

Headings Covered in this issue



Policy forum on Illicit migration



Enhancing The Development Of The Private Sector For Inclusive Growth And Job Creation In The IGAD



Macroeconomic Performance of the IGAD Economies and the Implication of China's Economic Slowdown

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Managing Director's Statement

The Horn Economic and Social Policy Institute is dedicating its flagship annual conference on IGAD economies on the critical issue of “productive employment for youth in the sub region”. The Institute and its partners aim to focus the attention of the region’s policy makers and researchers on the magnitude and the risks associated with youth unemployment as a likely constraint on sustainable economic transformation and social progress.

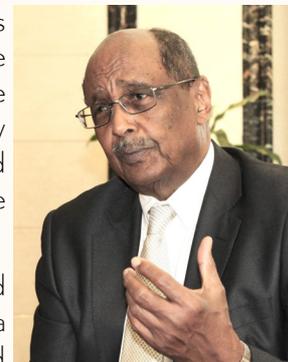
Despite positive trends in some IGAD countries, including sustained economic growth and improvements in education and health, a large proportion of the youth in IGAD suffer high rates of open and disguised unemployment. The challenges faced by the youth in the sub region are multi-dimensional. A very slow pace of jobs creation and low participation of the youth in domestic economic opportunities is exacerbated by the lack of adequate skills, education, and experience.

The youth in the fragile states of the sub region confront particular challenges, with employment opportunities limited by economic stagnation, insecurity and instability, lack of institutional capacity, and associated poor socio-economic and political governance. Long periods of unemployment among the vulnerable youth and lack of education and health opportunities in turn fuels conflict and insecurity, with the jobless youth falling prey to unscrupulous militias. Pandemic unemployment and lack of opportunities also drive illicit migration through untold hardships and dangerous routes.

A large proportion of the vulnerable youth face these severe challenges and lack the skills and opportunities for productive livelihood. Hence, there is growing awareness among various government officials of the urgent and persistent challenge of addressing youth unemployment in the IGAD region and the rest of Africa. Limited employment opportunities, owing to attendant low expansion in economic activity, and in particular employment intensive activities in agriculture, industry, trade and investment in the region needs to be addressed as a matter of urgency.

Accordingly, this year’s planned conference on IGAD economies “on youth unemployment and creating opportunities for addressing this critical issue” will be held on 24-26 September 2017 in Khartoum, Sudan, taking consideration of the urgency of high unemployment and underemployment of youth, and the low generation of productive employment in the region; the 2017 Conference on IGAD Economies is focused on knowledge sharing and dialogue on policy issues pertinent to creation of employment opportunities for youth, and addressing the attendant migration and dislocations in the region and beyond. The conference will inform policy makers and other development stakeholders on challenges and policy options in tackling youth unemployment and, on “trade and investment policies for inclusive growth and employment generation

Ali Issa (PhD)



The London Somalia Conference on diaspora and civil society contribution



Participants at the London Somalia Conference

The Managing Director of HESPI participated in a major international conference on Somalia held in London on 10 – 11 May. The conference brought together leaders from around the world, this conference accelerated progress on security sector reform, built on the international response to the ongoing drought and humanitarian crisis and agreed on a new international partnership to keep Somalia on course for increased peace and prosperity by 2020.

Key speakers included the Prime Minister of the UK, Theresa May, President Farmajo of Somalia, UN Secretary General Guterres, and Chairperson Faki of the African Union. The conference focused on the agreement of a Security Pact,

adopted by Somalia and the international community, which will allow for sustainable, long-term security based on mutual accountability. The conference also adopted of a New Partnership for Somalia by the delegations, to re-commit to working together and holding each other account to deliver the vital support and reforms that Somalia requires to attain recovery and stability.

The country's development partners are assisting Somalia with a strong focus on state building, stabilization, and supporting more effective and accountable institutions, as well as through the support to the Somali National security forces. This New Partnership sets out how Somalia and the international community will work together to meet the nation's most pressing political, security and economic needs and aspirations. The agreement promotes mutual accountability between Somalia and the international community. It links Somali ownership of, and responsibility for, the direction and pace of Somalia's progress in the years to come with better alignment, coordination and improved transparency of international aid.

HESPI assisted the ACBF to launch the 2017 Africa Capacity Report in Addis Ababa

The African Capacity Building Foundation (ACBF) launched its flagship publication, the 2017 Africa Capacity Report (ACR 2017) which was on the theme: *Building Capacity in Science, Technology and Innovation for Africa's Transformation*. The Report was launched in collaboration with the Economic Commission for Africa and the Department of Human Resources, Science and Technology of the African Union Commission.

The Report was also simultaneously launched in the ACBF regional office in Accra, Ghana, and in countries where case studies have been conducted for the production of ACR 2017. The country launches were in Cameroon (Yaoundé), Ethiopia (Addis Ababa), Morocco (Rabat), Nigeria (Abuja), Rwanda (Kigali), Tanzania (Arusha), Togo (Lomé) and Zimbabwe (Harare).

The ACR 2017 recognizes that with the adoption of Agenda 2063, the commitment of Africa to the Sustainable Development Goals and the industrialization strategy, STI is critical. Furthermore, the 23rd Ordinary Session of African Union Heads of State and Government Summit adopted a 10-year Science, Technology and Innovation Strategy for Africa (STISA-2024) in June 2014. The strategy is part of the long-term people-centered Africa's development blueprint, "Agenda 2063". The Agenda is underpinned by science, technology and innovation (STI) as engine of sustainable economic transformation. STI is considered as a tool and enabler for achieving Africa's development goals.

Although there is extensive literature in the form of reports and policy documents that have argued for an expansion of STI, most of them fall short on how the capacity for science, technology and innovation can be developed to benefit Africa. It is against this background and taking into account the crucial role STI is playing in sustainable development that the ACR 2017 focused on the capacity dimensions of the STI issues. More specifically, the Report measures and empirically assesses capacity for STI in relation to the development agenda in African countries.

The Horn Economic and Social Policy Institute, an independent, non-profit think tank based in Addis Ababa, supported and assisted the ACBF launch of the ACR 2017 in Ethiopia on March 28, 2017.



Panelists at the launching of the 2017 ACR report

HESPI Policy Forum on Illicit Migration from the IGAD Region and its Implications

Eastern Africa in general and the IGAD region in particular are one of the primary sources of illicit migrant flows and large stocks of migrants and internally displaced people.

Although the exact number of illicit migrants that originate from the IGAD region varies, nationals of the member countries constitute a significant share of the total migrants that arrived in Europe in 2016.

In that context, the Horn Economic and Social Policy Institute held a policy forum on illicit migration from the IGAD region and its implications on 10 March 2017, in Addis Ababa. The forum was attended by various experts from the International Office for Migration (IOM) Ethiopia office, Life and Peace institute, local experts, policy makers, representatives of various embassies, members of the academic community, civil society and NGO representatives.

The forum discussed the relevant push and pull factors that influence the outflow of migrant from the world in general and IGAD member countries in particular. A special focus of the discussion was also on the extent and specific reasons of the outflow destined to Europe and the hardships migrants go through in an attempt to reach their intended destination.

Various issues related to the factors that influence the decision to migrate and policies to mitigate the problem were discussed by the panel presenters and the participants.

The participants appreciated the effort to raise such a timely and urgent issue affecting both the source and receiving countries and insisted such discussions should continue by including a wide range of stakeholders. The meeting was concluded by highlighting HESPI's commitment to continue bringing such pertinent issues as it has done, so far, by organizing relevant policy forums.



Panelists at the Policy Forum



Participants at the Policy Forum

Training for Officials of the Central Banks of South Sudan & Ethiopia

As part of its capacity building portfolio to the financial institutions in the IGAD region, HESPI conducted a capacity building training for selected Central Bank staff members in the region in collaboration with the Kenya School of Monetary Studies in Nairobi on 12-23 June 2017.

The training was designed to expose the participants to critical functions of central banks, including monetary policy formulation and implementation, bank supervision, currency management, financial markets operations, banking and national payments systems including the legal framework governing the operations of central banks. The focus of this capacity building was on training of trainers (TOT) program. The participants were prepared to train other staff members upon return to their respective central banks for wider reach.



Group photo of the trainees

2017 Annual Meetings of the African Development Bank

The Managing Director of HESPI attended the 2017 Annual Meetings of the African Development Bank (AfDB) in Ahmedabad, India on 22-26 May. The focus of the 52nd annual meetings of the Bank was "transforming agriculture for wealth creation in Africa."

The Board of Governors endorsed the renewed focus on the transformation of African agriculture in the context of the global commitment to end poverty and overcome hunger and food insecurity. In their final communique, they encouraged the Bank to work with other donor agencies to crowd in financial resources and policy tools to unlock the potential of the sector and to fast-track the achievement of Africa's agricultural transformation. They also commended the Bank's role in attracting more investment for youth in agriculture and the implementation of the Bank's Jobs for Youth in Africa Initiative, and its partnerships for enabling access to agribusiness as a driving force for agricultural transformation.

The meeting also applauded the Bank's role in the New Deal for Energy in Africa, which aims at providing millions of households with electricity by 2025. The AfDB President thanked Prime Minister Modi of India for hosting the meetings with his presence. "Let us make history together for Africa" the AfDB President said. He said that the Bank needed "bold optimism" backed by greater financial resources comparable to the kind of optimism that made Warren Buffet give US \$30 billion to the Bill and Melinda Gates Foundation in 2006, to do more for the world.

Over 3,500 top government officials, business leaders, representatives of NGOs, civil society, as well as members of the academic community and the media participated in the

Annual Meetings, which were preceded by high-level meetings, symposiums and seminars on the Bank's High 5 priorities - light up and power Africa; feed Africa; industrialize Africa; integrate Africa; and improve the quality of life for the people of Africa.

In line with the central theme of transforming agriculture for wealth creation in Africa, many of the high-level meetings explored how India and Africa can work together in order to achieve their shared goal of rural and agricultural transformation, which would go a long way in reducing rural poverty and improving the quality of lives of rural people.

A special session on India-Japan co-operation for the development of Africa was held under the aegis of Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA) and Japan Bank for International Co-operation (JBIC), in cooperation with their partner organizations in India on the promotion of African business through private-public partnerships between Japan and India in support of African businesses.

A ministerial roundtable discussion dwelt on developing partnerships between Africa and Asia trade and capital flows between the two continents. Entrepreneurship, private sector development in Africa, Asian lessons on human capital and technology in development were also discussed in the sessions.

The Gandhinagar/Ahmadabad meetings were the fourth time that the Annual Meetings of AfDB were held outside Africa. The first such meeting took place in Valencia, Spain in 2001; the second in Shanghai, China in 2007; and the third in 2011 in Lisbon, Portugal. Busan, Korea, will host the 53rd meeting on May 21-25, 2018.

HESPI Information Communication Technology Policy manual

HESPI believes that the management and governance of ICT is an issue that faces all firms today mainly due to its fast changing nature and its utility in the organizational setting. Its utility is more pronounced in policy research and dissemination institutions like HESPI where much of the research work and the dissemination of the findings are heavily dependent on ICT.

Driven by this fundamental belief and recommended by the ACBF external auditor, HESPI is determined to institute an ICT management procedure to assist it in meeting its strategic goals through ensuring better communication and information/knowledge management as well as effectively disseminating its research outputs for wider outreach and

meaningful policy impact. The ICT Policy Manual is intended to elaborate and communicate HESPI's commitment in terms of acquiring the right ICT facility and effectively managing it for meeting its strategic purpose. By so doing, HESPI is believed to take advantage of the fast growing ICT and optimize its utilization to meet its institutional targets at par with other pro-ICT usage institutions.

The manual is effective upon the Institute's Board of Directors consideration and approval. As the policies and procedures contained in the manual are put into effect, relevant changes that arise on terms and conditions of HESPI's ICT needs shall be taken into account for further revisions and adjustments, as necessary.

The 4th Somalia Investment Summit 2017

The Somali Economic Forum (SEF) held the 4th Somalia Investment Summit 2017 on April 29, 2017 in Dubai, United Arab Emirates (UAE). His Excellency Mr. Gamal M. Hassan, the Minister of Planning, Investment and Economic Development for the Federal Republic of Somalia made his welcoming remarks and officially opened the 2017 Somalia Investment Summit.

Several panel sessions were held on that day. The Oil, Gas & Energy panel session which included Soma Oil & Gas, HASS Petroleum and GPB Neftegaz Services. The speakers in this panel included international companies engaged in petroleum and mineral resource exploration throughout Africa and the Middle East with a keen eye on Somalia's unexploited markets. Next up was the Infrastructure panel session which included speakers from GBS Africa, SKA International Group and Paragon Chambers. The speakers during this session touched on the importance of infrastructural development in Somalia's economies.

After the lunch break, the Banking & Finance panel session took place chaired by SEF's COO. This session invited

speakers from Clyde & Co, International Bank of Somalia and the Horn Economic and Social Policy Institute (HESPI) represented by Dr. Ali Issa, the Managing Director. This session proved to be lively as it focused on the central role financing and credit play in fostering entrepreneurship throughout Somalia.

The final session was on the Telecoms and ICT panel. Speakers included market leader Hormuud Telecom, Dalkom Somalia and Amazon. The Telecoms and ICT Panel proved to be interesting as it represented Somalia's most innovative and successful sector within the economy.

The Somalia Investment Summit 2017 was concluded by Mr. Hassan M. Dudde, the Managing Director of SEF, final remarks in which he pressed on the importance of continuing investment collaboration and strengthening investment in Somalia. The 2017 Summit was successful in terms of fostering business relationships and proved to be an engaging Summit that brought together government Ministers, business leaders, foreign investors and journalists all interested in Somalia's investment potential.

Internal Audit of HESPI Account was conducted by ACBF

The Horn Economic and Social Policy Institute (HESPI) was selected for onsite audit review by The African Capacity Building Foundation (ACBF) with the objective of giving reasonable assurance on the project performance, adequacy and effectiveness of the internal control system, level of compliance with established policies and procedures; reliability of accounting systems and the financial reports; and verification of project assets.

The Internal Audit was conducted by Mr. Edwin Owuor, the Head of Internal Audit of ACBF, on June 5-9, 2017 at the Institute's Head Office in Addis Ababa, Ethiopia. The audit engagement covered the period from April 2013 to May 2017 and was completed smoothly. As areas of Good Practices, the internal audit department acknowledged HESPI's accounting system and mentioned that HESPI has maintained reliable and up-to-date accounting records which contributed significantly towards the efficient achievement of project objectives as demonstrated by the excellent execution rate of 93% as at the time of this audit.

The department sent the draft audit report to be reviewed by the institute mentioning one audit finding which related to risk of conflict of interest. Response with firm evidence was provided by HESPI management team and the final audit report is expected by mid-July 2017.

Tripartite Meeting of ACBF / HESPI and IGAD Secretariat

A tripartite meeting of high level officials of ACBF, HESPI and the IGAD Secretariat was held in Djibouti on 28-29 May, 2017. The officials discussed the status of projects being implemented both by the IGAD Secretariat and HESPI that are sponsored by the ACBF. The details of each project, its status and planned completion time were discussed and a proto type of those completed projects was submitted to the participants.

After a brief review of all the projects, the meeting exchanged ideas on how to further collaborate on different aspects of regional issues. Among the new proposals, was an agreement made to collaborate on the upcoming HESPI conference on IGAD economies in general, and how to combine trade and investment panels in the conference agenda.

In relation to the last item, HESPI and the IGAD Secretariat agreed to jointly launch and finance the trade and investment component of HESPI's planned Conference on IGAD economies since it fits well with the planed thematic area. It was suggested and agreed that the conference program reflects both the institutions sponsoring the event and the title of the conference. Accordingly, the meeting underlined that the conference should include initiatives and policies that enhance trade investment as drivers of youth employment in the IGAD region. At the end of the meeting all parties agreed that all will actively work towards completing all the projects as initially planned.

On-going activities

A one-year consultancy service agreement was signed between The Horn Economic and Social Policy Institute (HESPI) and The Secretariat of the Intergovernmental Authority on Development (IGAD) on 26 October 2016 to enhance research and technical collaboration between the two parties.

This particular project or commissioned study is aimed at assisting the IGAD Secretariat towards strengthening its capacity for macroeconomic analysis and management, and to collaborate more effectively with researchers and policy makers in the region. The project design was informed by the capacity survey of regional economic communities recently conducted by the African Capacity Building Foundation (ACBF).

The portion of the ACBF supported IGAD project which HESPI is commissioned to deliver is focused on the following key components:

- Assessing the status of warehouse receipt system in the IGAD region
- Initiating an IGAD think-tank network and knowledge sharing platform
- Developing operational research manual for the IGAD region
- Establishing Statistical data-base for economic analysis in the IGAD region
- Develop a regional macro-economic model/ Framework to aid in macro-economic analysis of the region

Towards delivering on its commitments on the commissioned studies and implementation of the specific planned activities, HESPI has taken several steps thus far.

The engagement in this portfolio started with clarifying the tripartite roles and responsibilities of the Institute, the Secretariat and the ACBF in the course of the implementation of the commissioned assignment. Accordingly HESPI has been actively engaged in executing the activities.

First, as a start-up effort, HESPI created opportunities for communication involving parties and held series of discussions to clarify on the roles and responsibilities of the parties in managing and implementing this project on top of what is already stipulated in the contractual agreement.

Second, HESPI developed a comprehensive inception report (and submitted it to the IGAD Secretariat and the ACBF). The inception report defined the feasible methodologies and approaches HESPI is intending to employ to deliver on each activity. The HESPI team also did additional assessment on the background and significance/pertinence of the above deliverables in view of the current IGAD regional context and the overall project design.

Third, HESPI prepared a Work Break Down Structure (WBS) and did matching exercises of its internal capacity with the required expertise in implementing the activities; it also identified some activities for which external expertise support would be sought, to meet the deadline.

Fourth, HESPI engaged in processing No Objection clearances from ACBF for expertise sought and procured from external sources; and the overall procurement plan of the project. Following all due steps, No Objection clearances are now obtained from the ACBF for all relevant activities.

The following Table summarizes the progresses made so far on specific deliverables

	Deliverables	Progress
1	Developing operational research manual	Developed and submitted Concept Note outlining the approaches and methodologies. Final draft submitted.
2	The Statistical data-base for economic analysis in the IGAD region	Developed Concept Note Outlining approaches and methodologies. Web site designed and developed; the statistical data have been uploaded; further refinement of the web site content is being finalized.
3	Initiation of IGAD think-tank network and platform	The report on the IGAD region Think Tanks to facilitate the formation of the Networking and knowledge sharing was submitted to IGAD.
4	Assessment of the status of warehouse receipt system	Developed Concept Note Outlining approaches and methodologies. Field survey is now being finalized and 1 st draft report is expected end of July 2017.
5	Developing a regional macro-economic model/ Framework	Developed Concept Note Outlining approaches and methodologies; and also agreed on The Macro frameworks to be developed (The Macro model and CGE).

Millions of people face food shortages in the Horn of Africa

Following the failure of the October-December rain, the Horn of African region has faced widespread droughts. Areas of greatest concern cover much of Somalia, north-east and coastal Kenya, south-east of Ethiopia as well as the Afar region still to recover from El Nino induced drought of 2015/16; as well as South Sudan which faces a serious food crisis due to protracted insecurity.

Currently, close to 12 million people across Somalia, Ethiopia and Kenya are in need of food assistance, as families face limited access to food and income, together with rising debt, low cereal and seed stocks, and low milk and meat production. A pre-famine alert has been issued for Somalia and an immediate and at scale humanitarian response is highly required. Acute food shortages and malnutrition also remain a major concern in parts of Uganda's Karamoja region. Other reports indicates that least 17 million people face hunger across eight countries, including Somalia, Ethiopia, Kenya, Djibouti, Eritrea, South Sudan, Sudan and Uganda.



Source: Al-Jazeera and DW

Kenya inaugurates Chinese-built railway linking port to capital

Kenya inaugurated a \$3.2 billion railway funded by China linking the capital Nairobi to the port of Mombasa on 31 May, the country's biggest infrastructure project since independence more than 50 years ago. The railway is part of China's "One Belt, One Road" initiative, a multi-billion dollar series of infrastructure projects upgrading land and maritime trade routes between China and Europe, Asia and Africa.

The line is eventually expected to connect Uganda, Rwanda, Burundi, Democratic Republic of Congo, South Sudan and Ethiopia to Mombasa so the Indian Ocean port can act as a gateway to East Africa for trade with China and other nations. The railway was finished well ahead of schedule by China Road and Bridges Corporation and launched at the peak of campaigning ahead of elections on Aug. 8 in which President Uhuru Kenyatta is seeking a second term.

The express will slash the time for the 472 km journey to about four hours from 12 on the line built by British colonialists more than a century ago that stretched from Mombasa to the Ugandan capital and was nicknamed the "Lunatic Express". The express gives businesses and passengers a cheaper and safer alternative to the notoriously dangerous trip along the sometimes pot-holed single-lane highway between the two cities that is often clogged with cargo trucks.

Source: Reuters

Djibouti opened its multipurpose port with world-class facilities and equipment

The \$590 million Doraleh Multipurpose Port project, which started in 2015, was jointly financed by Djibouti Ports and Free Zones Authority (DPFZA) and China Merchant Holding Company (CMHC) to connect Asia, Africa and Europe.

The port is one of four new ports in the Horn of Africa nation co-funded by China to establish Africa's largest free-trade zone that can handle \$7 billion of goods every year.

The bulk terminal of the Doraleh port can handle 2 million tonnes of cargo a year and offers space to store 100,000 tonnes of fertilizer, grains and warehouses for other goods, the statement added. The break bulk terminal can also handle 6 million tonnes of cargo per year with 40,000 slots for vehicles at the RO-RO terminal.

"With this new world-class infrastructure, Djibouti confirms its position as a major trading hub for the continent. We are proud to show the world our capacity to deliver major infrastructure projects - some of the most technologically advanced on this continent," Aboubaker Omar Hadi, chairman of the Djibouti Ports and Free Zones Authority (DPFZA) said at the opening ceremony attended by Djiboutian President Ismail Omar Guelleh and Somali President Abdullahi Farmajo.

Source: www.africanews.com

New Publications

Contribution of Early-Age Circumstances to Inequalities in Educational Achievement

By Gashaw Tsegaye (MSc.) and Abdurahman Ali (MSc.)

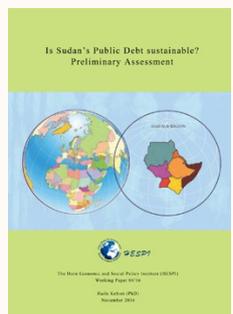


This study measures inequality in overall educational achievement of children in Ethiopia. It then decomposes the existing inequality and attributes parts of the inequality to children's own effort and circumstances on which children have no control (e.g. parental education). The study also depicts the dynamics as children grow older. In so doing the study employs four rounds of surveys by the young lives project that tracked children of young (1 year olds) and old (8 year olds) cohorts four times during 2002 and 2013. Average Z-Scores in mathematics, PPVT and Language are used to proxy educational achievements.

Gini Coefficient and more importantly, the decomposable General Entropy measures were used to measure overall inequality in educational achievement. The Gini for overall inequality was found to be 0.35-0.38 for all survey rounds. Early childhood circumstances on which children have no control explain a big chunk of the inequality in educational achievement. Household wealth and parental education were found to be the strongest drivers of inequality. The findings means that affirmative action on educational enrollment alone is only part of the solution. The study calls for policies meant to address the root causes of such inequalities.

Is Sudan's debt sustainable?

By Haile Kebret (PhD)



This study is motivated by one of the SDG goals (17.4), which proposes to assist developing countries to attain debt sustainability in the long term. In this context the current study analyzes the extent to which Sudan's debt can be sustainable under different growth scenarios. To this end, the study employs both econometric and non-econometric techniques. The findings reveal that Sudan needs to register a GDP growth exceeding its historical average of 4% to have a long term debt-sustainability.

Thus, given the existing economic environment, Sudan's debt is unlikely to be sustainable. The finding remain intact after some sensitivity tests. Short term solutions consistent with the SDG goal (17.4) include debt relief for Sudan under the advanced HIPC initiative or donors shall be willing to lend Sudan more than the real value of the existing amount.

Macroeconomic Performance of the IGAD Economies and the Implication of China's Economic Slowdown

By HESPI staff



The report shows that in 2015 all IGAD economies (except South Sudan which experienced output contraction due to the ongoing conflict) have registered a modest GDP growth exceeding the Sub-Saharan average despite global commodity price fall. Ethiopia has continued its growth momentum registering 9.6 percent followed by Kenya with 5.6 percent and Uganda 5 percent. Similarly consumer prices remained in single digits in all economies, except in Sudan and South Sudan. Despite the progress made in mobilizing domestic resources, the economies have continued to run growing fiscal deficits.

IGAD economies exposure to China's economy through trade and investment, as the report shows, is significant especially for Sudan, Ethiopia, and Uganda to a lesser extent. In 2015, the share of exports from Ethiopia and Sudan to China constituted 12.5 and 16.2 percent of their total exports respectively.

China's exports to the IGAD region increased dramatically from US \$420 million in 2000 to close to US \$ 14 billion in 2014. Amid the Chinese economic slowdown and rebalancing, IGAD member states (with the exception of Kenya which has relatively lower exports share to China) have experienced decline in their exports to China; but investment and financial flows to the IGAD from China have remained strong.

New Publications

Enhancing The Development Of The Private Sector For Inclusive Growth And Job Creation In The IGAD *By Osman Sheikh Ahmed (PhD)*



This study attempts to identify the major challenges facing private sector development in the IGAD region and proposes possible pathways to overcome those challenges. An important avenue to realize the potential of the IGAD region is the development of the private sector—the most viable vehicle for sustained economic growth and job creation. That would in turn depend on adequately addressing the most binding constraints to improve the business environment.

The major impediments slowing down the development of the private sector in the region include: restrictive policies and regulations, limited access to infrastructure, shortage of skilled workforce, limited access to finance, foreign exchange rationing, low intra-regional trade and lack of political stability, to mention a few. However, the region has made strides to address a number of these impediments, particularly infrastructure where a number of major projects are ongoing or in the pipeline in a number of countries. Nevertheless the region has a long way to go to address the remaining major challenges.

In order to propel private sector development in the region, this study recommends that policy makers should further simplify the laws and regulations that govern businesses; physical and financial infrastructure services have to be improved; regular public-private dialogues should occur. Also entrepreneurship development, and Small and Micro Enterprises (SMEs) should be supported; and the efficiency and effectiveness of the public sector and its interface with the private sector should be enhanced.

Forthcoming Publications

The Transition to Stability, Fiscal Sustainability and Provision of Peace Dividend in South Sudan

The paper argues that classic definition of a fragile state fits the situation in South Sudan because this country has been unable, since independence, to provide public social services in sufficient quality, scope and reach. This has made it difficult to provide peace dividend as well as ensuring fiscal sustainability. But to transit from fragility to stability, the country should induce private agents to shift repatriate assets home, restore trust equilibrium, execute pro-family programs, faithfully implement a peace agreement, guarantee press freedoms, open up political space, and call on all stakeholders to double efforts.

Survey results and experience from other countries indicate that achieving durable peace or accelerating South Sudan out of fragility cannot be realized by single institutions and individuals but a collective endeavor that calls for broad participation, from civil society organizations, political parties, academia, and government, and the regional and international community.

The study finding shows that 40 percent of all the survey respondents blamed parliament for failing to deliver a peace dividend and ensure fiscal sustainability, 48 percent of respondents believe that all stakeholders are ardently responsible for accelerating transition.

Proceedings of Conference on Imperatives for Attaining the Sustainable Development Goals in the IGAD Region

The conference proceedings present 13 selected papers among those presented at HESPI's annual conference on IGAD economies in October 2016. The papers were categorized into four major parts reflecting different thematic areas. Part I includes papers related to inequality in human development. Part II presents papers that have a focus on agricultural productivity and growth. Part III takes on papers related to investment and employment creation, while part IV is devoted to studies on industrialization.

Forthcoming Publications

Effect of Corporate Taxation on Firm Performance and Industry Convergence: Evidence from Ethiopian manufacturing

Using firm level data from Ethiopian manufacturing, this study aims to identify the causal effect of corporate taxation on performance of firms and industry outcomes such as firm market entry, propensity to undertake capital investment and export market participation, firm productivity growth and industry productivity convergence. The study identifies export participation and capital investment as possible channels that drive the above relationships. This is particularly the case from previous studies that provide support to the fact that learning-by-exporting exists and capital investment enhances the absorptive capacity as well as the productivity of firms.

Our analyses starts with a descriptive summary of the level and growth of firm productivity, and productivity dispersion and convergence at the industry level. Afterwards, a reduced-form of a productivity catch-up model and its different variants are adopted to estimate the causal effect of corporate taxation.

In terms of policy relevance, the findings will provide insights on the effectiveness of government-sponsored policies such as taxation and subsidy programs for manufacturing firms, which are now the focal point of the policymaking process. Such insights can be of considerable importance given that thriving manufacturing industries are valuable as a source of employment generation, destination of foreign direct investment, and integration mode to the global value chain.

Analysis of poverty profiles and determinants of poverty and inequality in the IGAD region

This study will assess the trend in the level of poverty and inequality of selected IGAD member countries. It will empirically identify the determinants of poverty and inequality. The findings will inform policy makers on how to better design interventions to reduce poverty and inequality.

Assessing the Status of Islamic microfinance in the IGAD region

This study seeks to assess the developments in Islamic Microfinance in the IGAD region. Specifically, the study will make an overview of the current status of Islamic microfinance in the region in light of the developments worldwide; it will review the current legal and regulatory framework governing the industry and gaps thereof; it will identify the challenges facing the industry in the region; it will also examine the prospects of Islamic microfinance in the region; and finally it will make recommendations on the way forward for the region.

HESPI Internship Program

HESPI hosted a new Intern on a short assignment from United World College Mahindra (India)

Testimonial for The Horn Economic and Social Policy Institute internship program for post graduate students, undergraduates and other select students from the IGAD region and internationally.



Heleena Alula Pankhurst, intern

My name is Heleena Alula Pankhurst and I am a student of Global Politics at United World College Mahindra in India. Having completed the 2017 year of schooling and being back to my hometown for the summer holidays, I had the opportunity to get an internship at the Horn Economic and Social Policy Institute (HESPI). As Global Politics focus a lot on development, being at HESPI has enabled me to get a firsthand experience with development work. Through tasks like donor mapping and sorting through data, I have been able to get a more in depth idea of the issues that my country and its neighbors face and the policies and actions being taken in order to solve them. This has been an enriching experience.

Upcoming Events

- Providing technical assistance (TA) to establish an autonomous policy analysis unit in Somalia to provide objective economic intelligence and assessment, end -June, 2017
- Institutional capacity assessment mission is planned to take place from the first week of July, 2017. This is envisaged to inform on public finance reforms and macro-economic analysis management.
- IGAD regional think tanks consultative meeting to establish sustainable Networking is scheduled for September 2017
- HESPI conference on IGAD economies will be held on 24-26 September, 2017 in Khartoum, Sudan jointly with IGAD Secretariat, Mamoun Beheiry Centre (MBC), and UNECA.



The Horn Economic and Social Policy Institute

About HESPI

HESPI is an independent, non-profit regional think tank and research Institute that focuses on the member countries of the Horn of Africa in particular, and developing countries at large. HESPI provides high quality economic and social research and policy analysis on issues of current interest and importance to the region. In addition, the Institute undertakes commissioned studies for the public and private sectors in areas of regional or country specific relevance, and provides institutional capacity building. HESPI's mission is to assist with the formulation and implementation of sound economic and social policies, to promote high-quality research and policy analysis, and to provide advisory services to facilitate broad-based economic growth and poverty reduction.

Kirkos Sub City, Kebele 15, Churchill Road, Teklu Desta Building /H.No. 288/10-13

P. O. Box 2692 Code 1250, Addis Ababa,

Tel. +251 011 515 0521/84, +251 011 515 3262/ 65; Fax. +251 011 515 0763

Email: hespi@ethionet.et / contacthespi@hespi.org

www.hespi.org



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