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The Horn Economic and Social Policy Institute

Annual Report on IGAD Economies 2018

Macroeconomic Developments, Climate Shocks, and , the State of Food Security in IGAD

The Horn Economic and Social Policy Institute

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Outline

Part I: The State of IGAD Economies

- Economic Growth and Structure
- Inflation
- Government Finance and Debt
- Investment and Savings
- External Sector

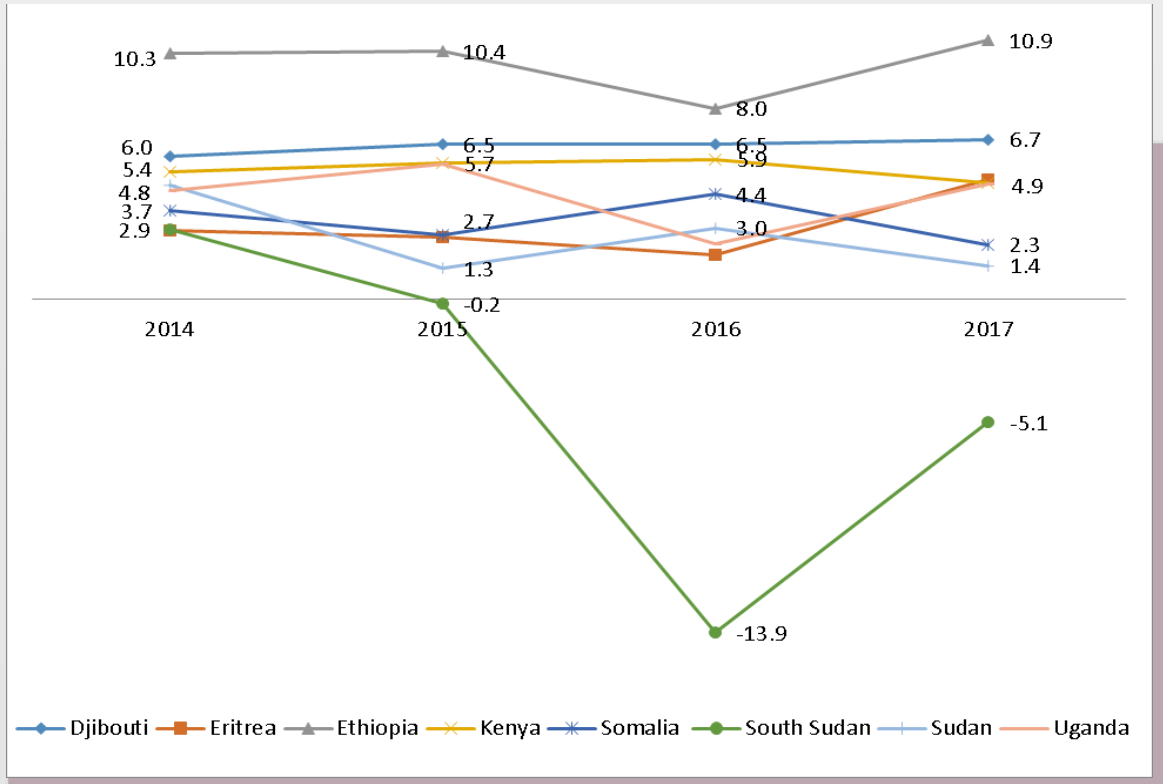
Part II: Climate Shocks and Food Security in the IGAD

- Climate shocks in the IGAD
- Nutrition
- Food Security
- Institutional Frameworks for Food Security, and Climate shock Resilience
- Opportunities and Capacity Imperatives for Building Resilience
- Key takeaways

Part I: The State of IGAD Economies

1.1 Economic Growth and Structure

Real GDP Growth in the IGAD

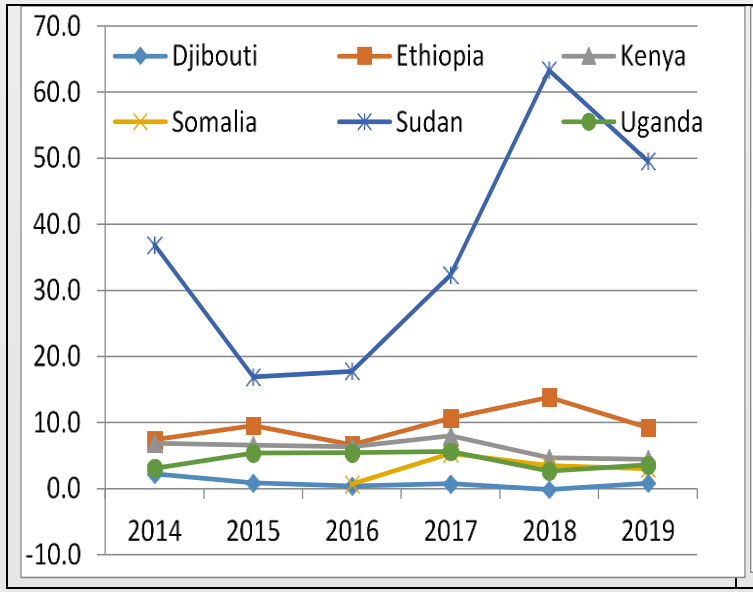


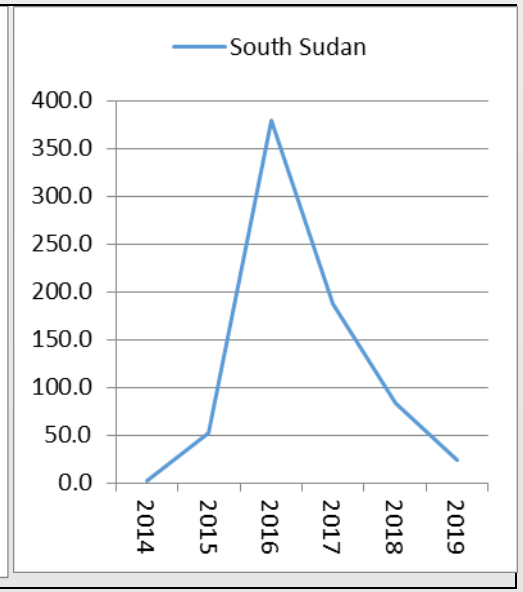
Source: Trading Economics.com (for Somalia's 2014 and 2015 data and World Bank's report for Somalia's 2016 and 2017 growth data). IMF's International Financial Statistics (for the rest of the countries)

- Positive growth , except South Sudan
- Service and Agri sectors take big shares.
- Industry is stagnant, highest was for Ethiopia at 23 % share ; followed by Uganda and Kenya with 20 % and 17 % share, respectively.
- industry is dominated by construction and mining sub-sectors.
- The secession of South Sudan from former Sudan has led to a sudden fall in the share of the industrial sector. Between 2000 and 2010, the share of the industry for Sudan increase from 20 percent to 27 percent, and fell to 2 percent between 2010 and 2017.
- manufacturing value added are often below the SSA average of nearly 10 percent

1.2 Inflation

Annual average CPI inflation in the IGAD





Source: IMF's World Economic Outlook Data Base. (data for Somalia is from World Bank). 2018 and 2019 are projections

- There has been only moderate inflation in the IGAD countries in recent years, except for South Sudan and Sudan.
- Most of the IGAD countries contained their monetary growth below five percent for most of the recent years
- In South Sudan, monetization of the fiscal deficit led to strong money growth, high inflation, and sharp exchange rate depreciation.
- The Bank of South Sudan (BSS) deficit financing grew five-fold from June 2013 to June 2016. Broad money grew by 219 percent in 2016 (IMF, 2017).

1.3 Government Finance and Debt

Figure 4 Budget deficit (%GDP)

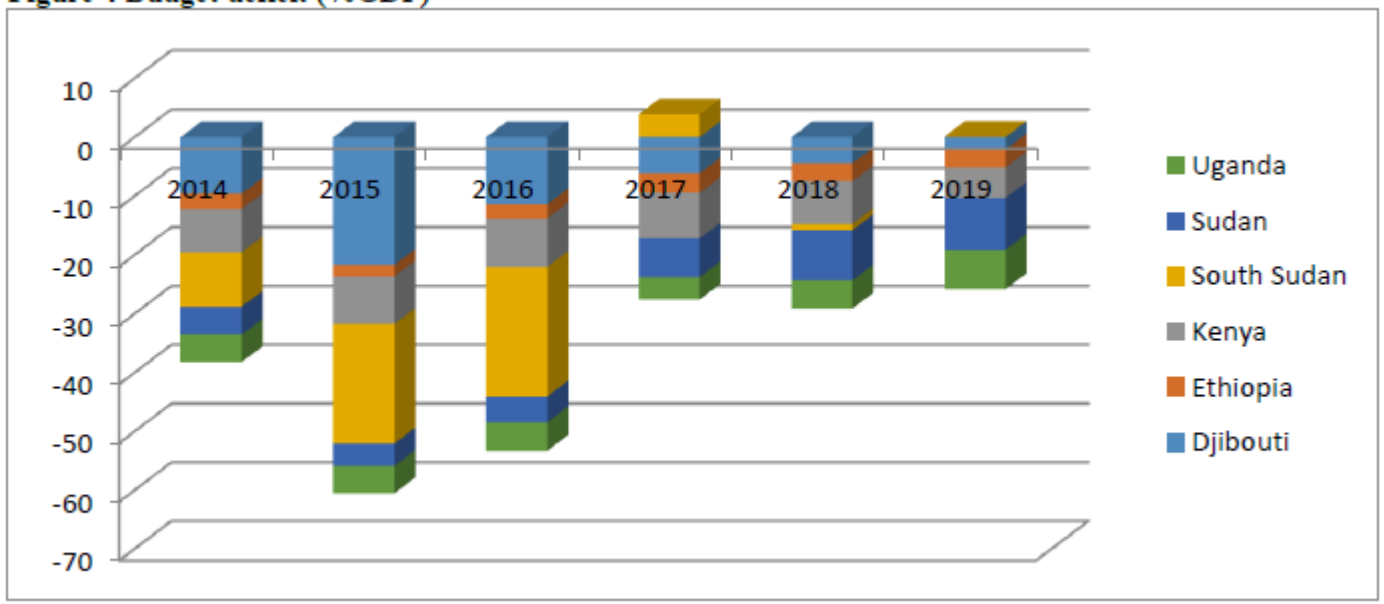
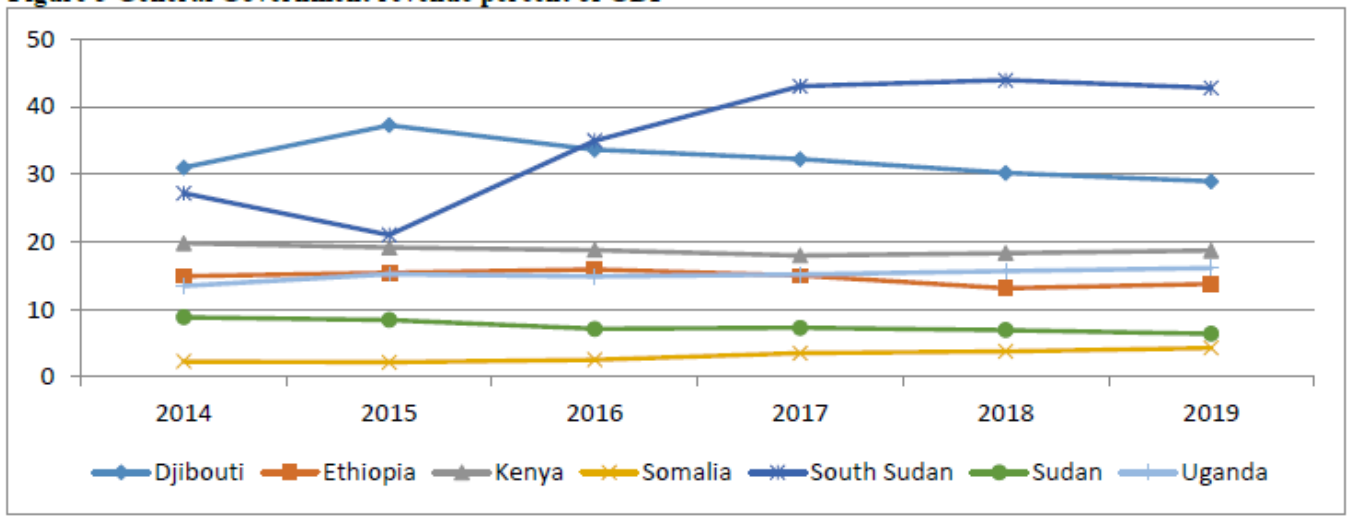


Figure 5 General Government revenue percent of GDP



Source: IMF's World Economic Outlook Data Base

- ❑The budget stances in the IGAD has been so diverse across countries
- ❑Djibouti , South Sudan and, the Sudan run huge deficits
- ❑Sudan has an increasing , Djibouti and South Sudan with a decreasing trend.

1.3 Government Finance and Debt

External debt

	Concessional debt (% of total external debt)		External debt stocks (% of GNI)	
	2016	2015	2016	2015
Djibouti				
Ethiopia	69	65	32	31
Eritrea				
Kenya	57	56	32	31
Somalia	49	53	46	53
Sudan	41	41	24	24
Uganda	54	48	40	36
Sub-Saharan Africa (excluding high income)	33	30	32	28
Low income	65	63	33	32

Source: World Bank World Development Indicators

The external debt stock of the IGAD economies has a huge concessional component. Sudan is the least externally indebted and while Somalia being the highest.

1.4 Investment and Savings

Gross Investment and saving in the IGAD (%GDP)

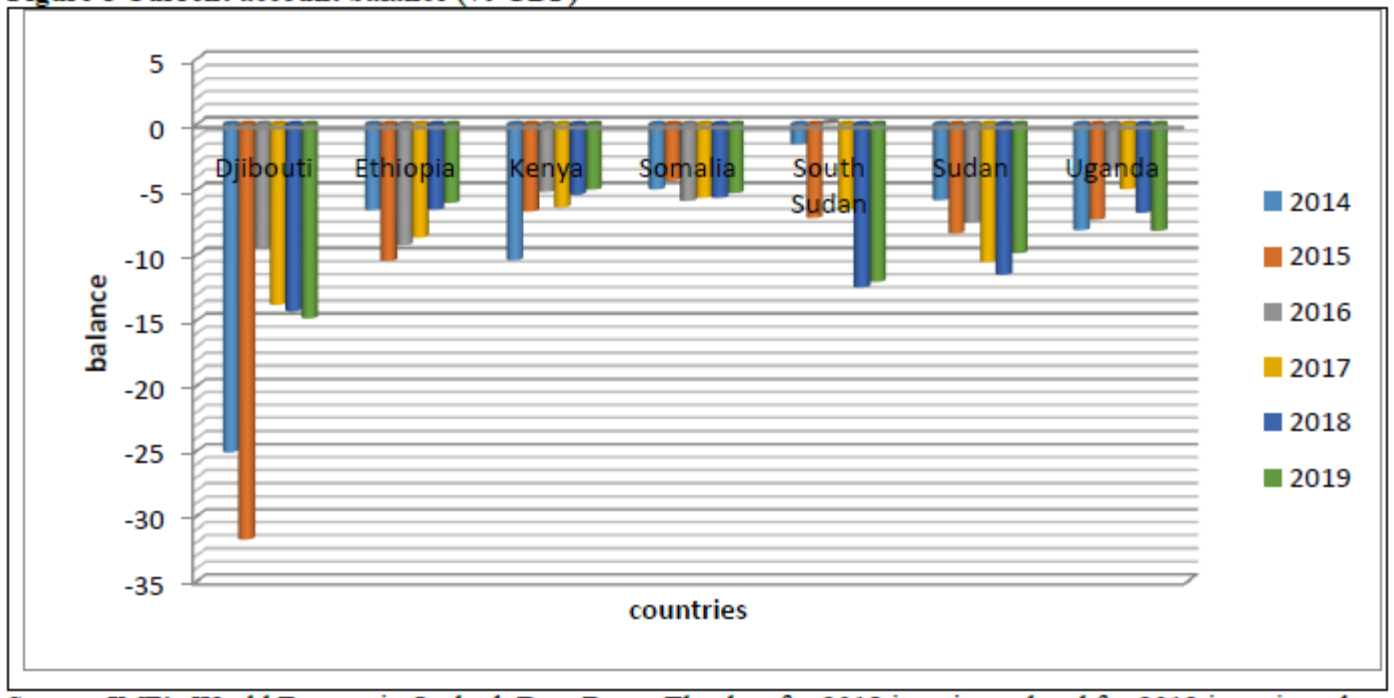
Country	Gross domestic savings (% of GDP)		Gross fixed investment (% of GDP)	
	2016	2017	2016	2017
Djibouti	12	10	27	25
Ethiopia	22	24	38	39
Kenya	8	5	17	19
Somalia	-38	-41	9	10
South Sudan	10	..	17	..
Sudan	20	21	19	18
Uganda	15	17	25	24
Sub-Saharan Africa (excluding high income)	16	17	20	20
Least developed countries: UN classification	16	18	23	24
Low & middle income	30	32	29	29

Source: World Bank World Development Indicators

- IGAD is highly capital deficit region
- Ethiopia, with 39 percent investment share of GDP in 2017, performs better than the rest of the IGAD economies.
- Djibouti and Ethiopia the two highest resource deficit countries in the region, for they have high investment demands.
- FDI plays a key role in Djibouti, but less so in the other IGAD countries.
- In 2014 and 2016, FDI accounted for over 30 percent of the total investment of Djibouti.

1.5 External Sector

Figure 8 Current account balance (% GDP)



Source: IMF's World Economic Outlook Data Base. The data for 2018 is estimated and for 2019 is projected. For Somalia, the estimation is for 2017 and projections are for 2018 and 2019. For South Sudan, estimation is for 2015 and the rest are projections

- ❑IGAD countries run huge current account deficit
- ❑All of them have a deficit of well over 5 percent of GDP over the years.

Part II: Climate Shocks and Food Security in the IGAD

Outline

Part I: The State of IGAD Economies

- Economic Growth and Structure
- Inflation
- Government Finance and Debt
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- External Sector

Part II: Climatic Shocks and Food Security in the IGAD

- Overview of Climate shocks in the IGAD
- Nutrition
- Food Security
- Institutional Frameworks for Food Security, and Climate shock Resilience
- Opportunities and Capacity Imperatives for Building Resilience
- Key takeaways

2.1 Climate shocks in the IGAD

- The IGAD region is predominantly Arid and Semi-Arid (ASALs).
- About 70% of the Region's land mass receives below 600 mm of annual rainfall.
- The livelihood in the arid and semi-arid areas is for the most part pastoral and agro-pastoral production.
- Average temperatures in the IGAD Region is expected to rise by up to 1.5◦C in the next two decades and up to 4.3◦C by 2080 (IPCC, 2014).

Table 11 Frequency of drought occurrence and impact

Country	Frequency of Drought occurrence	Impact
Djibouti	Severe drought over the years 1980, 1996,2001,2005,2008	Since 2007, agriculture and rural livelihoods of nearly 50 percent of the rural population (120,000 people, which is about 15 percent of the total population) had been affected
Ethiopia	At least five major national droughts since 1980	About 11% of the total population exposed to droughts, mainly in pastoral areas
Kenya	Major droughts every ten years and minor ones almost every 3-4 years	Between 1983 and 1993, droughts in the ASALs have become longer and more frequent resulting in significant loss of agricultural production
Somalia	Devastating droughts happened during 1963-64 and 1974, and in 2011	Between 2010 and 2012, over 258,000 people died, half of the victims were under 5 years children
South Sudan	The worst drought hit during 1980-1984 and 2011	Widespread displacement and localized famines in some parts of the country
Sudan	Most series drought incidents were in 1970, 1983-1985, 1991-1992, and 2010-2011	The 1983-1985 and the 2010-2011 droughts resulted in mass deaths of human and livestock
Uganda	Drought problem had recurred 7 times between 1991 and 2000 with increased frequency. And in 2008 and 2013	Karamoja region in 1991-2007 had severe droughts leading to depletion of pasture and severe lack of water for livestock, which intensified conflicts

Source: (GWPEA, 2015)

2.1 Climate shocks in the IGAD Cont…

Recent drought trends /The 2010/12 and the 2015 to 17 El Nino and La Nina caused droughts

- The immediate impact was:
  - low food supply from poor harvests,
  - increased malnutrition
  - livestock deaths,
  - lower prices for livestock,
  - increased market prices for food,
  - depleted pasture and water resources.

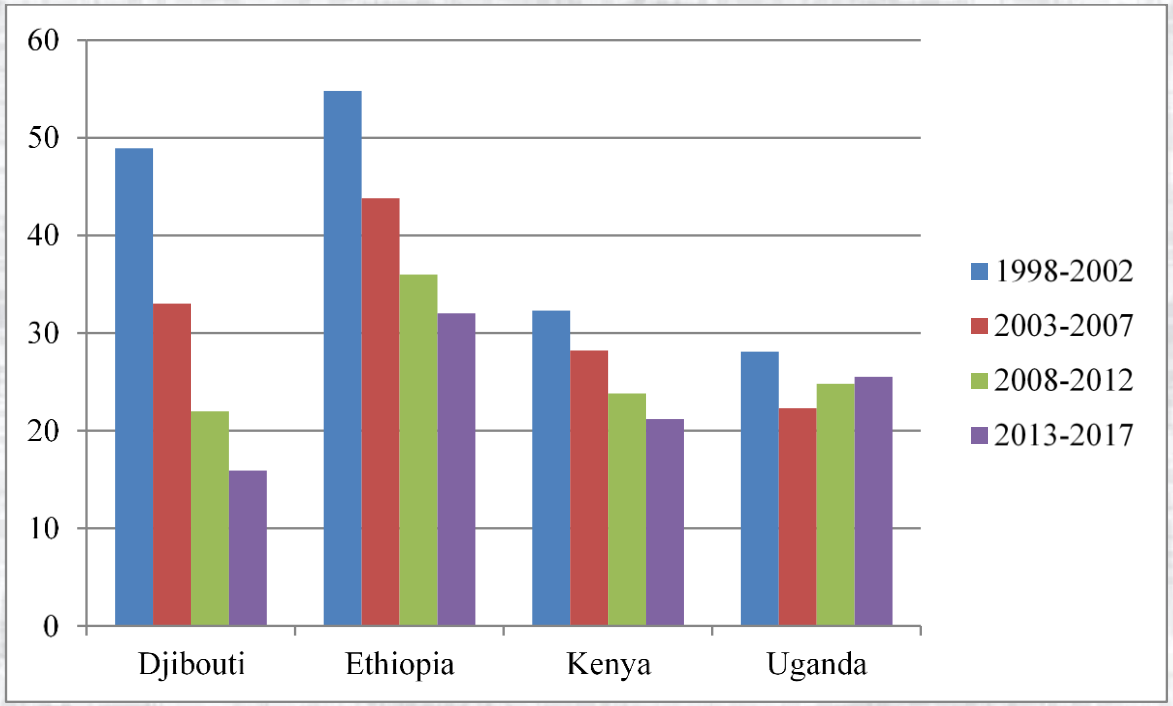
2.1 Climate shocks in the IGAD Cont…

facts about 2015/17 and the 2011/12droughts

- The 2015/16 El Nino impacted about 24 million people, as of June 2016, that led to critical food insecurity in the IGAD (OCHA, 2016a).
- the Horn of African lost over $1.9 billion between the second half of 2015 and April 2017 (According to World Weather Attribution (WWA) partnership estimate , Climate Signals, 2018).
- The 2016/17 drought and conflict brought severe levels of acute food insecurity , including. a famine declaration in two counties of South Sudan (FSIN,2018).
- Humanitarian assistance to the IGAD region has amounted to 4.5-5 billion each year between 2016 and 2018.Representing 18-23 percent of global humanitarian assistance (FSIN,2018) .
- In 2015/17, despite very high malnutrition, loss of livestock assets and greater deal of displacement, mass mortality was avoided, in contrast to the 2011/12 ,which caused the death of hundreds of thousands (EU ,2019).
- the crises and responses in 2011-12 and 2016-17 were not regional in nature.

2.2 Nutrition

Prevalence of Under-Nutrition in the IGAD



Source: Author's graph using FAO Aquastat database, 2017

- Although prevalence of under nutrition has reduce in SSA, the overall absolute number of malnourished people is in the rise.
- Between 2015 and 2016 alone, the number of undernourished for SSA rose from 200 to 224 million, accounting for 25 percent of the 815 million undernourished people globally by then.
- In 1999-2001, the prevalence of under nutrition in the IGAD was almost double that of SSA average. Ethiopia had the highest at 51.9 percent followed by Djibouti (48.1 percent), Kenya (32.2 percent), and Uganda (27.9 percent). Only Uganda had prevalence lower than the then SSA average of 28.2 percent.
- Fifteen years later, in 2014-16, Djibouti, Ethiopia, and Kenya managed to reduce their respective prevalence to 12.8 percent, 28.8 percent, and 19.1 percent. Uganda's progress had slowed down.

2.3 Food Security

- the Economists Intelligence Unit (EIU) Global Food Security Index

Table 14 Overall all food security and the major subcomponents for IGAD countries

Category	Score					Rank			
	Uganda	Sudan	Ethiopia	Kenya	All countries (average)	Uganda	Sudan	Ethiopia	Kenya
OVERALL FOOD INSECURITY	**43.3**	**34.8**	**33.3**	**42.2**	**57.3**	**83**	**96**	**99**	**86**
(1) AFFORDABILITY	36.3	24.1	16.9	37.6	54.8	83	100	109	80
(2) AVAILABILITY	48.5	39.4	47.6	46.5	59.0	85	105	88	92
(3) QUALITY AND SAFETY	46.3	49.2	34.9	41.8	58.7	83	77	97	88

Source: Exported from 2017 Global Food Security Index; Score 0-100 where 100=best; Rank= Rank in 2017 out of 113 countries, 1=best

- In 2017, the four IGAD countries had an overall food security index of well under the average for 113 countries (57.3). The highest score was for Uganda (43.3) followed by Kenya (42.2). Ethiopia and Sudan scores were about half the global average.

- Half of the global severely food insecure people reside in the SSA region, and this makes 31 percent of the Region's population (FAO, 2017).

2.4 Institutional Frameworks for Food Security, and Climate shock Resilience

Some of the international and regional initiatives to address drought and found security issues in the IGAD are:

(i) Global and Africa's continental frameworks

- The SDG 2 envisions to "End hunger, achieve food security and improved nutrition and promote sustainable agriculture" by 2030.
- NEPAD formulated the Comprehensive Africa Agriculture Development Program (CAADP) was ratified by AU Heads of State and Government in 2003 in Maputo, Mozambique.
- CAADP set two targets:
  - ✓ to achieve 6 percent annual growth in agricultural productivity by 2015, and
  - ✓ to increase the allocation of national budgets directed to the agricultural sector to at least 10 percent
- At the African Union Summit in Malabo, Equatorial Guinea in June 2014, Heads of State and Government adopted set of concrete agriculture goals to be attained by 2025.
- According to FAO's (2017) overview of food security and nutrition in Africa, policies and programs are aligned with the Malabo Declaration and achieving SDG 2 Across the board.

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2.4 Institutional Frameworks Cont…

The IGAD Specific Initiatives

- **The IGAD Framework and Food Security Strategy**
  - ✓ The Food Security Strategy of 1990 served for over 15 years.
  - ✓ "IGAD Food Security Strategy 2005 – 2008"., with four regional strategic outputs as harmonized policies, information, capacity building, and science and technology.
- After a crisis in 1998-99, the UN launched an action plan in 2000 entitled " the Elimination of food security in the Horn of Africa".
- After another food security crisis in 2008-9 and 2011, new initiatives were launched including
  - ✓ the IGAD Drought Disaster Resilience and Sustainability Initiative (IDDRSI), 2013
  - ✓ The IDDRSI is intended to link peace building, development, and disaster risk management , working through national, regional, and international actors and forums.
  - ✓ IDDRSI put resilience at the heart of development and relief efforts. (Nansen Initiative Secretariat, 2014).
  - ✓ the Horn of Africa Action Plan (by Oxfam, FAO, and WFP) in 2012.

2.5 Opportunities and Capacity Imperatives for Building Resilience

Opportunities for promoting drought resilience in the region:

- Availability of the IDDRSI framework which supports drought resilience and sustainable development with political support and commitment at a regional and national level;
- Availability of relevant national policies, plans, and strategies;
- Existence of national implementing and coordination structures;
- Availability of accumulated experiences in implementing related programs, projects and initiatives
- Interest of donors to support national and regional efforts to enhance drought resilience.

Capacity imperative for building resilience and early warning system:

- Capacity development of institutions and actors in drought management and resilience building;
- Facilitating regional collaboration for drought management;
- Mainstreaming drought mitigation and adaptation strategies
- Strengthening Early Warning Systems.
- etc

2.6 Key takeaways

- The response to climatic shocks in the IGAD has been promising. Yet there are delays in responses and the cost of a shock increases as problems take routs.
- The region and the continent at large needs to put sustainable development at the forefront
- Climatic shocks often take regional shape and hence the IGAD region should continue with a regional mindset as the countries are experiencing similar shocks all at the same time and the burden is shared.
- Strengthen collective action in the search of durable solutions to give the millions of people better life with dignity and self-reliance

Thank You!