

Headings Covered in this issue



Memorandum of Understanding
between AUC and HESPI



Policy Brief on Sound policies for
climate resilient pastoralism and
agro-pastoralism in the IGAD region

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MANAGING DIRECTOR'S STATEMENT

The Impact of Covid-19 and the Recovery Challenges in the Horn of Africa (HoA)



The Covid pandemic has hit the HoA region on top of the problems of many fragile states, such as prevalent conflicts and difficult transitions, wide spread poverty and food insecurity, and large numbers of vulnerable displaced people and refugees. In addition, most HoA countries have been marked by persistent fiscal and balance of payment deficits, high inflation, foreign exchange shortages, and high unemployment in the absence of social security protections.

The pre-covid-19 health services availability in most of the HoA countries were grossly insufficient and highly vulnerable, on account of limited access to water and sanitation, poor nutrition, and were exacerbated by the pandemic. Despite efforts at taking preventive and awareness creation measures, severe shortages in supply of protective materials in sufficient quantity and equipment proved a challenge and led to spread of community infections. Also, other essential health services were disrupted as human, financial and institutional resources were switched to deal with the crisis.

The large scale spread of the virus across the world, and its recurrence in multiple waves have worsened and prolonged the adverse economic impact on the HoA and elsewhere. With all major trading partners of the HoA countries, and their major sources of remittances and development assistance severely affected; the direct impact of the pandemic and its induced global recession negatively affected economic growth in the sub region and significantly reversed the gains on poverty reduction, achieved over decades. Thus the COVID-19's economic impact in Africa at large is painfully evidenced by the first recession in a quarter century, with economic activity expected to fall by more than 3 percent, according to the World Bank.

Initiating appropriate measures for fast and sustainable recovery is essential; and the reform measures should offer essential opportunities to rebuild not only in line with the achievement of the Sustainable Development Goals, but should also strengthen future resilience to shocks. The pursuit of appropriate policies, development strategies and incentives should be focused on the medium and long-term sustainability. In particular, the need to address the youth bulge and ensure productive opportunities must be given the highest priority through expansion of economic activities, infrastructure, and social programs to create jobs.

There are indications that the decline in employment and increasing poverty are contributing to instability and insecurity in some countries in the sub region; and could generate uncertainty over the path of an enduring recovery. In the circumstances, it is essential to ensure adequate access to Covid vaccines as soon as feasible through the WHO/COVAX global schemes; as it is untenable for most HoA countries to attain direct access through own purchases quickly.

Ali Issa (PhD)

Cooperation between China and Horn of Africa countries: within FOCAC and BRI

On December 23, 2020, Dr. Ali Issa, The Managing Director of HESPI, made a presentation at the China Africa Institute's virtual seminar on the occasion of the 20th anniversary of the Forum on China-Africa Cooperation (FOCAC) to discuss the economic, trade and finance cooperation in the past two decades since the Forum was established, as well as the more recent contributions of the Belt and Road Initiative in Africa. The multifaceted development cooperation has boosted trade and investment between the partners, and thus trade between China and Africa increased to \$208 billion in 2019, total Chinese FDI in Africa reached \$49 billion during the same year, and more than \$200 billion was generated in financial resources for development projects as of end 2019.

Over the past two decades or so, China has emerged as a credible partner of Africa as a source of investment and finance, technology and entrepreneurship, as well as trade and access to each other's markets, and capacity building support. The full extent of the opportunities, limitations and challenges of Chinese investment and financing, and its role and Impact on economic growth and inclusive development in the Horn of Africa (HoA) requires considerable assessment, review and study.

In particular, several areas of vital importance in extending the China—Africa cooperation, which will deepen the successes achieved to date were highlighted. These include first to promote the diversification of Africa's trade products and intensify cooperation in the access of the continent's export to Chinese markets. Second, to collaborate in addressing the common challenges of climate change and its impact on food security and human resilience building in Africa. Third to strengthen broadening the building of economic infrastructure, and advancing Africa's industrialization, technology absorption, and sustained development

The Africa Think Tank summit in December 2020

The 2020 Africa Think Tank summit was held virtually on December 4, 2020. The summit discussed the social, economic, and political impact of the COVID19 Crisis on Africa with the intent of providing a regional and sub-regional overview of the pandemic's impact. A representative panel of senior think tank executives from Africa discussed the short and long-term impact of COVID-19 with the objective of providing a snapshot of the crisis and its impact. Dr. Gebrehiwot Ageba, Director of Research of HESPI, participated as Panelist to provide a country and sub-regional assessment of the impact of the crisis. In his discussion, Dr. Gebrehiwot raised the preventive approach to public health services; the need for development partners to revisit their country support programs and priorities and associated budgets accordingly; restoring supply (including regional flows) of basic consumer items, normalizing and promoting input supplies, replenishing food reserves, and stabilizing prices; public works programs to create jobs and healthier environment.

African Union Commission and Research Working Group validation workshop on regional economic integration and development cooperation in November 2020

HESPI organized an online research-validation workshop on November 11 to share the findings of research conducted on regional economic integration and development cooperation, commissioned by the African Union High-Level Implementation Panel (AUHIP) chaired by President Thabo Mbeki in preparation for the convening of the conference on peace, security, stability, economic cooperation and development in the Horn of Africa (CPHA). The research validation workshop was aimed to validate the research outputs and findings through the diverse regional stakeholder's contributions and consultations.

The event included expert presentation on research evidence followed by intensive open discussions. The workshop participants included sector experts; national, regional and continental level policy makers; and development policy professionals. The participants evaluated the evidence-based policy ideas and proposals towards yielding consensus on likely reforms among the concerned regional policy makers and other policy governance stakeholders.

HESPI home-based work program, since March 2020

On account of containing the spread of COVID-19 and to ensure safety of its staff members, The Horn Economic and Social Policy Institute implemented a home based order in March 2020. The Institute made this decision after assessing the risk of infection by the coronavirus while working at and commuting on a daily basis in public transportation to and from the office. To this regard, the Institute made modest investments in ICT for the staff members to maintain the pace of its research activities and ensure reliable means of communication between staff and management as well as third parties.

AUHIP mission to Doha

An AUHIP mission to Doha, Qatar was carried out during March 1-4 , 2020 at the invitation of the Qatari authorities. The Mission comprised of H.E. Thabo Mbeki (former President of South Africa and chairperson of AUHIP); Amb. Lamamra Ramtane (Former Foreign Minister of Algeria, a Panel member; Mr. Abdul Mohamed (Chief of staff of the Panel); Mr. Barnabas Afako (legal Advisor of the Panel) and Dr. Ali Issa as a representative of the Research Working Group supporting the Panel; Three staff members of the AUC participated to assist with the mission logistics. The purpose of the mission was to hold consultations with the Qatari authorities with regard to the mandate of the AUHIP of developing a road map for cooperation within the countries of the Horn of Africa, and the Gulf and Red Sea Basin States.

The mission had an intensive programme, and met with (i) the Amir of Qatar; HH Sheikh Tamim Bin Hamad Al Thani; the Prime Minister, HE Sheikh Khalid bin Khalifa Al Thani; and the Foreign Minister, Mohammed bin Abdulrahman Al Thani as well as many other Senior Officials of the Qatari authorities. The Qatari leadership engaged the mission on broad topics of building security, stability and prosperity in the HoA and the Red Sea Basin countries. The Mission also had discussions with senior officials of research and policy institutions; including the Brookings Doha Center, and the Arab Center for Research and Policy Studies. The team had informative guided tour of the Qatar library's rich and invaluable collections of early history and Islamic documents.

Board of Directors meeting

HESPI Board of Directors met on February 14, 2020 in Addis Ababa. The Chairperson opened the meeting with a welcoming remark and approved the agenda. The management of HESPI then presented reports on the Institute current working programs and budget. The Board Directors appreciated HESPI's current activities.

In particular the Directors reviewed the progress on the studies that the institute has been engaged in since July 2019 that were commissioned by the AUHIP and AUC. The Board also reviewed a four country COVID-19 impact assessment on the horn of Africa sub-region which they assessed as timely. Finally, in view of a management presentation of a draft report on a strategy for HESPI resource mobilization, members provided detailed comments and requested some changes and amendments on final document.



Board of Directors and HESPI staff

HESPI organized a briefing session on progress of the RWG activities



Participants at the briefing session

On February 14, 2020, HESPI organized a briefing session on progress of project implementations of the RWG activities under the AUHIP on the HoA for the period of July - December 2019. The meeting was attended by about 20 people, comprising representatives of Sweden, Norway, Denmark and Switzerland embassies; participants from the AUC Sudan and South Sudan desk; the AUHIP Chief of Staff; and HESPI and CDRC staff members. Other participants

on virtual platforms were from Goldsmith University of London, World Peace Foundation USA. Discussions at the meeting focused on the progress made up to December 2019 both on program implementation and financial utilization streams the challenges and opportunities; and the next immediate plans and delivery dates of the research reports and policy events. Also, extensive briefing was made by the AUHIP Chief of Staff on the findings of the high panel's visits to the HoA countries since July 2019

Legatum Institute's Africa Prosperity Report

The Horn Economic and Social Policy Institute (HESPI) signed memorandum of understanding with the Legatum Institute of United Kingdom to support the later to further the policy debates around the pathways to prosperity of the countries in the African Continent. Under this umbrella agreement, the two parties developed an activity agreement to jointly launch the Legatum Institute's Africa Prosperity Report 2019 -20, report showing the Africa Prosperity Index.

As a collaborating Institute, HESPI was entrusted with the role to provide support and feedback on the index analysis, assess if there were issues missing from the index report. The activity agreement was in particular to support the Legatum Institute in the launching of the Africa Prosperity report on the occasion of the 33rd African Union Summit in Ethiopia.



Participants at report launching event

This Prosperity Index report has been measuring national prosperity around the world since 2007. Africa also has vast potential for greater prosperity, but faces many obstacles to realize that prosperity. The Africa report measures each nation in the Continent against a range of economic, social, and institutional benchmarks, using over 150,000 pieces of data to provide a unique and holistic picture of prosperity. It provides the information needed to identify areas of national strength and understand where each country can learn from the strengths of others. The report contains new analysis and insights to show where targeted policy interventions could improve prosperity in every African nation. It is designed to be a transformational tool that can be used to help set agendas for growth and development.

HESPI organized two events jointly with the Legatum Institute in which researchers, policy makers, Think Tanks, and diplomats attended the events. The first event was held at the Intercontinental Hotel on February 6, 2020 where the report was presented to some experts and general audience and discuss it and offer improvements and inclusions. Opening remarks were made by Mr. Michael Gillen from Legatum Institute and Ambassador Peter Robleh, Chairperson of HESPI Board of Directors. Dr. Stephen Brien, the Legatum Institute, made an in-depth Presentation on the Prosperity Index Report which was then followed by discussion session moderated by Dr. Gebrehiwot Ageba, Research Director of HESPI. The second event was a private reception to celebrate the launch of the in-depth report on the eve of the African Union Summit on February 8, 2020 at the Sheraton Hotel, Addis Ababa. The report is believed to inform policy priorities in Africa to further build inclusive societies, open economies, and empowered people to drive greater levels of prosperity for all.

Institutional Networking Developments

Memorandum of Understanding (MOU) between AUC and HESPI

The African Union Commission (AUC) and the Horn Economic & Social Policy Institute signed a memorandum of understanding on July 24, 2020 at the Headquarters of the Commission. The ceremony was presided by H.E. Ambassador Thomas Kwesi Quartey, Deputy Chairperson of the AUC and Ambassador Peter G. Robleh, Chairperson of HESPI Board of Directors in the presence of Dr. Ali Issa, Managing Director of HESPI. The signing of this MoU is anticipated to create and facilitate mutual partnership and cooperation in areas of common interest and endeavors. To this end the AUC and HESPI have identified several important



From left: Amb. Peter, Dr. Ali, and Amb. Thomas

areas of cooperation, including the following: i) encourage collaborative research projects carried out for the benefit of the AU membership; ii) promote institutional capacity for sound economic and social policies implementation at the continental, regional and country levels; iii) promote and facilitate regional and continental economic integration to foster high, sustainable, and inclusive growth and poverty reduction; and iv) promote sustainable economic and social transformation of African economies.

Memorandum of Understanding (MOU) between HESPI and CAI

The Horn Economic and Social Policy institute (HESPI) and The China-Africa Institute (CAI) a member of the Chinese Academy of Social Science (CASS) concluded a memorandum of understanding on February 26, 2020. The purpose of this memorandum is to strengthen and facilitate collaboration between the two Institutes in matters of common interest and to promote cooperation in enhancing mutual understanding. The China-Africa Institute was established in 2019 under the Forum on China Africa Cooperation framework; a valuable platform serving to enhance collective consultation, dialogue and collaboration.

The two institutes agreed to promote academic exchange and collaboration; to encourage visits by research fellows from both institutes in engaging in research and other educational activities; to co-sponsor and organize joint conferences, symposia, and workshops on topic of mutual interest; and to foster the exchange of publications and academic information.

Prof. Li Xinfeng, Executive Vice President of CAI, and Dr. Ali Issa, Managing Director of HESPI signed the MOU to remain in effect for a period of 3 years from the date of signature. Extension for further period shall be raised six months prior to the terminal date of the MOU.

Policy Briefs

Policy brief on climate change-induced migration in the Horn of Africa

The Horn of Africa has been facing a wide range of interconnected and mutually reinforcing negative conditions for many years. Recently, climate change-induced migration, either voluntary in nature as an adaptation strategy or through displacement, has become a formidable challenge for these countries. Achieving a resilient society – where people can adapt in place and thrive, or migrate with dignity to areas of higher opportunity – should be an important part of meeting national development goals. It is thus critical to take a long-term perspective on how to reduce vulnerability and make human and socio-economic development more resilient, in order to reduce the number of distressed people forced to move as a result of climate change.

The author of the policy brief, Dr. Fredu Nega, provided specific policy reforms recommendations including the following:

- Ensure risk sharing and risk acceptance: weather index insurance is an innovative tool that can develop and complement insurance offerings and give more people access to risk mitigation coverage. As a formal climate-smart toolkit it has the potential to increase agricultural productivity and incomes by allowing smallholder farmers to adapt and build resilience to weather shocks.
- Increase social protection (SP): this includes social safety nets, social insurance and labour market measures, and plays an important role in achieving the overarching objectives of reducing vulnerability and increasing climate resilience. However, SP programmes should not be considered in isolation. Integrating and coordinating SP with climate change adaptation and disaster risk management will address the multiple risks and increasing climate-related vulnerabilities experienced by the poor.
- Promote livelihood diversification: policies that include livelihood diversification as a key component of adaptation – including training grants, cash payments to boost local economies and stimulate multiplier effects, investments into small towns as service centres and markets, and adaptation funding as a support mechanism for diversification – can reduce climate change vulnerability.

More details from www.hespi.org

Policy brief on climate resilient pastoralism and agro-pastoralism in the IGAD region

A policy brief was prepared based on the extensive proceedings of the conference on pastoralism and agro-pastoralism which included 19 papers presented at several plenary sessions and multiple breakout discussions at the international Conference.

The Horn Economic and Social Policy Institute (HESPI) and the Institute of Pastoral and Agro-pastoral Development Studies (IPADS) of Jigjiga University held a joint international conference on Climate Change, Pastoralism, and Resilience Building in October 2019 in Jigjiga.

The conference was opened by the President of Somali State of Ethiopia H.E. Mustafa M. Omer, and was attended by academics, policymakers, senior officials, members of the civil society, academia/researchers, experts and development practitioners on pastoralism in the IGAD region, and national and international media correspondents.

More details from www.hespi.org

HESPI Blogs

Assessing the China-Africa Cooperation: Towards Enhancing the Strategic Partnership

Since the establishment of the Forum on China-Africa Cooperation 20 years ago and the recent initiation of the Belt and Road Forum for International Cooperation, China has become Africa's biggest economic partner. There is no other country with such depth and breadth of engagement across trade, investment and infrastructure financing in Africa.

In this context, Chinese State Councilor and Foreign Minister Wang Yi underscored, on the occasion of the 20th anniversary of FOCAC on Nov 12, that trade between China and Africa had grown 20-fold and hit \$208.9 billion in 2019. In addition, compared with 20 years ago, total Chinese foreign direct investment in Africa reached \$49.1 billion in 2019, which was 100-fold growth. Furthermore, more than \$200 billion in Chinese financial support was generated by 2019.

China's expanding investments were supported by the forums through promoting infrastructure development, encouraging Chinese enterprises to invest, and facilitating the development of small and medium-sized enterprises in Africa. The inflows of FDI from government and private enterprises facilitated the associated Chinese financial flows and enhanced the inclusive development potential of many African countries.

China has already become a big financial source for Africa's development endeavors. In September 2018, a total of \$60 billion in financing was pledged for Africa at the seventh FOCAC summit. This comprised \$15 billion in grants, interest-free and concessional loans; \$20 billion in credit lines; \$10 billion for development finance; \$5 billion for financing imports from Africa; and incentives for Chinese companies to invest at least \$10 billion over three years.

Undoubtedly, Chinese investments and external financing were indispensable to sustained economic growth in many African countries in the FOCAC period. Such investments have contributed to providing world-class economic infrastructure, injected much-needed capital, introduced new technologies and modern management know-how, and strengthened management of project implementation in these economies.

The views of African policymakers and academics demonstrate that countries significantly benefited from China during two decades of FOCAC. China's economic and foreign relations approach is generally perceived positively in African countries. Most observers emphasize China's diplomacy of noninterference, mutual respect and friendship with Africa as being fully appreciated by key decision-makers.

Current achievements are broad-based but tell only part of the story, since China-Africa cooperation extends to other key sectors, as declared at the 2018 FOCAC Beijing summit. The deepening relationship is beyond economic cooperation and extends to crucial social sectors as demonstrated by efforts to provide support for health and educational institutions and governance in African countries, and for peace and security missions in some states.

More specifically, there is much to commend regarding China's efforts to assist Africa under the difficult circumstances of the COVID-19 pandemic. The health and economic impacts of the pandemic are creating huge economic and social challenges globally. China's efforts to support Africa in surmounting these challenges and achieving post-pandemic recovery are vital to ensuring that economic achievements in recent years are sustained, and poverty reduction in recent decades is not reversed.

At such a critical moment in the global fight against the COVID-19 pandemic, commitments made at the virtual Extraordinary China-Africa Summit on Solidarity against COVID-19 on June 17 promised to build a China-Africa community of health for all. These commitments made at the summit in the words of President Xi Jinping included that African countries will be among the first to benefit from the COVID-19 vaccine once its development and deployment are completed in China.

The gains achieved under FOCAC and Belt and Road Initiative cooperation have evidently built a shared community and substantial collaboration in socioeconomic fields. The remaining matters are how to strengthen and enhance cooperation within FOCAC and the BRI on high-priority issues that improve people's livelihoods and well-being.

There are core areas of vital importance for the transformation of Africa that should be covered urgently, including poverty reduction in fragile economies, expanded efforts to develop Africa's industrialization, and efforts to address the adverse impacts of climate change, which are an existential threat to some African regions and countries.

The achievements of China's transformation to lift 800 million people out of poverty within a few decades are much aspired to globally. In addition, in view of China's success in addressing climate change, food security and agricultural productivity, the ways and means of collaborating in these critical areas should be set as priorities in extending the achievements under FOCAC and the BRI.

The Chinese leadership has declared readiness to work with Africa on a framework of strategic cooperation on climate change to jointly tackle this challenge, as well as willingness to explore broader cooperation on clean energy.

Over the past 20 years, FOCAC has considerably enhanced the cooperation and friendship of China and Africa, and the BRI will further strengthen this relationship. Current practices and China-Africa strategic relations should be enhanced and expanded to critical areas that are vital for improving people's lives and promoting sustainable development.

The blog by Dr. Ali Issa was published by the China Daily Global and the Ethiopian weekly Capital Newspaper.

The Impact of COVID-19 pandemic in the Horn of Africa (HoA)

The health and economic impacts of the COVID-19 pandemic has affected practically every country in the world. While the virus spread is at an early stage across Africa, the World Health Organization (WHO) and other public health entities have warned that the pandemic will be more lethal in Africa than in the developed regions thus far. Most of the Horn of Africa countries are classified among the world's 'highest risk' countries that were rated to have three times higher exposure to epidemics, such as COVID-19. They also have six times higher risk in terms of access to adequate health care compared to the world's lowest risk countries.

The alarming prognosis that the HoA countries would be severely hit by COVID-19 is based on societal features including high rates of poverty, prevalent food insecurity and absence of any effective social safety nets; such as targeted income support, unemployment insurance or disaster preparedness and prevention. Such prognosis also reflects weaknesses in public health systems, vulnerability of large segments of the population, unpreparedness for large emergencies, scarce resources availability, and over-dependence on few commodities.

In most of these countries, the prevalence of large refugees and internally displaced people across porous and insecure borders of the sub region aggravates the situation. Most of the refugees and IDPs live in camps with non-existent basic social services, and most of the pastoral communities inhabiting the remotest areas of the region have limited access to information on the pandemic and have poor health systems with limited reach to the most vulnerable.

It is enormously difficult to predict the scale of the damage on these fragile HoA countries' health and economic status, as much will depend on the spread and duration of the crisis, and more importantly on the efficacy of measures adopted to contain and mitigate the spread of the virus. The preliminary indications are that the social distancing and mobility restrictions imposed in these countries are contributing to severe contraction in economic activity, unemployment, and uncertainties that are unprecedented in recent history.

In this blog, we assess the scope of the pandemic, and at what actions are required to contain and mitigate its impact on the health and economic well-being, and to build resilience of the most vulnerable and affected communities over time. In addressing the likely impact of the health and economic impact of Covid-19 in the HoA, simultaneous and properly sequenced actions by the governments of the sub-region are required.

By Dr. Ali Issa

The detail blog is available at www.hespi.org

Briefs on Current Developments in the IGAD

Sudan Devalues Its Currency

Sudan's central bank has sharply devalued its currency, the Sudanese pound, in an attempt to get debt relief, crack down on the black market, and attract money back to the country. The bank unified the price of the currency with the black market at 370 pounds for one U.S. dollar. Sudan's annual inflation rate is more than 300%, one of the world's highest, and sparked protests over the struggling economy.

The government says that the devaluation is aimed at attracting investments and controlling imports and exports. Currently the country's foreign debt reached \$70 billion in 2020, and the budget deficit exceeded \$1.5 billion. While inflation in the last couple of months surpassed 300 percent, and the Sudanese pound has steadily lost value against major foreign currencies.

This policy seems to be part of the IMF's recent push for reforms. Previously, the government took number of policy measures like removal of fuel subsidy, tax measures aimed at consolidating the country's fiscal situation, and also increased electricity tariffs.

Source: VOA NEWS and Sudan Now (<https://sudanow-magazine.net/page.php?id=1234>)

African Countries Open Their Market under AfCFTA

African countries opened their markets on 1st January under the continental free trade agreement and duty-free trading of goods and services across borders is now underway despite the COVID-19 pandemic and other teething problems.

The Free Trade Area, created under the African Continental Free Trade Area (AfCFTA) agreement is estimated to be as large as 1.3 billion people across Africa, with a combined gross domestic product (GDP) of \$3.4 trillion. This has a potential of lifting up to 30 million Africans out of extreme poverty, according to the World Bank.

The AfCFTA is also expected to boost intra-African trade, promote industrialization, create job, and improve competitiveness of African industries on the global stage. It will also empower women by improving their access to trade opportunities. Women make up the largest share of informal traders, representing 70 per cent to 80 per cent in some countries. However, for a smooth rollout, countries have to agree on some of the remaining issues such as the Rules of Origin, which are a key element in international trade as they are the cornerstone of preferential trade arrangement such as AfCFTA.

The World Trade Organisation (WTO) defines Rules of Origin as "the criteria used to define where a product was made" and are important for implementing other trade policy measures, including trade preferences (preferential rules of origin), quotas, anti-dumping measures and countervailing duties (non-preferential rules of origin). Duty and restrictions in several cases depend on the source of imports.

Source: Africa Renewal (<https://www.un.org/africarenewal/magazine/january-2021/afcfta-africa-now-open-business>)

Briefs on Current Developments in the IGAD

IMF Financial support for Kenya and Uganda – in 2020

Kenya: The International Monetary Fund (IMF) approved the disbursement of SDR542.8 million (100 percent of quota, about US\$739 million) to be drawn under the Rapid Credit Facility (RCF) to meet Kenya's urgent balance of payments need stemming from the outbreak of the COVID-19 pandemic. The impact of COVID-19 on the Kenyan economy will act through both global and domestic channels, and will lead to severe downside risks.

While the authorities have taken decisive action to respond to the pandemic's health and economic impacts, the sudden shock has left Kenya with significant fiscal and external financing needs. Authorities have committed to resume their fiscal consolidation plans once the crisis abates to reduce debt vulnerabilities. The RCF will help the authorities to address those needs. It will allow them to maintain an adequate level of international reserves and help provide the budget financing needed to respond to the pandemic.

Source: [www.imf.news, articles 2020/05/06](http://www.imf.news/articles/2020/05/06)

Uganda: The International Monetary Fund (IMF) approved a disbursement of SDR361 million (about US\$491.5 million or 100 percent of quota) for Uganda under the RCF. It will help finance the health, social protection and macroeconomic stabilization measures, meet the urgent balance-of-payments and fiscal needs arising from the COVID-19 outbreak and catalyze additional support from the international community.

The Ugandan economy is being severely hit by the COVID-19 pandemic and, in particular, such key sectors as services (tourism), and is curtailing remittances and foreign direct investments. The weakening economic conditions emanating from the Covid-19 pandemic have put significant pressures on revenue collection, expenditure, reserves and the exchange rate, creating urgent large external and fiscal financing needs.

Source: [www.imf.news, articles 2020/05/21](http://www.imf.news/articles/2020/05/21)

HESPI Forthcoming Events

- HESPI will lead the conduct of the synthesis or strategic analysis of key findings thus far under the three pillars of the AUHIP/RWG project; Addressing emerging post November 2020 peace and security issues in the region and their social and economic implications through further consultations and exploration.
- Conduct Phase 2 online workshops on the AUHIP/RWG project intermediate findings for policy makers of the HoA countries, the GCC, and Red sea basin states representatives, and the international development partners and produce workshop reports
- Finalize the research the AUHIP/RWG project reports, policy briefs and synthesis reports with comments incorporating the phase 2 from the 2 rounds of validation workshops; and disseminate the final research outputs to relevant stakeholders and the wider public in the region
- Make country visits and consultations with HoA countries (Ethiopia, Sudan, South Sudan); and GCC states (UAE & Saudi Arabia).
- Conduct additional exploration with the private sector and business communities; such as national and regional Chambers of Commerce to deepen and broaden the AUHIP/RWG project reports
- Provide written or oral briefings for the AU, IGAD, UN, PSC on key findings and policy recommendations of the AUHIP/RWG project
- Prepare and conduct, jointly with AUC, an international conference on peace, security, cooperation and development in the HoA
- Conduct research on African Continental Free Trade Area (AfCFTA) and Poverty in the Horn of Africa commission by the Frederick Ebert Stiftung office in Ethiopia with the African Union. This is part of HESPI's strategic engagement in regional integration and poverty reduction in the Horn of Africa.
- Conduct Research on Food Security and Climate Change impact and Resilience building in the Horn of Africa countries
- Conduct Research on Euro-African understandings and debates compounding the increasing migration in the Horn of Africa with the Frederick Ebert Stiftung
- HESPI Board of Directors Meeting

Research Outputs

Regional Economic Cooperation and Integration in the Horn of Africa

HESPI has released the first draft reports on Regional Economic Cooperation and Integration in the Horn of Africa. The report constitutes findings from five stand-alone studies, i.e. Regional Integration and Trade Development in the HoA: Progress and Challenges; Sustainable Finance for Trade and Investment in the HoA; Assessing Cross-Border (C-B) Infrastructure Cooperation in the HoA; Food Security, climate change, Environmental Challenges and Resilience Building in the HoA; and The Covid-19 Pandemic in the IGAD Region: Impact on Health and Economy.

1) Regional Integration and trade development

The report has shown that the HoA region is one of the least integrated in the world. Although tariff barriers have fallen, bilateral trade costs due to poor trade logistics remain high. Progress in implementation of trade facilitation measures has been commendable in Kenya and Uganda while it's sluggish in the remaining countries, most notably in Somalia and South Sudan.

2) Infrastructure Study

The HoA region also has one of the least physical infrastructure connectivity, be it in transport, power or ICT. Major challenges hindering progress in C-B infrastructure include prolonged political instability in some countries, limited institutional capacity, lack of harmonization of individual countries legal systems, lack of regional cost-benefit distribution analysis at the design stage and inadequate finance. The report underlined the need to enhance institutional capacity in contracts and project management, harmonization of laws regarding infrastructure construction and operation, co-deployment of fiber optic cables with power transmission lines and construction of highways to reap synergy benefits, strengthen the capacity and legal mandate of IGAD to exercise a more active role in C-B infrastructure promotion, and have development partners leverage their lending role to achieve consensus on regional agreements which are often hard to achieve without enforcement from external institutions.

3) Food Security, Climate change

The HoA region requires huge resources for investment in regional trade facilitation and regional infrastructure as well as broadening the sources of finance. The report has found that the financial systems of the HoA countries is mostly dominated by commercial banks which are unable to sustainably avail funding for medium to long term investments such as regional infrastructure. The national development banks lack capitalization. While international and continental financial institutions (e.g. WB, AfDB) remain important sources for national investment projects and, as of recently, for cross-border projects, the region's funding needs exceed far beyond what's available from these institutions. The existing severe medium and long-term finance constraints need to be removed if the objective of facilitating cross-border trade and investment so as to promote economic integration and realize poverty alleviation in the region is to be achieved. As experiences of other RECs in the continent and elsewhere show, establishment of a regional development bank mandated to raise funds internally in the region and externally (including non-traditional sources such as China and Gulf States) to finance cross-border infrastructure projects and programmes of the region in line with its priorities and interests offers a potentially promising way. The regional development bank would have well placed domestic partners in financing large national projects through the national development banks of respective countries.

4) Adequate and sustainable financing for trade and investment on HoA

The report also assessed the effect of climate change on food security and resilience building measures taking place in the region. Food insecurity in the Horn of Africa region, as measured by the prevalence of undernourishment, is one the highest in the world. Vulnerability to food insecurity is not only high but also becoming structural, given most of the poor concentrated in the arid and semi-arid ecosystems and forced to cultivate increasingly marginal lands more intensively, low diversification into non-farm economic activities and overreliance on land. Interventions made in the countries to build resilient livelihood systems has been fragmented and remain at pilot levels.

The papers are available at www.hespi.org

The report emphasized the need for establishment of Integrated Climate-Response System (ICRS) to build resilience as opposed to different standalone programmes. ICRS overhauls resilience building interventions by reducing fragmentation of programs and institutions, linking to early warning and emergency systems, being customized to individual country needs, and adopting participatory approach. The adverse effects of climate change being a threat to all of them, there is a strong cases for collaboration and pooling resources among the Horn countries for joint actions and investment.

5) The impact of COVID-19 on the HoA countries

The report highlighted the impact of the Covid-19 pandemic on the health and economy of the HoA region. When the Covid -19 pandemic began, the HoA had 5 of the 15 most vulnerable countries for exposure to the pandemic. Individual governments were quick in introducing health response mechanisms. However, failure to observe regular use of masks and social distancing as well as difficulty to sustain lockdowns meant the spread of the virus gradually picked up in the region, reaching 61,861 cases and 1561 deaths by end of July 2020. The pandemic has hit the economies of the region considerably through various avenues: slowdown of economic activity within countries, disruption of supply chains with trading partners, sharp fall in remittances and FDI, among others.

As governments continue to struggle against the pandemic and rescue lives and businesses, they also need to introduce appropriate measures for fast and sustainable recovery. Governments will be served well by taking measures and processes that ensure the design of recovery measures that are not only in line with the SDGs but also deliberately aim to exploit opportunities to rebuild in ways that are green and strengthen future resilience to shocks. At the regional level, IGAD could play an important leading role in initiating and supporting research, analysis and policy advice that inform the design of recovery packages (with possible regional components) and consultative formulation processes. These discussion platforms will inform development partners working in the region to re-visit their development programs in light of the added dimension of the impact of the pandemic and the resource demands of a recovery that addresses poverty, inequality and inclusion as well as environment.

6) The overview report on the COVID-19 impact, in Ethiopia, Kenya, Somalia, Sudan

HESPI has conducted country case studies on the effect of Covid-19 on Ethiopia, Kenya, Somalia and the Sudan. The study summarized the findings on how well the health sectors were prepared to cope with a pandemic such as Covid-19 and how the socio-economic sectors were affected after the onset of the pandemic in the respective countries.

The health sectors of countries in the region have inadequate infrastructure, medical staff, equipment and medicine to meet basic health service needs let alone a pandemic with a scale and severity of Covid-19. Emergency response infrastructures including ICU beds, ventilators, ambulances, diagnostic testing labs, quarantine facilities and personal protective equipment (including gowns, face shields, gloves, gowns, surgical masks, etc) were too little or non-existent. These countries also had millions of internally displaced Persons and refugees who often times live in crowded shelters with inadequate health care, water, sanitation and hygiene, making these countries even more vulnerable to the risk of Covid-19.

Following the first confirmed cases, governments in the region announced various restrictive measures including a halt in international air travel, closure of borders, banning public gatherings, closure of schools, banning public transport between cities and rural areas and encouraging social distancing. Although the rates of spread were slow in the beginning, failure to strictly adhere to preventive measures led to a gradual spike in confirmed cases in all the countries.

The pandemic put strain on an already weak health infrastructure, leading to disruption of basic health service provision to non-covid patients. As was the case in every country in the world, the economies of this region have borne the brunt of the pandemic. Restrictions on movement of people and local transport severely slowed domestic economic activity, forcing firms to suspend operation and lay off workers. The region's major trading partners and development partners were going through a prolonged lockdown, leading to disruption in import/export, sharp fall in remittances, and external finance.

The report emphasized the need to introduce tax relief and incentives for businesses so that they remain operational and keep their workers. Also, expanding social safety nets to provide basic necessities to the most vulnerable is argued to be essential. Moreover, donors should provide debt relief and debt repayment arrangements to the countries in the region to ease the fiscal burden caused by Covid-19.

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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: contacthespi@hespi.org

www.hespi.org