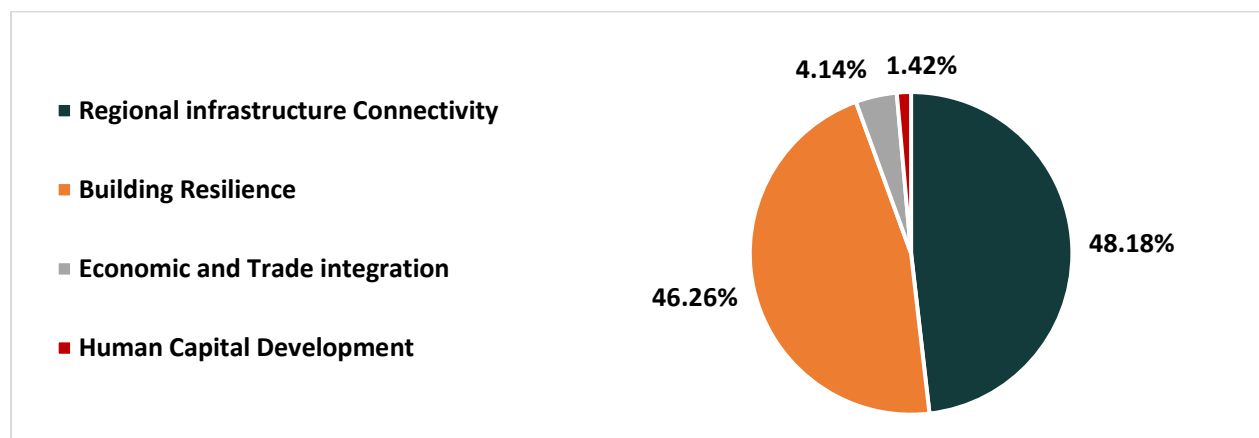
The HoA MDTF is characterized by three types of activities. The allocation of available funds has prioritized support for activities that leverage additional funding for regional integration, primarily through IDA credits and grants.

**Fig. 2: Type of activities:**





**Fig. 3: Funding allocation by HoAI pillars (Preparing Projects and ASAs):**



**Window 1: Technical Assistance to prepare and design investment-ready Projects and capacity building**

Under the preparing projects window, the HoA Multi-Donor Trust Fund has provided resources and grants to seven activities for the preparation for regional integration projects. One of the activities has been completed and six are currently active. “Somalia HoA Integrated Infrastructure Project (SHIIP)” and “Djibouti: De-Risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa (DRIVE) Project” are the two large projects that received \$5 million each from the MDTF to enable the countries participate in the regional IDA operation for optimized benefits. Both are Recipient Executed TFs (RETF) which are managed by the governments of Somalia and Djibouti respectively. Both activities are complemented by Bank Executed (BETF) activities to assist the governments by providing implementation support to the RETF activities.

The remaining three grants under Window 1 finance Bank Executed activities that explore new opportunities for regional energy and digitalization projects and to implement innovative approaches to create employment opportunities for refugees, which is an important spill-over effect of fragility in the HoA region.

**Table 2: Grants under Window 1**

SI	Preparing Projects	Grant Amount USD	Disbursement USD	Burn Rate
1.	Djibouti: De-Risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa Project (RETF)	5,000,000	325,366.60	6.5%

2.	Djibouti: De-Risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa Project (BETF)	184,038	184,038	100%
3.	Somalia HoA Integrated Infrastructure Project (SHIIP) (RETF)	5,000,000	0	0%
4.	Somalia HoA Integrated Infrastructure Project (SHIIP) (BETF)	180,000	33,296	18%
5.	Horn of Africa Regional Integration of Sustainable Energy Supply Project	1,000,000	51,695.45	5%
6.	Refugee Employment Advancement Program (REAP)	350,000	144,610	41%
7.	Green digital infrastructure and PCM for broadband connectivity in Ethiopia, Somalia and South Sudan	425,000	424,307	100%
	<b>TOTAL</b>	12,139,038	1,163,312	38.6%

The review indicates that activities under this window have the following salient features:

- The HoA MDTF provides vital resources to the HoAI member countries in the shape of a regional integration platform for building consensus and policy harmonization needed to initiate and prepare new regional integration projects and foster transboundary cooperation.
- The HoA MDTF enables deeper analysis of opportunities for regional integration, in cross cutting areas such as energy, infrastructure, economic integration, resilience and digitalization. These activities have the potential to scale up the outcomes and impact of climate resilience and human capital development operations. The analytic activities enhance the knowledge and understanding of the advantages of these regional integration activities among HoAI member countries and improve the possibility of scaled up concessional financing by Development Partners, including through Regional IDA and ADF credits or grants.
- The Recipient Executed grants from the HoA MDTF create stronger ownership of HoAI member countries for the regional integration projects and are essential to enable the relevant countries to participate in larger investment projects to integrate their economy and infrastructure into the regional economy. If the HoA MDTF had not provided the recipient-executed grants to Somalia and Djibouti, they would not have been able to participate in the IDA operations and avail of scaled up grant assistance.

Detailed descriptions of the projects under this window are included in Annex 1 to this report.

## Window 2: Advisory Services and Analytics on Regional Integration (RI) Priorities

Grants from this window of the HoA MDTF finance diagnostic and analytical activities, primarily aimed at developing shared knowledge and learning for the benefit of HoA countries and other development partners. In the HoA MDTF, these capabilities are being deployed effectively in scaling up support through concessional credits and grants. This window supports **eight** Bank Executed and **one** Recipient Executed grants, with a total value of **\$4,925,291.50**. These cover a broad range of thematic priorities, including trade facilitation, human development, digitalization, resilient medical supply chains etc. **Three grants have already been completed and six are currently active.**

**Table 3: Grants and Budget for Window 2**

SI	ASA	Grant Amount USD	Disbursement USD	Burn Rate
<b>BETF</b>				
1.	Strengthening Medical Supplies Supply Chain Management Systems and Capacity for Vaccine Manufacturing in Kenya and Ethiopia	200,000	112,060	96%
2.	HoA Study on broadband missing links and regional market enabling environment	200,000	199,681	100%
3.	Horn of Africa Umbrella Program -- Promoting Higher Skills Development for Women and Girls in the HoA (LEGALLY CLOSED)	199,990	199,990	100%
4.	Supporting Trade Integration Reforms in HOAI countries (LEGALLY CLOSED)	195,300	195,300	100%
5.	Digital Social Cohesion Tools	300,000	278,330	93%
6.	HORN of Africa Umbrella Program – Grant Supporting DRIVE Project Objectives	250,000	249,067	100%
7.	Adopting regional approach for reducing NTBs for border communities in Horn of Africa	430,000	322,522	75%
8.	Enhancing the Monitoring, Implementation and Impact of Horn of Africa Projects Using Digital Tools at the Portfolio and Project Levels	250,000	132,158	53%
<b>RETF</b>				
9.	Regional Policy Dialogue and Knowledge Exchange on Development Responses to Forced Displacement in the Horn of Africa	2,900,000	0	0%
	<b>TOTAL</b>	4,925,290	1,689,108	79.6%

The review indicates that activities under this window have the following salient features:

Despite the small size, these grants have a significant leveraging effect, as catalysts for further expansion of regional integration in the HoA. As they lead to better understanding and informed appreciation of regional integration and cooperation, they fuel a virtuous cycle of further demand for investments in regional integration through deployment of domestic as well as external development partner resources. Currently, all nine grants under Window 2 contribute to World Bank concessional or grant operations by providing diagnostics and analytics to inform the design and implementation of these programs. Other development partners supporting the Horn of Africa Initiative are equally placed to avail of the analytics and diagnostics to inform their regional integration strategy and operations. These strategic HoA MDTF grants are instrumental in leveraging substantial concessional and/or grant development finance in critical sectors such as infrastructure connectivity, trade facilitation, pandemic preparedness, digital development, human capital, climate resilience, especially in fragile areas.

This stock take of the HoA MDTF shows that to meet the objectives of the HoA Initiative requires funding for three sets of interrelated activities: diagnostics lead to improved knowledge and understanding of RI opportunities, which leads to incentivizing countries to undertake policy harmonization and other coordinated actions, which again leads to expanded opportunities for financing investment projects for broadening and deepening Regional Integration.

This value chain, i.e. taking diagnostics to develop investment opportunities for the priorities of the HoAI and subsequently preparing projects and securing funding for these investments is a vital sequence of activities needed to ensure the overall success of the Horn of Africa Initiative. The HoA MDTF contributes to these efforts by supporting countries to engage in addressing selected areas of knowledge gaps with a view to identifying solution-driven recommendations and evidence-based decision-making. One of the approaches the MDTF deploys to incentivize countries to adopt policy actions is developing HoA networks at the technical level and fostering provide peer-to-peer learning and knowledge exchange. The analytical products supported by the MDTF are selected on the following criteria: (i) potential to identify policy recommendations to advance the HoA Initiative agenda; (ii) complementarity with the HoA priority investment package; (iii) evidence of sufficient prior engagement on the thematic area with HoA countries; and (iv) ensure a reasonable balance between the four priority pillars under the HoA while keeping the MDTF demand-driven and country-led. Furthermore, targeted TA is provided for countries for implementing the key recommendations from the analytics. The targeted TA may be sourced from the HoA MDTF or from other funds at the disposal of task teams of the development partners and mainstreamed into project activities and components.

More detailed descriptions of the projects under this window of the HoA MDTF are included in Annex 1.

### **Window 3: Convening of countries and stakeholders - Implementation support and program management (PM&A)**

The Window 3 of the MDTF supports activities that facilitate and strengthen regional cooperation among the HoA member states, including ministerial and technical meetings and workshops on priority agendas. In addition, this Window also supports the Horn of Africa Initiative Secretariat/Coordination Support Team through a recipient-executed grant set up with the Inter-University Council of Eastern Africa, a specialized institution of the East African Community. The RETF with IUCEA became effective on Feb 4, 2022, with a total grant amount of \$1 million. To date, the World Bank has disbursed a total of USD 930,458, representing 93% of the grant. Broadly, this amount has been utilized for running the HoAI Secretariat and its core functions including convening the ministerial and technical meetings of the Initiative, communications, and outreach. The secretariat coordinates the production of technical documents for the ministerial meetings, prepares the communiqués, Chair’s annual reports, and monthly bulletins. It also supports the organization and logistics such as travel and accommodation, protocol etc of ministerial and technical meetings and manages communications and outreach activities including website, social media handles and audiovisual materials.

IUCEA has efficiently managed the resources to achieve the objectives of this recipient-executed grant from the Horn of Africa MDTF. In view of the satisfactory performance of IUCEA with the grant, the grant has been extended till 31 December 2025 and additional financing is being processed to top up the grant for maintaining the core functions of the Secretariat and program administration.

In addition, the HoA MDTF covers several other areas of responsibility. As with all Trust Funds, the principal responsibility is fiduciary management of the MDTF including supervising the grants. Additionally, there are responsibilities regarding the broader HoA Initiative, including providing technical advice to HoAI member countries, support and coordinate development partners in the HoAI and outreach with prospective development partners who could potentially support the HoAI.

**Table 4: Grants under window 3 - Implementation support and program management (PM&A)**

<b>SI</b>	<b>Grant</b>	<b>Grant Amount USD</b>	<b>Disbursement USD</b>
<b>1.</b>	<b>HoA Coordination Support Team Fiduciary Institution Project</b>	1,000,000	930,458
<b>2.</b>	<b>HOAI UTF PM&amp;A</b>	500,000	419,068
<b>3.</b>	<b>Regional Policy Dialogue and Knowledge Exchange on Development Responses to Forced Displacement in the HoA</b>	100,000	0
	<b>TOTAL</b>	<b>1,600,00</b>	<b>1,349,526</b>

## Lessons Learned

The Horn of Africa (HoA) is known for its long history of fragility, catastrophic droughts, and seemingly intractable conflicts. Stability and prosperity in the Horn are critical for the region and for the whole continent, especially now that it is being challenged with instability and climate change. Over recent years, the Horn of Africa countries have witnessed positive economic growth. Trends in poverty reduction have also been positive, however, the pace of poverty reduction has been too slow, and population growth too rapid, to reduce the absolute number of people living in extreme poverty. Between 2014 and 2019, growth in the HoA outpaced growth in Sub-Saharan Africa as a whole. The HoA region experienced an average GDP per capita growth rate of 4%, while Ethiopia achieving over 6% GDP per capita growth.

While the region has experienced economic growth, HoA countries and regional integration continue to face challenges from both internal and external factors. These challenges include the outbreak of conflict and humanitarian crises, political instability in Sudan, an ongoing food insecurity arising from successive drought. The HoA is extremely vulnerable to climate change, as it encompasses vast drylands, arid and semi-arid zones, pastoralist communities, and associated challenges of borderlands and its vulnerable populations.

Despite the relatively small size of the HoA Umbrella Trust Fund, it has been a pioneer in catalyzing regional integration in the Horn. It is imperative that the Trust Fund is scaled up through broadening and deepening its donor base. The following is a summary of the lessons learned from implementation so far of the HoA MDTF, based on feedback, insights and questionnaires responses of stakeholders including Task Team Leaders and the Donor.

### 1. Confronting challenges

**A key lesson is that the HoA MDTF is vital resource for countries that want to confront development challenges through a regional approach.** In particular, the HoA MDTF is playing a pivotal role in providing support to confront recurring climate shocks and drought. The Horn of Africa continues to experience the impact of climate change and drought for a fourth consecutive year. Climate change and climate-induced migration in the Horn of Africa could seriously exacerbate security risks in the region. About 36 million people are potentially severely affected, notably through loss of livestock and involuntary displacement of the affected population.

The HoA MDTF is directly supporting a regional project, named *De-risking, Inclusion and Value Enhancement (DRIVE)*, which is intended to alleviate this situation by enhancing pastoralists' access to financial services for drought mitigation, to include them in agricultural and livestock value chains, and facilitate livestock trade in the Horn of Africa. This activity addresses multiple challenges faced by pastoralist populations in the HoA, including trade barriers, fragility and climate change. The contribution of the HoA MDTF has been to provide the analytical underpinning of the project and to bring countries to a consensus on the approach to be taken.

The project aims to impact more than 1.6 million pastoralists drawn from 2,500 pastoralist groups over a five-year period. DRIVE will enable the region to adapt to the impacts of climate change, commercialize livestock production in pastoralist communities, and ensure the inclusion of marginalized and vulnerable groups, including women in the sector. One of its biggest achievements to date of this activity is to support collective action between Horn of Africa countries to address the impact of climate change on pastoralist populations and facilitate the livestock trade which functions as a driver of peace in this FCV environment. But for the HoA MDTF, Djibouti would not have been able to participate in and benefit from this project.

## 2. Political instability

**instability and flux continue to pose challenges to the HoAI and by extension for the HoA MDTF.** Persistent political instability and conflict in various areas in the Horn creates an environment of uncertainty which hampers long-term planning and deters prospective investors and donors from allocating resources. It must be recognized as a significant impediment to economic and social development.

To address these challenges, the HoAI and the HoA MDTF has adopted a proactive approach that involves increased activities and deepening regional integration in the Horn of Africa, as well as implementing additional communications activities to highlight the achievements of the countries in the region, including high levels of growth. This approach has the potential to mitigate the risks associated with instability, particularly through its emphasis on marginalized borderlands and private sector engagement. These have been recognized as important instruments for promoting stability and fostering increased prosperity in the region. The recently adopted roadmaps, i.e., the private sector engagement roadmap and the roadmap for accelerating development in borderlands in the Horn, are strategic plans that outline activities to achieve specific objectives. The implementation of these roadmaps will help to address political uncertainties in the HOA program. This may require additional finances to support various activities including infrastructure development and private sector engagement. These roadmaps provide development partners with the opportunity to play a crucial role in the HOA by providing financial and technical assistance to ensure the successful implementation of these roadmaps.

By fostering a more integrated Horn of Africa, the MDTF can incentivize investors and donors to provide additional resources to tackle the compounding challenges of insecurity, conflicts, displacement, poverty and climate change. Through concerted efforts, the region can work towards building resilience, reducing vulnerability, and improving the socio-economic conditions of the approximately 55 million people facing food insecurity and the 57 million living in extreme poverty. It is crucial to recognize that these challenges are shared among the countries in the region, and the HoA Trust Fund plays a critical role in supporting this regional platform to build the foundation for greater cooperation and economic integration.

### 3. Convening is central to regional integration

**Supporting the ministerial and technical meetings, as well as the HoAI secretariat, is a core priority for fostering regional integration.** The HoA MDTF recognizes that the core institutions of regional integration, such as the HoAI Secretariat, are essential elements in the successful implementation of the HoA Initiative's objectives. To facilitate and strengthen regional cooperation among the HoA member states, the Trust Fund supports activities such as ministerial and technical meetings and workshops on priority agendas. Despite the relatively small allocation of resources (approximately 10% of total grants) for convening countries and stakeholders, it plays a crucial role in providing a platform for dialogue, information exchange, and collaboration. The ministerial and technical cooperation platforms also serve as crucial forums for building regional policy harmonization and coordination that can serve as the basis for investment operations in the region.

### 4. HoAI Secretariat

The role of convening by the MDTF is amplified by the support provided to the HoAI secretariat. This support is highly valued by the member countries and by development partners. The support, which includes assistance with the HOAI website, will continue to be an important mechanism, as it facilitates collaboration between all stakeholders and strengthening partnerships. It amplifies the impact of donor contributions by fostering collaboration, promoting information exchange, and strengthening partnerships.

### 5. Private Sector Engagement

In addition to its support for ministerial and technical meetings, the HoA Trust Fund has also provided additional assistance to facilitate and convene the private sector. Recognizing the importance of private sector engagement in the Horn of Africa, the Trust Fund aims to create a conducive environment for increased private sector involvement at both regional and international levels. This includes encouraging private sector participation in policy formulation and promoting investments in the four pillars of the Horn of Africa initiative.

### 6. South-South Knowledge Exchange

The findings in this area also point to the importance of the opportunities for peer-to-peer learning among stakeholders involved in regional integration. In other contexts (e.g., EU accession countries) this has proven to be a valuable tool to enhance capacity but also to strengthen the impetus for closer collaboration. The HOA offers unique opportunities to bring technical experts from different countries together to exchange knowledge and experience gained by implementing RI activities.



## 7. Donor Coordination

This is a topic on which progress and results can be achieved. Development partners and World Bank staff implementing HoA MDTF activities all mention the need for closer collaboration between development agencies in support of regional integration. There are two aspects to closer coordination: collective action in addressing evolving regional challenges such as climate change and FCV situations, and coordination of funding streams. It is essential that development partners including the World Bank develop a stronger, shared approach and vision to regional integration – not only in the Horn of Africa. Fragmentation or uncoordinated efforts play an even more prominent - and potentially damaging - role in regional integration situations where differences in approaches and priorities often multiply into larger obstacles for development.

## 8. Increasing demand for resources

The HoA Umbrella Trust Fund is making significant contributions by providing resources to unlock new programs and scaling up current activities, addressing critical needs in the Horn of Africa region. These resources have been instrumental in fostering development and promoting regional integration and cooperation. However, as countries increasingly recognize the pivotal role of regional integration as part of their development trajectory, the demand for support and resources multiplies extensively. In the Horn of Africa, the member countries rely more and more on the HoA MDTF to provide resources and to empower their initiatives. As a result, the demand for HoA MDTF support has escalated significantly. It is very likely that demand is even greater in other parts of Africa that are not served by an instrument like the HoA MDTF.

## 9. Leveraging Concessional Development Finance

The HoA Trust Fund plays a prominent role in raising funding for HoAI priority investments, including financing by World Bank operations. Out of the 19 grants, 16 directly contribute to the design and scope of 11 Regional IDA operations in the Horn. This demonstrates the Trust Fund's commitment to shaping and implementing impactful projects that address the specific needs of the region. The outputs from HoA MDTF activities have so far not yet been used directly to leverage financing from other sources. As indicated in Fig 1 above, there are several options for development partners to finance investment projects related to the HoAI. Additional efforts are needed to share these investment opportunities with development partners and leverage other funding sources in addition to IDA.

## 10. Communications and Visibility

The HoAI faces a significant information gap. As consequence of long-term constraints and obstacles faced by the region, external parties including investors and development partners hold a negative view of the region and lack up to date information about opportunities and positive developments which support investments and growth in the region. Investments and support for

the region would benefit from collective efforts by the HoAI, the HoA MDTF and by supportive development partners. To raise the level of information available and disseminated across the community of development partners, including the private sector. A Communications and Visibility Plan (CVP) with this objective needs to be generated.

## The Task Ahead

Along with the considerable progress made, the Horn of Africa still faces recurring challenges that require targeted interventions for sustainable development. The recommendations below provide a list of actions and approaches to enhance the impact of the HOA MDTF. To ensure comprehensive and lasting impact, there is a pressing need to scale up activities. This will require additional resources, including funds for the HoA MDTF to cover the immediate financing gap to meet increased demand in the Horn of Africa and the potential to expand the impact of the HoAI by supporting RI activities across Africa.

The high satisfaction reported by client countries in project preparation and technical assistance further underscores the importance of scaling up the Multi-Donor Trust Fund. It reflects not only the significance of financial support but also the efficacy of the approach followed by the Trust Fund in fostering successful engagements. The Trust Fund's commitment to providing technical assistance and ensuring effective project preparation has been instrumental in achieving positive outcomes and driving sustainable development in the region.

## Recommendations

The recommendations that flow from these lessons learned can be summarized as follows:

- 1. Adopt a demand-driven approach to regional integration.** Demand for regional integration, and requests for support from a fund such as the HoA MDTF, is high and growing exponentially when countries seek support in their efforts to address the most difficult regional challenges that countries face. Evidently, this includes the impact of climate change, but also a wide range of other challenges that need to be addressed on a regional scale, such as pandemics, digital connectivity, regional energy and water management. Also, fragility and conflict situations frequently require a regional approach, to address spill-over effects but also to mitigate the underlying causes of conflict.
- 2. Scale up regional integration in the Horn of Africa and other regions by developing a comprehensive approach to leverage funds for regional operations.** This comprehensive approach spans the value from diagnostics >> project preparation >> leveraging funding for investment opportunities >> support to implementation. TF resources can play a vital role in kick-starting this process, leading to IDA and other sources funding leveraged for implementation of investments. Leveraging funding from other development partners is

essential, as well as making HoAI countries more attractive as destinations for private investments.

- 3. A well-resourced regional integration fund can leverage support and collaboration between larger and smaller economies in a regional context.** This has been shown in the context of the HoAI. This approach is directly aligned with the development partners' approach to regional integration, which aims to increase the involvement of bigger economies in Africa for regional integration. This fund will also be a catalyst for donor coordination, by bringing together different funding streams in stronger alignment.
- 4. Demand for support and funding for regional integration grows exponentially.** RI is a typical "success breeds success" story, since positive achievements and results will attract more countries to engage in RI activities, or existing countries to widen the scope of RI activities. The impact of positive results, such as achieved by the HoA MDTF, has a multiplier effect in a regional context. When several members of a regional integration initiative see positive results, multiple countries will demand similar support – which can create a resource constraint.
- 5. Support to the core institutions of regional integration is vital.** This is especially relevant in regions with significant fragility. To get the full benefit of RI activities, FCV countries will need to strengthen their core institutions. Not only do these institutions need to have the capacity and capability to lead the regional integration effort, it is also essential that they strengthen the ownership of the regional integration initiative and that they can push the member states to adopt domestically any measures relevant for regional integration (e.g., legislation).
- 6. Scaling up of the HoA MDTF to cover all of Africa will significantly broaden the impact of regional integration for development across the continent.** The positive results of the HoA MDTF set an example that can be applied across Africa. There is a wide range and variety of regional integration initiatives across the continent. Many of these will benefit from a fund that provides support like the HoA MDTF. This comes with the importance of increasing visibility that would be useful to attract more substantial funding, increased visibility would include highlighting donors' contributions in annual reports, newsletters, communications materials, and a customized report that provides details on the use and impact of their funds. In addition, creating a dedicated section on the Horn of Africa revamped website that demonstrates and emphasizes donors' contributions, impact and projects details.
- 7. Greater attention is needed for communications and visibility of RI activities.** This aligns directly with the "success breeds success" aspect of RI activities. Communications and

visibility will increase opportunities to leverage funding for RI activities and can potentially install an element of 'peer pressure' among member countries of RI initiatives. Visibility is also essential for raising and maintaining interest of development partners.

**Implementation of these recommendations requires a collective and sustained effort led by the member countries of the Horn of Africa Initiative and the supporting regional organization – IGAD, complemented by unwavering and demand-driven assistance from the development partners supporting the Initiative – AfDB, BMZ, European Union, FCDO UK and the World Bank. The Initiative remains an open and inclusive platform to build a stronger and bigger coalition of the willing to strengthen regional development and cooperation in the Horn of Africa.**

**In the meantime, concerted efforts are being made for expanding the donor base of the MDTF and consultations with several prospective donors are on.**

## Annex 1: Details of HoA MDTF funded projects<sup>4</sup>

### **Window 1: Preparing Projects**

#### **1. De-Risking, Inclusion and Value Enhancement of Pastoral Economies in the Horn of Africa**

The objectives of this project are to enhance pastoralists' access to financial services for drought risk mitigation, include them in the value chains, and facilitate the livestock trade in the Horn of Africa.

This project is supported by three HoA MDTF Grants: two Bank Executed grants, of which one is closing and is almost fully disbursed, and another just started and one Recipient Executed grant, implemented by Djibouti.

HoA MDTF support is directly connected with DRIVE, which is a regional World Bank project focusing on i) pastoralists' access to financial services for drought risk mitigation and ii) trade facilitation and private investment in the regional livestock value chains, to enhance pastoralists' access to markets. One of its biggest achievements is to support collective action between Horn of Africa countries to address climate change and facilitate the livestock trade, which functions as a big driver of peace in this FCV environment.

#### **Overall progress**

The support by the HoA MDTF is contributing to trade facilitation for livestock. The Djibouti RETF, in conjunction with the other countries' programs, has facilitated discussions between Djibouti, Ethiopia, Kenya and Somalia on the mobilization of private investment in the regional livestock value chains, and on the harmonization and interoperability of livestock traceability systems between the countries.

The initial BETF was used for the preparation of the DRIVE project. The grant produced two detailed business plans to assess private sector investment, one in a Kenyan County (Laikipia) and another one in Ethiopia to privatize the Jigjiga quarantine. The Ethiopian client has prepared terms of reference to recruit a transaction advisor to move ahead with the privatization of the Jigjiga quarantine. In Kenya the investment proposal for a vehicle to support the grass-fed red meat value chain is under review. Overall, this grant helped identify key bottlenecks that should be addressed by the public sector to attract private investment in the livestock value chain.

The RETF implemented by Djibouti will finance the component 2 of the Project in Djibouti: it became effective in January 2023 and the first disbursement is effective; activities have started and include the establishment of a livestock value chain fund, the facilitation of livestock trade between Ethiopia and Djibouti and the strengthening of the Djibouti standards agency.

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<sup>4</sup> The descriptions are for Window 1 and Window 2 only. Window 3 deals with program management and administration expenses only.

The BETF which started in 2023 will enhance the monitoring and evaluation of the DRIVE project in all countries. Activities implemented so far include the collection of data and training of implementing agencies to geo-map the project activities using the Geo-Enabling initiative for Monitoring and Supervision (GEMS) process. In addition, the team is collecting results stories on very strong start of the project to enhance access of pastoralists to financial services.

## **2. Somalia HoA Integrated Infrastructure Project (SHIIP)**

The Development Objective of this project is to prepare a spatially coordinated investment pipeline of economic corridor projects, and to strengthen the national government's management of the transport and trade sectors. The Grant will co-finance component 1 Development of 400 km plus of Somalia's Regional Corridors in the amount of \$4.8 million; it also co-finances one activity (Trade Facilitation Capacity Building) of component 3 (Institutional and Capacity Development).

The grant provides co-financing for an IDA project of \$63 m. The IDA project is approved and awaiting client actions for effectiveness. Early inclusion in the MDTF is based on the MDTF PC's decision it could be included with the project as co-financing (thus avoiding parallel processing of the MDTF grant). The project funded by the HoA MDTF includes both a RETF and BETF. The purpose of the latter to provide supervision of the RETF as per standard practice.

## **3. Horn of Africa Regional Integration for Sustainable Energy Supply (HoA RISES)**

This project supports activities in selected Horn of Africa (HoA) countries (Djibouti, Ethiopia, Kenya, Sudan, and Somalia) for regional interconnectivity, electrification, and access to clean cooking solutions.

Firstly, the grant will fund activities to ensure the feasibility and implement ability of the project design, including transmission line expansion and rehabilitation, as well as studies seeking to inform project design and implementation. Secondly, the grant will fund activities directed to supervise project implementation, as well as to perform capacity building and training of the implementing agencies. Mentioned tasks will facilitate the implementation stage of the project and will ensure a more effective project delivery. Both sets of activities will contribute to the project development objectives of enhancing regional integration and improving energy access in the borderlands of the Horn of Africa by enhancing the quality of project design and implementation, and by strengthening the capacity of the implementing agencies, thereby promoting a more effective and successful project delivery.

## **4. Refugee Employment Advancement Program (REAP)**

The grant aims to identify a suitable outcome-based funding model towards mobilizing job-creating private investments and integration programs for quality employment and self-sufficiency of refugees and vulnerable populations in the HoA. With a focus on women and youth, this is aligned with the HoAI priority to address resilience through local employment for sustainable transition from development assistance towards more market-financed programs.

The REAP BETF is being used to design an outcome-fund based model/approach to create quality private sector-led employment and entrepreneurship opportunities for refugee and host communities in the HoA – a region comprising some of the world’s more buoyant economies and an emerging entrepreneurial and innovative business community. With a focus on women and youth, the REAP initiative seeks to unlock financing from the private sector, including from aid agencies, as well as strengthen the accountability in the delivery of employment and entrepreneurship outcomes by service providers via linking financing to the achievement of measurable, pre-agreed results.

## **5. Green digital infrastructure and PCM for broadband connectivity in Ethiopia, Somalia, and South Sudan**

The grant has successfully provided technical assistance to project design and preparation of the Eastern Africa Regional Digital Integration Project, which was approved by the World Bank Board on May 18th, 2023; as well as facilitated knowledge exchange among the target countries (Ethiopia, Somalia and South Sudan) and beyond covering the Horn of Africa more generally.

On support to project preparation, the activity ensured at design stage that the above project incorporated approaches to green digital infrastructure deployment and private capital mobilization for broadband internet connectivity as well as data center. The project includes Somalia, South Sudan, the East African Community (EAC) and the Intergovernmental Authority for Development (IGAD) with the objective of advancing digital market integration in the Eastern Africa region by increasing affordable access to regional broadband connectivity and strengthening the enabling environment for cross-border digital services. Since going to Board, Phase II of this project including Djibouti and Ethiopia has been under preparation for Board December 1, 2023. The TA in the design of the project supported by the HoA MDTF has also benefitted the design of Phase II.

On knowledge exchange, this activity has supported active exchange between the target countries as well as the regional bodies, EAC and IGAD, on the designing the regional project with regional objectives in mind (i.e., cross-border fiber deployment, data exchange, digital payment interoperability) during project preparation and most recently through an in-person workshop in Addis Ababa on September 19th and 20th, 2023. During these two days delegates from the ministry of communications and communications regulators from Djibouti, Ethiopia, Kenya, Somalia, South Sudan; as well as representatives from EAC and IGAD, presented their portion of the project and discussed common objectives in internet connectivity, cybersecurity, data exchange and digital financial payment. This workshop also served as the launch of the Eastern Africa Regional Digital Integration Project.

This activity provided resources to ensure sound design of the project, bringing in technical assistance on green infrastructure deployment. This has been critical as the HoA region has a significant deficit in broadband infrastructure and Data Centers which presents them with an opportunity to start out with energy efficient and climate shock resilient infrastructure.

The project also facilitates important dialogue around crowding-in private investments in building a resilient broadband infrastructure for the Horn. Due to the fragility of differing degrees in the region, there has been little private investment. There are no international or regional telecom operators in Somalia for example. The activity supported WB-IFC-MIGA discussions on how to crowd-in private investments in these difficult contexts. During these discussions, MIGA noted that they would not enter unless there was WB presence, and it was agreed that they will consider offering investment or guarantee support when the competitive tenders go out for the infrastructure deployment.

The activity provided a unique opportunity for knowledge exchange between the countries. The digital sector in the Horn of Africa region including the three target countries are still underdeveloped and not meeting the latent demand especially in Ethiopia with its large and young population. The digital sector governance framework is also nascent. For example, Djibouti, Ethiopia, Somalia and South Sudan's national telecom regulators were only established in the past five years. The face-to-face workshop provided government representatives both from the policy and technical levels to get to know each other and moreover, they realized that they have common challenges and objectives which they would achieve faster together.

## **Window 2: Advisory Services and Analytics**

### **1. Strengthening Medical Supplies Supply Chain Management Systems and Capacity for Vaccine Manufacturing in Kenya and Ethiopia.**

The Project Development Objective is to support Africa CDC to strengthen continental and regional infectious disease detection and response systems.

In collaboration between The World Bank and IFC teams, a protocol was developed to conduct a deep dive and diagnostic of select identified segments of the pharmaceuticals manufacturing value chain (mapping the pharmaceutical value chain and skills gap analysis).

The Grant has played a critical role in supporting the Government of Kenya towards advancing the manufacturing agenda of vaccines and pharmaceuticals.

The Grant supported the Ministry of Health, Kenya in the following ways:

- Recruited and 'seconded' an international consultant with extensive experience in manufacturing of vaccines, having worked for AstraZeneca for close to 3 decades. The consultant provided advisory services to the government, and they were going through the process of conducting feasibility assessment and putting mechanisms in place to establish a manufacturing facility.
- Provided TA to the government to conduct the second phase of a "Feasibility assessment for the manufacture of human vaccines and other biopharmaceuticals in Kenya"
- Provided TA to the government towards review of human vaccine manufacturing in Africa and the legal and regulatory environment for vaccine manufacturing.

### **2. HoA Study on broadband missing links and regional market enabling environment:**



The World Bank is conducting a series of studies for selected countries in the Horn of Africa region, to identify demand for international capacity and supply needs countries to either get new access to a submarine cable and/or requirements for bulk purchase, as well as terrestrial infrastructure needs. In particular, the focus is to assess to what extent private financing could be leveraged and to identify public financing needs, if any, that would facilitate crowding-in of private investments. In this respect, the assignment will include an assessment of existing entry and market structure bottlenecks and recommend solutions. The objective of this study is three-fold: (i) identify infrastructure investment gaps (both submarine and terrestrial) to increase access to and transmission of international capacity to the HoA countries; (ii) identify options to fill the missing gaps focusing on crowding-in and maximizing private investments; (iii) recommendations on a regional open access strategy and other regulatory levers to advance regional broadband market development.

### **3. Promoting Higher Skills Development for Women and Girls in the HoA**

To assess and provide recommendations related to the challenges and opportunities for women and girls to develop higher skills via post-secondary and lifelong learning opportunities.

### **4. Supporting Trade Integration Reforms in HOAI**

MDTF funded is requested to support closer trade Integration between countries in the Horn of Africa, for which the Bank is a leading partner. The objectives are: a) the formulation of reform roadmap that identifies priority trade policy, NTB, and trade facilitation reforms to achieve closer trade integration based upon engagement and policy dialogue with members countries and development partners; and b) explore ways in which the WBG can support the HoA countries to implement this reform roadmap including through a potential new trade facilitation operation and through leveraging different instruments (concessional credits/grants, DPL-PBCs, TA, etc).

### **5. Digital Social Cohesion Tools**

The grant supports implementing agencies to design, pilot and scale-out digital innovative tools for improving social cohesion and resilience in project locations as well as uptake by partner projects. Activities have so far developed digital tools for eDRDIP, with focus on participatory processes for social legitimacy and social cohesion. Four main activities have been completed:

- a. A scoping mission including training of key federal and regional government counterparts on the user-centered design approach, a design workshop in Jigjiga (Somali Region), formation of technical team, and consultations with woreda and community users and stakeholders.
- b. Development of high-fidelity prototypes for three priority tool components: core participatory CDD process at the community and woreda level, its project staff and community capacity building mechanisms as well as its grievance redress mechanism (GRM).
- c. Initial testing of the prototypes with federal, regional, woreda and kebele-level users. As of the end of March 2023, testing was complete at federal and regional levels but ongoing with woreda and kebele level users. This was because an initial mission in February 2023 was

cancelled due to the security situation in Jigjiga (Somali Region). Additional capacity building was virtual and the Regional PCU will itself conduct the prototype testing at the Woreda and Kebele with virtual backstopping from the Bank technical team.

- d. In addition, an operational note on models for incentivizing collaboration, trust and social cohesion between community groups in Somalia is under preparation. This will be relevant to Community and Local Development (CLD) operations tackling social cohesion in the Horn.

## **6. HORN of Africa Umbrella Grant supporting DRIVE Project Objectives**

The objectives of the project are to enhance pastoralists' access to financial services for drought risk mitigation, include them in the value chains, and facilitate the livestock trade in the Horn of Africa

### **7. Adopting regional approach for reducing NTBs for border communities in Horn of Africa**

The grant will help expand knowledge on already identified constraints and propose actionable series of reforms for governments and institutions to unlock greater participation from the private sector. The work under this grant will also help continue the dialogue and identify policy priorities of stakeholders to ensure that HoA countries are aligned in key areas for the multi-sectoral development of trade corridors that are being supported by the WBG and other development partners.

The Grant aims to strengthen the analytical underpinnings of the AFE Regional Trade and Investment Facilitation Project. The TF will fund several studies to achieve this goal, including developing a Horn of Africa (HoA) Private Sector Engagement (PSE) Roadmap, an analysis of the institutional structure and coordination mechanisms for trade, an analysis of non-tariff barriers and identification of workable solutions in the HoA region, a competition and political economy analysis for transport and logistics, and an analysis to support small-scale traders.

### **8. Enhancing the Monitoring, Implementation, and Impact of Horn of Africa Projects Using Digital Tools**

The Grant Financed Activities will help to systematize the use of the Geo-Enabling method for Monitoring and Supervision (GEMS) across the Horn of Africa regional portfolio. It will provide support to both individual regional projects, as well as for portfolio monitoring and coordination among projects within a single dashboard. GEMS has been used extensively in FCV contexts, including across the Horn of Africa, to leverage field-appropriate, low-cost, and open-source technology for digital real-time data collection and analysis, as well as to enhance remote supervision, implement real-time risk monitoring, and strengthen coordination among projects and partners. It creates customized digital M&E systems to enhance the transparency and accountability of implementation across the project cycle. If used systematically across the regional portfolio, the data provided by GEMS would enable a more strategic oversight of the regional portfolio. Such a mapping platform – building for example on the Horn of Africa RRA dashboard – can strengthen portfolio-wide supervision (which could include both regional and

national projects) and real-time risk monitoring. This would also provide a platform for cooperation on development activities with Horn of Africa Initiative partners, including the African Development Bank (AfDB) and the EU. Joint portfolio mapping and supervision systems that show who is doing what, where and when, across different donors can significantly help with strategic planning and coordinating of interventions, to maximize impact and avoid overlap.

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